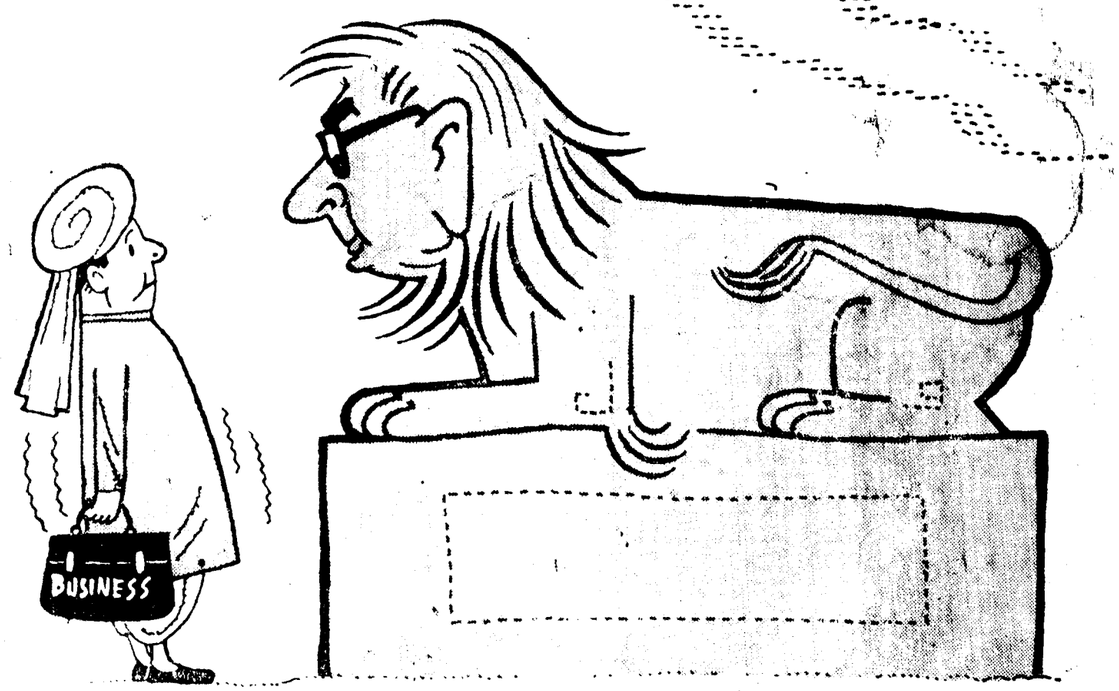
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EASTERN ECONOMIST

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GOVERNMENT OF MADRAS



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It follows that to the question we asked a year ago, "Will he deliver the goods?", it is possible now to give a more confident answer in the affirmative than was the case during the greater part of last year.

We have said that the greatest asset the nation has in the economic sphere today is that it has woken up to the urgent importance of positive economic development. This is also the chief advantage which the Finance Minister, who must necessarily be the architect of that development, now has for fulfilling the expectations of the people. The country is wearied of slow and uncertain economic progress. Lately, there has been much mid-term stock-taking of the third Plan. But as Mr. Krishnamachari pointed out in his address to the gathering of economists in Bombay, we are not only in the middle of the third Plan, but we are also exactly half-way through the 25-year perspective of development with which we had started at the beginning of the first Plan in 1951 Let us recall then what the first Plan had to say:

"In the last four or five decades, there has been considerable industrial development in India, accompanied by urbanisation and expansion of commerce. Large towns and cities have grown and transport and communications have developed extensively. The isolation of the village has been broken and the average citizen lives in an environment significantly different from the one in which he lived and worked fifty or sixty years ago. Indian enterprise has made considerable headway, and the country has now considerable experience in the fields of modern business, industry and finance. New economic and social relations have emerged, giving rise in turn to a general desire for more rapid change. But the development that has taken place is partial and limited when judged in terms of the industry's needs and potentialities. Industrialism and the use of modern techniques have affected only limited segments of the economy. Agriculture is still the mainstay of life for about 70 per cent of the population, and productivity in this sector is exceedingly low. The size of agricultural holdings has progressively diminished; the old cottage and small scale industries have been decaying, and the rural population which constitutes about 83 per cent of the total suffers from chronic underemployment and low incomes. Population has increased by more than 50 per cent in the last 50 years, but the growth of alternative occupations either in the rural areas or in the towns has not been on the scale which could absorb this growing population. In the limited spheres which have registered expansion, the level of productivity and the level of incomes have naturally been higher. But, for the community as a whole, the economic development of the last few decades has brought no significant improvement in standards of living and opportunities for employment and has perhaps accentuated to some extent inequalities of income and wealth."

Let us read that passage again carefully and let us ask ourselves whether, after two five-year Plans and in the middle of the third, we are in a position to say truthfully that the basic character of the national economy has substantially changed in quality from what it was at the threshold of the five-year Plans. In many ways such expansion in agriculture, trade or industry we have been having is a continuation of what had been going on in the four or five decades before the first Plan. It is true, perhaps, that there has been a little more of the same a little more quickly. But the emphasis is still on "same". India continues as a predominantly agricultural country, while the quality of agriculture has not improved substantially. Agricultural production and productivity are not matching now any more than previously the new demands arising from an increasing population as well as the general desire for better living. The process of urbanisation and industrial and commercial expansion has also no doubt continued — and continued perhaps at a higher rate — but our industrial expansion is still lagging far behind the tempo necessary for relieving appreciably the pressure on the land. Of trade and commerce, there is room for even less satisfaction. Our distributive systems and agencies have been often blamed for anti-social practices. It would be more to the point to criticise them for their sheer inefficiency, for their addiction to outworn methods of business in stocking or selling and for their not getting modernized even at the rate at which other sectors of the Indian economy, including agriculture, are attempting to move into a more modern world. Even hand-spinning has been changed by the introduction of Ambar Charkha, but the merchandizing system in the country goes on much as before. It is true enough that neither the producer nor the consumer is getting a fair deal out of the present distribution system, but this is less because the distribution system is dishonest than because it is incompetent. Whereas all over the world giant strides have been taken in cutting down distribution costs through modern methods of merchandizing, not a whiff of this wind of progress has been caught in this country.

And so, in many essential ways, thirteen years of planning have left us some considerable distance away from the mainstream of economic modernity. The Finance Minister pointed out to the economists at the Bombay gathering that the national income in the first two Plans had risen by 40 per cent and he suggested that "we could reasonably hope that it would rise by another 20 or 25 per cent over the third Plan". We hope too that he is guessing right, although we are not sure that he is not too optimistic over the probable performance of the third Plan. But even assuming that the national income does rise by about 60 or even 70 per cent over the three Plans, the nation would still be caught short of its expectations relating to the 25-year perspective of development. It is now generally agreed that the rate of investment should rise to 20 per cent of the national income and the annual increase in national income attain a level of seven per cent if enough resources are to be found for our being able to engineer a tempo of economic development which could make a noticeable impact on mass poverty and mass unemployment, and provide simultaneously for a minimum national scheme of social security. The basic issue in economic policy-making today is how — and how soon the national income could be made to grow at an

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annual rate of seven per cent and also the rate of investment stepped up to 20 per cent of the national income.

We are sure that the Finance Minister must be thinking out the answers. Meanwhile, it is obvious that he has been taking the necessary first step of hammering out an apparatus for coherent thinking and a consensus within the Government. This perhaps is Mr. Krishnamachari's most important achievement since he became Finance Minister. It is now clear that senior Ministers or Ministers, who are in charge of important economic responsibilities, are coming together in a group to do some joint study of immediate as well as long-term problems. The reactivisation of the Economics Sub-Committee of the Cabinet is a significant development in this sense. There are indications that the process of consultation on economic problems is being promoted earnestly among Mr. Krishnamachari, Mr. G. L. Nanda, Mr. Swaran Singh and Mr. C. Subramaniam within the Cabinet and between them and the Deputy Chairman of the Planning Commission, Mr. Asoka Mehta. That Mr. Asoka Mehta and Mr. Krishnamachari, in particular, are getting into the habit of thinking alike on many basic issues is certainly a most welcome development since a community of ideas between the Planning Commission, on the one hand, and the Central Ministries on the other, could make a very constructive contribution to the objective of a positive direction being given to the national economy. The big question, however, still remains: How far will the political compulsions of the Congress Party permit a positive economic policy to be pursued? Some kind of an answer may be forthcoming at Bhubaneswar. Meanwhile, the discussions at the Jaipur Session of the All-India Congress Committee and the subsequent Draft Resolution on Democratic Socialism of the Working Committee for presentation at the General Session of the Party at Bhubaneswar have given some indication of the shape of things to come. The general reaction in the national Press to the Working Committee's Resolution is one of relief. Leader-writers have been carried away by the feeling that, since the Working Committee could have done so much worse, it deserves to be congratulated on having done not so badly after all. This approach is not without its own logic. There were presistent Left Wing pressures on the Working Committee to make a radical socialist declaration. There were, in particular, demands for the nationalisation of banks and the establishment of State trading in foodgrains. It had also been urged that there should be an aggressive expansion of the public sector simultaneously with the de-concentration of wealth and what has been described as economic power in the private sector. The Working Committee has certainly succeeded in resisting these pressures up to a point, but it is clear that it has made dangerous concessions, both open and implied.

Thus, although the Working Committee has not conceded the demand for the nationalisation of banks, it has certainly uttered sounds which have the effect of considerably softening the firm stand taken on this issue by the Central Government at least up to the end of the tenure of Mr. Morarji Desai as Finance Minister. Whereas the former Finance Minister had clearly said that the Govenment did not consider the nationalisation of banking either necessary or desirable, the present Finance Minister diplomatically permitted his deputies to say in Parliament that the Government did not consider nationalisation to be necessary at the present time, but was keeping an open mind on what might be found desirable eventually. Now, the Working Committee has chosen to equivocate further. It says: "The Government should place itself in a position more effectively than is the case now to direct the means of credit and investible resources of the country along the lines of national priorities and our social purpose. At present small entrepreneurs or new comers are placed under a serious disadvantage in respect of availability of financial resources. There is also need for further steps for the removal of abuses and malpractices in financial institutions". It is true that this passage could be taken to mean that the Working Committee had cleverly employed a hundred words instead of one to say "no" to the demand for bank nationalisation. But it must be obvious surely that even by making such verbal compromises where important principles of policy are concerned, the ruling party could be dangerously weakening the hands of the Government.

In any case, the Working Committee's observations on this question are contrary to facts and are also illogical. It is strange, for instance, that the Working Committee should have even remotely suggested that the presence of the private sector in commercial banking is in any way responsible for small entrepreneurs and new comers being at a disadvantage in respect of the availability of financial resources. We know that the charge is only too often made that banks are discriminating in favour of big business and/or their (banks') established connections. But we must emphasize that no evidence has been produced to substantiate this charge. We hope to deal with this question shortly in factual detail so that wild allegations may be exposed. Meanwhile we cannot but deprecate the weakness of the Working Committee in even seemingly conceding one of the false arguments for nationalisation of banks. It is even more surprising that so soon after the Central Government has enacted a law vesting the Reserve Bank with sweeping authority and powers over commercial banking, the Working Committee should be found making the absurd statement that "there is also need for *further* steps for the removal of abuses and malpractices in financial institutions" (italics ours).

It is not only on this question of banks that the Working Committee has vacillated. Faced with the demand for State trading in foodgrains, it has tried to fend it off with the formula that States should progressively take over the operation of rice mills and other

units for processing agricultural produce. It is possible that the Working Committee had acted on the inarticulate assumption that, since this kind of declaration could only be a general recommendation to State Governments which they would not be in a hurry to implement, no great harm would be done. But an attitude of hypocrisy in matters involving directly or indirectly basic issues both of ideology and honest day-to-day administration, could clearly be a double-edged weapon. Once the Congress leadership falls into the habit of choosing the line of least resistance, it may soon find that it has lost the capacity to resist at all.

Finally, the Working Committee says: "It is necessary to bring about a limitation of income and property in private hands. This limitation should apply specially in respect of inherited wealth and urban property. The State should secure a larger share of capital gains and appropriate a much larger proportion of unearned income than is being done at present." Here again, it may be argued that this is a moderate reaction to the clamour of the lunatic Left fringe in the Congress party for a policy of levelling down. But while the sentiments themselves are, within the proper limits, quite respectable, it is obvious that the Working Committee's opportunist approach does violence to the genuine needs of rapid economic development. The Working Committee argues that "it is necessary to bring about a limitation of incomes and property in private hands". In modern civilised communities the only way this is done is through a progressive system of taxation and so far as *that* goes, our country certainly is one of the most modern communities in the world. But even a progressive system of taxation does not have only one purpose, namely the purpose of limiting incomes or property or even reducing disparities in income. While that should certainly be *one* of the purposes of any modern system of taxation in a democratic community, it is equally important for fiscal policy to work the principle of progressive taxation in such a manner that, first, saving and investment, leading to capital formation for the benefit of the economy, and, secondly, business enterprises, which would employ that capital in active production, may not be discouraged.

As with most things in life, the practical application of the principle of progressive taxation has to strike a balance between alternative, even if not conflicting, purposes, so that the net gain to the community may be the maximum. Exactly where the balance is struck must obviously be determined in the local context, but broadly speaking, in an underdeveloped economy, the egalitarian purpose cannot be pursued at more than a certain pace without the aggregate progress of the economy in terms of investment and production being depressed.

For a poor country to seek to tax capital and enterprise out of existence would be to sacrifice its future for no appreciable gain in the present. The Finance Minister has lately been stressing the importance of matching economic progress with social welfare. But there will have to be this economic progress out of which social welfare could come. Mr. Krishnamachari in a wholly admirable effort at demonstrating that the Government desires the weaker sections of the community to participate not merely in the remote gains but also in the current profits of economic expansion, has been coming out with limited welfare schemes for one group of people after another. He is no doubt aware that such measures cannot be financed by clever government book-keeping. The economy has to keep growing and keep producing more and more of goods and services which are the real "content" of welfare. That perhaps is why the Finance Minister stressed in his statement to Parliament the importance of reorienting the taxation system towards the objective of stimulating investment and economic growth. But the Congress Working Committee speaks of limiting incomes and property as if *that* would make any positive contribution to economic growth.

We are particularly at a loss to understand the Working Committee's recommendation that limitations on incomes and property in private hands should apply specially to inherited wealth and urban property or its suggestion that the State should secure a larger share of capital gains and appropriate a larger proportion of unearned income than is being done at present. In concrete terms all this could only mean an all-round increase in the various direct taxes on wealth or higher incomes. Surely, this directive, if it is a directive, cannot be easily reconciled with the Finance Minister's pragmatic desire for a reform of fiscal policy for the purpose of promoting economic growth. It is, of course, true that whether a particular rate of estate duty or wealth tax should be increased or not is in the nature of a decision on budgetary details, the virtue of which has to be considered along with other contemporaneous decisions on fiscal policy. But at the same time, it cannot be ignored that the essence of the Working Committee's approach seems to be that the total burden of direct taxation could be sharply increased especially with regard to the capital assets of the individual or what are called unearned incomes. It should, however, be seen on any serious consideration that if the net effect of any set of fiscal decisions would be to leave people with less capital or less income than at present, it is certainly not going to help increase saving or investment or business activity. On the strictly factual basis, any pursuit of egalitarianism, irrespective of the economic context, must come in the way of the pragmatic gearing of fiscal policy to dynamic development which the Finance Minister rightly seems to consider to be his primary responsibility in the present conditions of faltering economic progress.

This is not to say that the Working Committee's Resolution is entirely without virtue. To the extent that periodic statements of basic purposes are necessary to mobilise and maintain popular enthusiasm, the ruling

Party must reaffirm on appropriate occasions the goal of modernizing the economy and building up its productivity for the increasing benefit of more and more people. The major assumptions of these programmes are such that no civilized community can quarrel with, and provided the Congress Party pursues those purposes in a pragmatic manner, taking into consideration the immediate as well as long-term requirements of increased saving, investment and business activity for the more rapid expansion of the economy, it will naturally continue to have wide support among the people. The capacity of the Congress Party to ensure political stability has been happily established, but its continuing desire to uphold economic stability needs, unfortunately, to be reaffirmed from time to time. In this sense, it is testing time for responsible leaders of the Congress whose thoughts may now be turning towards Bhubaneswar.

Meanwhile, within the Central Government itself there has been, as we have noticed at the beginning, the immense gain of a revival and reassertion of positive thinking on economic matters. There is at last a considered and comprehensive strategy. Socialism is to take the practical shape of social welfare measures as they become progressively possible within the contemporaneous limitations of the economy. Mr. Krishnamachari, however, must make himself constantly conscious that welfare has to be paid for with production. As he himself told his audience of economists in Bombay, the Government's economic policy cannot become consumer-oriented without also becoming correspondingly investment-minded. If there is no sufficient investment, the welfare schemes will only result in inflation which would mean that the welfare sought would end up as a demagogic fiction.

It follows that every little attempt made by the Government to promote welfare must intensify the need for stepping up the tempo of the economy. The Finance Minister is to be congratulated on recognizing this compulsion. He has had the courage to say in Parliament that controls were not sacred cows and that they must serve positive purposes. We are glad to find the same sentiment echoed in the Working Committee's Resolution. It says: "Controls should be applied only when they become indispensable in the larger interest of the community. Every effort should be made to ensure the successful operation of such controls by efficient and honest administration and by enlisting the co-operation of the people." Since it is evident that the most important single condition of efficient administration of controls is that they should be small in number and individually clearly relevant to the economic or social context, it follows that the cutting out of dead wood in the structure of controls ought to have the highest priority. Mr. Krishnamachari has started rather timidly by removing a few marginal and minor price controls. It is to be hoped that, in the coming weeks or months, he would be emboldened to undertake some drastic surgery. Coal, oil, steel, cement, fertilizers, paper, cloth and sugar are some of the co modities in the case of which the interests of both p ducers and consumers have needlessly suffered by sound or unnecessary price restrictions. A bold decis which would free the productive apparatus of the cubus of restrictive controls would do immense good these important industries which could contrib powerfully to economic stability and economic growt

Hopes in the nation are running high, but patie is running out. People have rejected jam tomorr they must have bread today. The Prime Minister rightly been emphasizing that modern science and te nology have opened out grand vistas of economic p gress. But it remains unhappily within the politicia power to block the opening or put obstacles in the pa For 13 years now we have been talking more than a ing. We have been strong on ideology, but weak performance. We have no doubt stirred popular thusiasms and activated a good deal of popular eff We have also been fortunate enough to arouse the sy pathy and enlist the support of friendly peoples governments abroad. These are outstanding ga But it cannot be asserted by any means that we h yet been able to make the most of these assets. On contrary, we have often found ourselves paralysed our inhibitions and atavistic urges. We have yet cultivate a clean contempt for poverty. Essentially, have learnt so far only to fear poverty and being afr of it, we are inclined to worship it. The nation m fight out of this psychology of insecurity; otherwis cannot but remain the guinea pig of witch doctors.

Eastern Economist 20 Years A

JANUARY 7, 1944

FREEDOM IS always a function of security. The prin reason why liberty has flourished best in Great Britai the United States is that these countries have enjoyed ec mic and political security to an extraordinary extent ov to their insular position and command over great econ resources. The ascending degree of political freedom allo in, say, France, Great Britain and the United States du wartime reflect in a large measure their comparative sec from external dangers. It is certain that the "richnes life lies in pluralistic and not in monistic solutions, and greatest danger which faces planned economy is the tend towards monistic solutions." But monistic solutions bec inevitable when the aggregate available resources in the S become inadequate in relation to the essential requirem of security and there is no margin of safety. As Russ freed from the pre-occupation of security, it may be expe to be more tolerant and free; and already the trend tow greater tolerance is discernible. If the planned econom inevitable, the only practical problem is to ensure that democratically operated and in the interest of all. The no essential incompatibility between a planned co-oper economic system and political freedom; although there is as in every society, to ensure that the minority with wh dominate is kept away from capturing the essential ins tions of the State. The central problem is the 'tamin power' — a difficult but by no means an insoluble prob and on this the 'cui bono' of the totalitarian economy dep

Highlights of the Week

UIET SHINES THE SUN

E 11-YEAR cycle of sunspot activity enters its quiet phase solar minimum period during the years 1964-65. This has ompted a 50-nation scientific research effort styled the "In-national Quiet Sun Years" (IQSY), which would continue observations and studies made during the International ophysical Year (IGY) of 1958-59, which was a period of ximum solar activity. But while the sun may shine quietly the benefit of the earth's scientists, India's politicians seem termined to be fiercely active for the benefit of India's izens.

In Dehra Dun, Mr. Mahavir Tyagi, Member of Lok Sabha, reatened to stage satyagraha if the Government did not omptly move to bring down food prices in his constituency. ere was nobody on the spot to remind Mr. Tyagi that he is the one who not long ago kicked up a fuss because the lms Division of the Ministry of Information and Broadcast-g screened a news-shot of a Communist demonstration fore Parliament to protest against high prices and high xes.

The habit of satyagraha seems infectious and Mr. Atal hari Vajpayee, Jan Sangh leader, has served notice that he ould go on fast before the Prime Minister's house unless the legation made by Mr. Mohan Lal, Home Minister of the unjab Government, that the Jan Sangh had conspired with reign powers to overthrow the Nehru Government, was ther withdrawn or proved.

Meanwhile, Mr. Asoka Mehta seems to be actually in the iddle of a satyagraha of his own, but in keeping with the irit of the IQSY, his demonstration is of a quiet sort — a t-in strike, but of a special kind, since one foot of Mr. Mehta in the Planning Commission and the other in the Praja ocialist Party — which, incidentally, is what all the pother about. While we may be inclined to sympathise with Mr. . M. Joshi, who naturally does not want to be left merely rith Mr. Mehta's heart, while Mr. Mehta's tongue, a more useful rgan, is at the service of Mr. Nehru, we must point out in airness to the Deputy Chairman of the Planning Commission hat Mr. Mehta is not the first politician nor will he be the ast who would eat the cake and have it. Come to think of , some of those politicians do seem to get away with it too.

GOVT. AS SANTA CLAUS

'HE GOVERNMENT has lately been playing Santa Claus to he nation. On New Year's Day, the Railway Board announc-d a rebate of 25 per cent in freight rates for 65 items of ngineering goods consigned for export. But it had all started nuch earlier; in fact, days before Christmas week. On December 13, the Finance Minister announced a scheme under vhich widows of Central Government employees would get a ension for life provided their husbands had been regular mployees and had put in at least one year's service. The mount of the pension will be adjusted for different slabs of ay of employees, but will be between a minimum of Rs. 25 nd a maximum of Rs. 150 per month. The scheme which has one into effect from January 1, also provides for payments f allowances to minor children in the event of the widow's eath. The Finance Minister indicated that his proposal was n the nature of a step in providing social security to the veaker sections of the population.

Another instalment of this programme was indicated by the Home Minister on December 27, when he said that a scheme of family pension would be introduced for the benefit of industrial workers who are members of the Employees Provident Fund and the Coal Mines Provident Fund. This scheme would be on the analogy of the family pension scheme for Central Government employees. It is proposed to create a fund out of the difference between the old rate of contribution at 6¼ per cent and the enhanced rate of 8 per cent, that is, 3½ per cent of the wages including the employer's contribution of 1¾ per cent. Out of this fund a minimum family pension of Rs. 25 per month would be paid to the widow and minor children of members of the fund who die prematurely.

FOR THE LIVING TOO

THE GOVERNMENT'S concern for Central Government employees, however, is not confined to their widows. It has also tried to make life a little less disagreeable for its employees, while they are alive. Thus, on December 21, the Finance Minister announced his long-awaited decision on the upgrading of cities and towns for the purpose of dearness allowance for Central Government employees. In the place of the previously existing three classes, A, B and C, there have come into being, since January 1, four classes, A, B1, B2 and C. Under the old system, cities with population of two million or above were placed in class A, while other urban centres with population between half a million and two million were placed in B class and towns with population of 100,000 or above but below half a million fell in C class. Under the revised system, cities with population of 1.6 million or more would be in class A, while those with population of 8,00,000 or more but less than 1.6 million will be in class B1 and those with population between 800,000 and 400,000 in class B2. Towns with population of 100,000 or more but less than 400,000 are placed in class C.

Madras has been shifted from B class to A and is thus grouped with the three other cities already in that class—Calcutta, Bombay, and Delhi. Four erstwhile B class cities —Hyderabad, Ahmedabad, Bangalore and Kanpur — have been re-classified as B1 and three C class cities — Madurai, Allahabad and Jaipur — have been reclassified as B2. Other erstwhile B class cities would be reclassified as B2. The dearness allowance rates admissible for class B2 are the same as for the old class B while higher rates are allowed for class B1. The net effect of the reclassification is that over 150,000 Central Government employees working in eight cities have become eligible for increased rates of dearness allowance. This measure would cost the Government Rs. 2.59 crores per annum while the scheme for life pensions for widows of Central Government employees would involve an annual expenditure ultimately, in about 25 years' time, of about Rs. 12.15 crores on the civil side and Rs. 5 crores on the Defence side. While there have been no reports yet that the mortality rate among Central Government employees has risen, there is certainly agitation among that tribe in Bombay, Calcutta and Delhi that the three cities should be upgraded and reclassified as A1 cities — which, if done, would no doubt prompt a further series of pleas for another round of upgrading all over.

Thanks to all this flush and flood of the Yule Tide spirit, even the business community has been allowed to share in the bounty. The Finance Minister has suspended the collection of the emergency risk insurance premium. He has also excused industrialists from making pilgrimages to the Capital for licences for capital issues of Rs. 25 lakhs or less. Previously the exemption limit was Rs. 10 lakhs. Mr. Krishnamachari has lifted price controls in respect of 16 commodities, namely, rayon yarn, staple fibre, caustic soda, soda ash, hydrochloric

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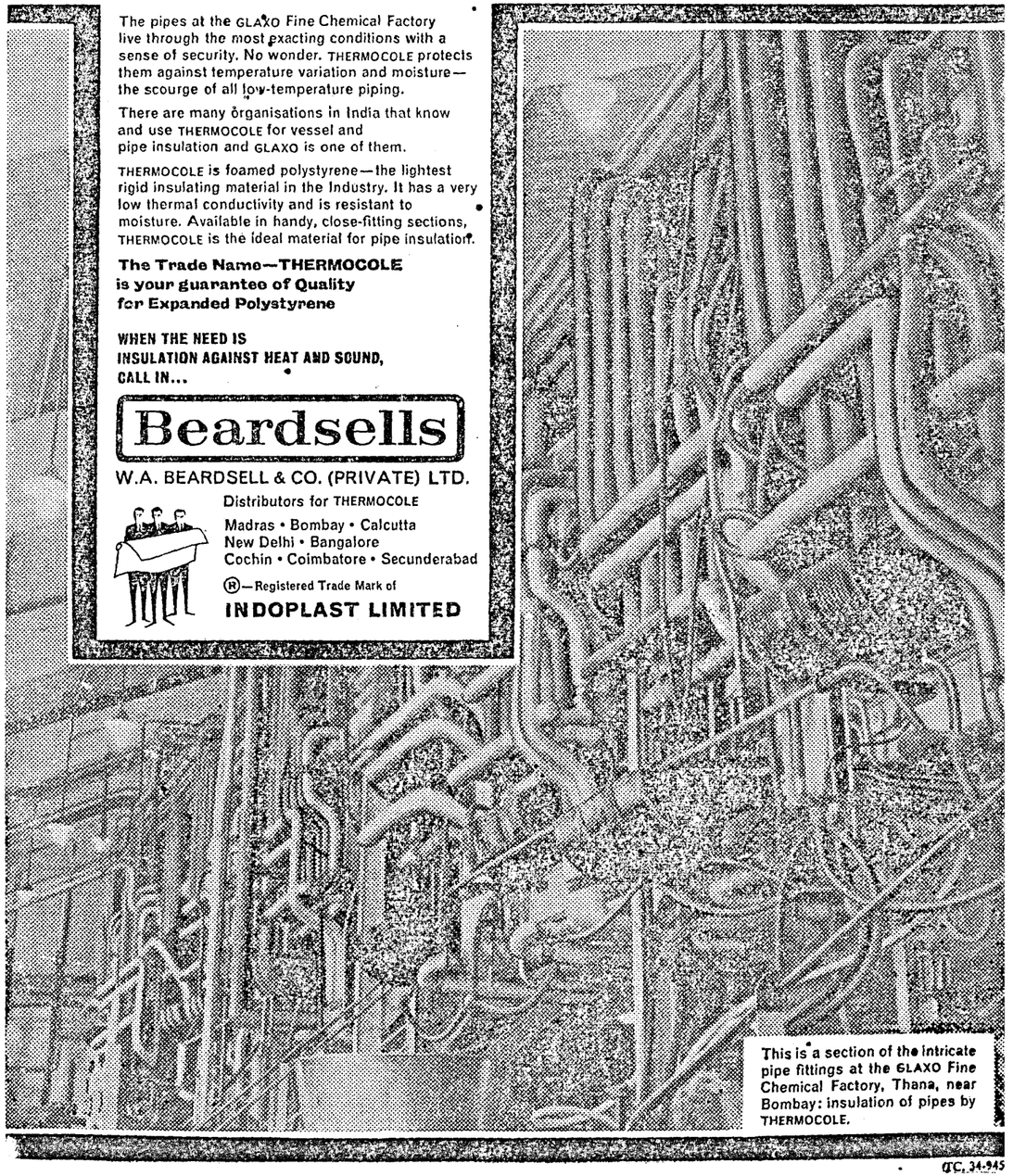
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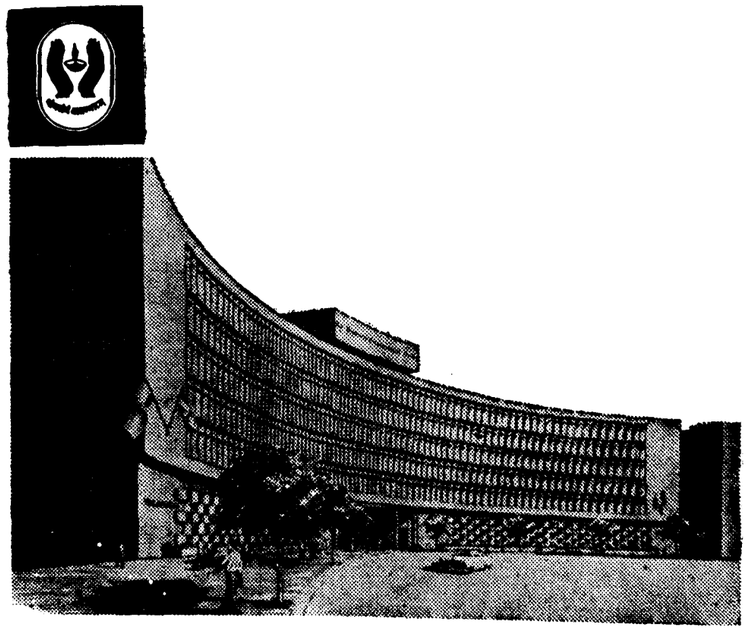
This is a section of the intricate pipe fittings at the GLAXO Fine Chemical Factory, Thana, near Bombay: insulation of pipes by THERMOCOLE.

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Overlooking the Arabian Sea at Bombay stands a gigantic new building. It's named 'Yogakshema'—a Sanskrit word connoting ' welfare '—a very apt name for the headquarters of the LIC, which the Prime Minister, Shri Jawaharlal Nehru opens on Thursday, December 26, 1963. We hope the LIC policyholders everywhere will share our joy on this occasion. Because 'Yogakshema' is more than a very handsome six-storey edifice—it's a statement of trust by the Corporation in the future of life insurance in India. And it is the measure of stability of an institution which guards the future of many millions.

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acid, chlorine, calcium carbide, bleaching powder, Chilean nitrate, muriate of potash, sulphate of potash, washing soap, tyres and tubes, sheet glass, paper board (but not paper) and natural rubber. It is beside the point that the concessions are marginal. The private sector has for so long been getting the big stick that even a shrivelled little stump of carrot must seem tremendously important as a gesture.

OWN YOUR HOME

THE GOOD news for the New Year do not stop there. The Life Insurance Corporation has tried to do its bit for social security. LIC loans would be available to policy-holders for the construction of new houses, for carrying out extension in their own existing houses or for the purchase of recently-constructed houses in good condition. The scheme will not cover, however, the purchase of ownership flats in view of doubts in regard to the legal rights of ownership in such cases. The maximum amount of loans available under the scheme is Rs. one lakh to one borrower and the minimum is Rs. 10,000. In the case of approved housing schemes or when the loan is for the purpose of constructing extensions to an existing house, the minimum amount will be reduced to Rs. 7,500.

The policy-holder must assign to the Corporation the policy or policies having in aggregate a sum assured calculated at the rate of Rs. 10,000, for every Rs. 9,000 of the loan. For the purpose of determining the actual maximum loan permissible to an individual applicant, the policy-holders have been divided into two categories. In the first category are placed those who can satisfy the LIC about the stability of their employment, viz., those who are permanent or confirmed employees of (a) Central or State Governments, (b) Municipalities or Local Boards, (c) companies whose shares are Approved Investments as defined in Section 27-A of the Insurance Act, 1938 and (d) other categories of employers approved by the LIC. The second category consists of all other policy-holders. Loans to the first category will be computed on a slab system at the rate of 85 per cent for the first slab of Rs. 10,000, 80 per cent for the next slab of Rs. 10,000, 75 per cent for the third slab of Rs. 30,000 and 70 per cent for the last slab of Rs. 50,000. The higher percentages for the smaller loans are intended to enable more modest borrowers (who would normally stand in need of greater financial assistance) to obtain a larger part of their requirements. For the second category of policy-holders the maximum limit will be two-thirds of the value of the property. The loan amount is thus linked both to the policy amount and the value of the property.

The loans, besides being secured through the assignment of the policy to the Corporation, would also have the additional title of a first mortgage on the property. They will carry interest at the rate of 7.5 per cent, subject to a rebate of one per cent for punctual payment. The interest is to be paid on a monthly basis. The loans are repayable out of the proceeds of the life insurance policy or policies assigned to the Corporation, but the policy-holder would be free to make earlier repayment either partly or fully by multiples of Rs. 500. The loan is repayable within a period chosen by the borrower, provided the repayment term does not extend beyond the date of superannuation of the borrower, the date of his attaining 65 years of age, or the date exactly five years prior to the date of the expiry of the lease, if the property is leasehold. In the case of the second category of policy-holders, there is the additional condition that the repayment period should not exceed 20 years.

The policies against which housing loans would be granted are to be of the approved type, for instance, endowment insurance policies under which the term is not longer than the repayment term fixed under the loan. Such policies will have to be maintained in full force at all times and in the event of the premature death of the insured, the amounts consequently becoming payable on his life policy or policies would be adjusted against the liabilities in respect of the loan.

The building constructed with loans should be built according to plans and specifications within the estimated cost and through an agency, all previously approved by the LIC. The construction should be proceeded with as expeditiously as possible and the building should be completed and made ready for occupation within a period of 18 months from the date of sanction of the loan. The properties against which loans are granted will have to be maintained by the policy-holders in a state of good condition at all times and also duly insured.

The LIC presumably wants to make a success of this scheme. It is advising the public through advertisements in the press, that no intermediary is necessary to negotiate the housing loan and that those who intend to avail themselves of the scheme could deal with the LIC directly. Intending applicants are in fact being advised to do so. Nevertheless it is clear that the various conditions laid down by the LIC must considerably restrict the average man's access to the loan facility. Perhaps this is not altogether undesirable. As the Chairman of the LIC, Mr. B. K. Kaul, has been pointing out, the present scheme is still in the nature of an experiment which may have to be modified and improved in the light of its actual working. In the earlier stages it is just as well that a set of conditions is imposed which would serve to screen, more or less automatically, applicants and applications. The security of LIC funds must at all times be a very important consideration and public opinion should surely support a policy of gradualness and circumspection.

Being a vast, monolithic, impersonal bureaucracy, the LIC has certain inherent disadvantages in operating a scheme of this kind and it is only prudent that it protects itself against the consequences of its own limitations by adopting a relatively conservative and cautious policy in determining the scope of the scheme. For the same or similar reasons it has been rightly decided to restrict the immediate operation of the scheme to 26 urban centres and their suburbs which may lie outside the city or municipal limits but may be approved suburbs in the sense that the LIC agrees to consider them as part of the respective towns or cities for the purpose of the scheme. The cities and towns to be benefited are: Delhi, Bombay (Greater), Calcutta (Greater), Madras, Ahmedabad, Baroda, Surat, Jammu, Ernakulam, Trivandrum, Bhopal, Indore, Coimbatore, Madurai, Nagpur, Poona, Bangalore, Cuttack, Amritsar, Chandigarh, Jaipur, Kanpur, Lucknow, Hyderabad, Gauhati and Patna.

Other cities to which the scheme will be extended later are: Machlipatnam, Vijayawada, Shillong, Jamshedpur, Muzaffarnagar, Rajkot, Srinagar, Gwalior, Jabalpur, Salem, Thanjavur, Tiruchirapalli, Nasik, Satara, Sholapur, Hubli-Dharwar, Mysore, Udipi, Bhubaneshwar, Jullundur, Ludhiana, Ajmer, Jodhpur, Allahabad, Agra, Bareilly, Meerut, Varanasi, Asansol and Jalpaiguri.

RING IN THE NEW

AND SO the New Year has begun with Mr. Manubhai Shah sending a telegram of congratulations to Moscow on Indo-Soviet trade having reached a peak of Rs. 100 crores both ways in the Old Year and Mr. Lal Bahadur Shastri speeding on its way the diesel locomotive manufactured by the Indian Railways at their Workshop at Varanasi — a vehicle with the proud distinction of being the first to be manufactured in this country. May its tribe increase!

Basic Issues of Development

T. T. KRISHNAMACHARI

This is the text of the Inaugural Address delivered by the Union Finance Minister at the Joint Annual Conference of the Indian Economic Association, the Indian Society of Agricultural Economics and the Indian Society of Labour Economics, held in Bombay on December 25, 1963.

THE FACT that you have three Associations meeting today instead of one is, I take it, evidence of the increasing differentiation and specialisation within the field of economics. This, I am sure, is proof of your conviction that with this growing differentiation and specialisation you need also co-ordination and integration.

I am wondering what claim I can make to the right to be present here and to address you on this occasion. May I say that I share with you a certain propensity, perhaps a rash one, to speculate on economic matters. In the last few months I have devoted a great deal of attention to the immediate problems of the economy and I have already indicated to some extent the lines along which, and the measures through which, an improvement in the present economic situation could be sought. I do not wish to detain you on those aspects of our problems or our policies. Nor do I think it would be appropriate for me to offer observations on the various subjects you have on your agenda. I wish rather to direct my remarks and observations on some of the longer-term and basic issues relating to the development of the Indian economy. Whatever our immediate pre-occupations, it is essential for us from time to time to take a good look at the changing economic landscape and to try to see what new vistas we can open out in the years to come.

Great Achievement

We are now exactly half way through the twenty-five-year perspective of development with which we started at the beginning of our first Plan in 1951. The last twelve years or so have a great deal of achievement to show. A great deal has happened that should give us courage and hope and urge us forward to larger effort. What the people of this country have achieved in the recent past is certainly creditable considering the great difficulties involved and the inertia of decades of stagnation that had to be overcome. The slow growth of national income in the first two years of the third Plan has tended to dilute enthusiasm in some quarters and the question is being asked whether our approaches to our Plans and the techniques of implementation that we have been following need, after all, some radical change. It is to problems in this field that I want to address myself this morning.

Let me say at once that there is no room at this juncture — nor was there at any time in my view — for complacency in regard to our economic and financial problems although national income over the first two Plans rose by about 42 per cent. And although we could reasonably hope that it would rise by another 20 or 22 per cent over the third Plan, this rate of growth in per capita terms is quite small and compares unfavourably with expectations of doubling the national income by 1971. Given the increase in population that we have to reckon with for a considerable period ahead despite all we do to promote family planning, the dimensions of the problem we have to face in order to make a sizable impression on the levels of living of the mass of the people are colossal. The resources available are on the other hand limited and we have several calls on them not only for civilian uses and for productive investment but also for defence. At the same time, I am of the view that the challenge posed has to be accepted and faced.

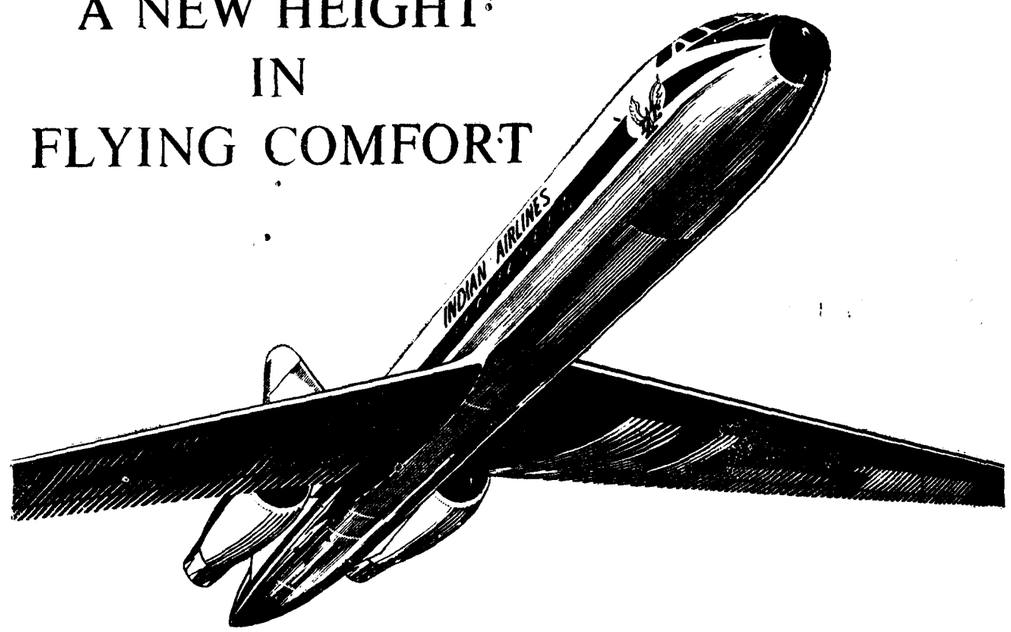
I think it is time that you as economists and statisticians and we as Government strated thinking seriously and intensively on the problem of the fourth Plan, the outlines of which will have to emerge in a year or so from now. Is the fourth Plan going to be a translation, shall we say in more detailed terms, of the broad projections that we have been giving in the earlier Plans? Or do we need to look again, re-examine those projections and perhaps shift our sights or perspectives or both? Do our strategy of development — involving heavy effort on basic industry — and our scales of priority determination continue to be correct or do they need a fresh look? Is our balance between consumption and investment, while politically wise, economically the optimum? On the institutional side, are we making the best use of productive energy whether in the Centre or the States and in the public and private sectors? Are we doing enough to generate the resources — human, physical and economic — for the targets that we deliberate? Are we in fact moving towards a new momentum in economic effort and an expanding environment for production or are we moving into a situation of excessive control and complicated institutionalisation? In short, does the experience of the last twelve years or so necessitate any change as to the underlying assumptions or the strategy appropriate to the stage of development that we have now reached? These are vital and difficult and indeed baffling questions. To me, it seems that the strategy and methods hitherto followed are basically correct. However, I have no doubt that the new Deputy Chairman of the Planning Commission and my other colleagues on the Commission will be studying these problems in all their aspects. All that I attempt at, at this stage, is to make a few observations that seem to me to be pertinent in the light of my thinking during the last few months.

Co-ordinated Advance

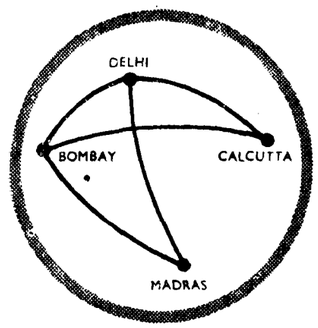
While it might appear to be a truism, nevertheless I should like to say that the success of the fourth five-year Plan will depend upon how effectively we are able to secure co-ordinated advance in all the major sectors of our economy. I have in mind in this context the relatively unsatisfactory performance of our agriculture in recent years. It is sometimes said that this is the result of some over emphasis in our Plans on development of industry and the allied fields of transport, power and the like. I completely disagree with this view. In all our Plans we have attached high priority to increase in output and productivity in agriculture. I do not see that by doing less in the field of industry or mining or transport we could do more in the field of agriculture. I need not emphasise here the dynamic role of industrialisation in a developing economy. Nevertheless, if agriculture lags behind, progress in other fields cannot proceed far and there is everything to be said for a close and methodical study and investigation of the factors that have limited our achievements in this direction so far.

The more I think on the basic approach and priorities in our Plans, the more I am convinced of their inherent soundness and the need for continuity. Our strategy has been to raise the rate of investment as far as we can consistently with securing some increase in consumption and the maintenance of internal financial stability and a balance on external account — on the basis, of course, of a significant inflow of resources from abroad by way of assistance. Naturally, we cannot afford any spectacular increase in consumption. Obviously too, we cannot ignore the minimal claims of consumption of the less well-to-do and disadvantageously placed classes of the population. I must say, however, that if we are to achieve substantial increases in living standards and employment and improvement on the balance of payments side within a reasonable period, we cannot think in terms of a consumption-oriented Plan. It has necessarily to be income-oriented. In-

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vestment, as a result, is not the only factor which determines the outcome of planned effort but it is a most important element in it.

I also think that situated as we are, we need to devote a substantial proportion of the investment we make to development of basic industries and the whole complex of operations and facilities that go with such development. The discussions on the second Plan began with emphasis on targets without these being specifically limited by the resources available. However, one good that came out of it was the considerable attention given to metallurgical industries. These industries will need to be developed further. We shall also need a vast variety of industries making capital goods and intermediate products of all kinds. The stress has to be on a continuation of the type of work we began with our second Plan and are trying to carry forward through the third Plan. The time has come, in my view, for a relatively larger emphasis on chemical industries, especially those based on the petro-chemical complex. These industries will require large investment, but they are capable of yielding a more than commensurate return not only in terms of output or profits, but in terms of their reaction on agriculture and a number of consumption industries as well. All this development has a significant bearing on our future balance of payments and I see no reason why we should depart from the emphasis that we have been placing on achieving, as early as possible, a large measure of self-reliance in the widest sense of the term for meeting the foreign exchange needs of further development. In fact, our efforts in this direction need redoubling. Even so we shall have to continue to rely for quite some time on the assistance of friendly Governments and international institutions.

Methods of Implementation

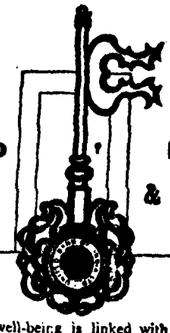
My emphasis on continuity and the need for adhering to the essential strategy of development we have followed so far implies as a corollary that we should ruthlessly re-examine our methods of implementation of the Plan targets and rectify our mistakes and shortcomings. I think developmental planning requires a considerable emphasis on both advance and consolidation. From time to time there has to be some stress on consolidation, so as to ensure that we reap in full and as quickly as possible the benefits of the various investments that we have made. I am not putting forward specific conclusions but I do recognise the possibility that in the initial period of the fourth Plan we might have to devote more attention to the problems of consolidation and of securing substantially larger outputs from inputs that have been or are being made.

In our efforts towards developing a planned economy, we have to some extent ignore the sociological reactions to such developments. It is time we remedy this lacuna. Planning has in the future to be as much the concern of the sociologist as it has been of the economist. Even as it is, simultaneously with economic development, our concern with social justice has taken a number of forms and it has been our endeavour to vary this emphasis from time to time on one or the other aspect of these particular forms. Institutional changes, such as, land reforms or the extension of credit facilities, encouragement to small scale and cottage industries, concern for employment and for reduction of regional disparities, a progressive system of taxation, controls of various kinds over private activities to curb the concentration of wealth and economic power, promotional activities to help the weak and forgotten sections of the community as well as the growing role of the public sector in development are among the various devices that we have used for promoting equity and social justice. We shall have to rely on these and possibly other new devices during the fourth Plan to secure the vital objectives in view.

I should like, on the basis of past experience, to stress particularly the need for larger exports in the fourth Plan. We have debated from time to time the question whether we should concentrate on import saving or over export earning investments. I should like to say that the choice is not whether we should have the one or the other, but rather what is, in our particular circumstances, the most practicable and profitable next stage in development. An underdeveloped economy has many obvious directions in which it has to initiate import substitution. The process inevitably starts that way. It must not, however, end there; for one thing, there is never question of wholly substituting or eliminating imports. No country can be self-sufficient in every respect. As we develop our basic industries and branch off into diverse capital goods and intermediate products industries, we must think more and more of those lines of development that promise the most favourable impact on the overall balance of payments position. It is possible that hitherto in our general desire to replace imports, we have perhaps not been selective enough and have spread our energies and our resources thinly over a wide front. What we need now is greater emphasis on seeking out opportunities for concentrated effort in selected industries so that a return in the form of reduction in potential imports is obtained as quickly and as efficiently as possible, even if this implies continued reliance on imports in certain other directions. I am laying considerable emphasis on this aspect of import substitution because, in a country where industry is almost devoid of cost consciousness, encouragement to indigenous manufacture of equipment, parts of these or spares which results in substantially higher cost of the end product is positively pernicious. The economics of indigenous production must ultimately decide the nature and area of import directions.

As in the case of imports, so in the case of exports, there is danger in spreading our resources too thinly over a wide front. The need in the field of exports also is for concentrated effort on lines that promise the best results in terms of comparative cost advantages and the availability of markets.

I wish only briefly to touch upon the question of the division of the responsibility for development among the different agencies in the country. Clearly, in a federal system, we have to assign an important role in development to the State Governments which are nearer to the ground and which have a closer appreciation of the needs of the people. At the



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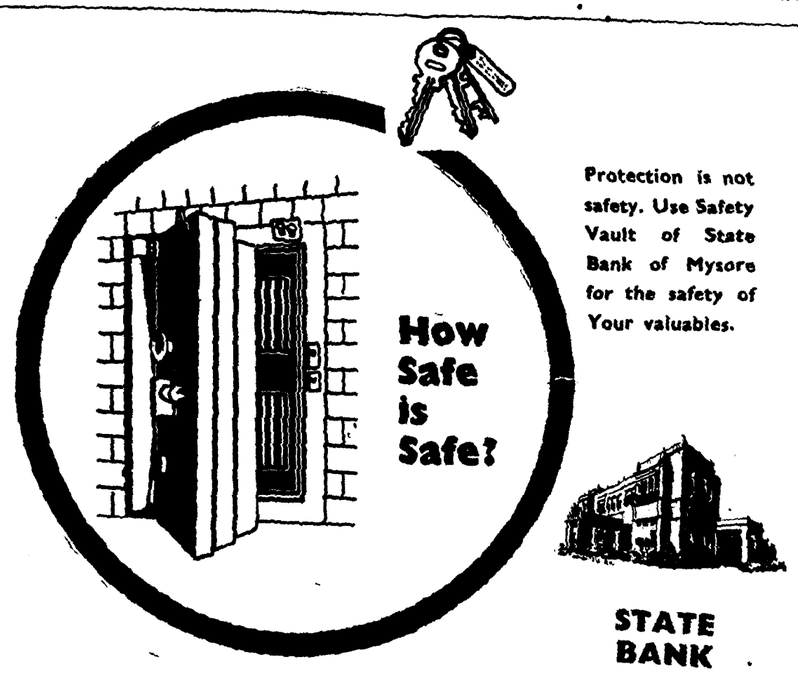
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same time, there is, I think, increasing recognition that, given the increasingly difficult financial position of the States and the importance of major projects in the field of irrigation and power development, it would be desirable for the Centre to shoulder more direct responsibility for these major areas of development which are at present within the States' sphere. One good that might come out of a change in the area of responsibility for such schemes might be that the economics of a project would receive greater consideration as against sentimental and parochial support that often goes with such a project.

As for the distribution of responsibility between the public and the private sector, there is, I think, nothing that has happened so far which calls for any radical change in our policy of giving to the public sector a dominant position in basic industrial development. Such shortcomings as have been experienced in the recent past have been spread equally over the public and the private sectors. If there is any need for a change in emphasis here, it is, I think, in the direction of devising new ways of co-operation between the two sectors and in determining their complementary character so that the national economy as a whole could grow fast.

In the matter of foreign private investment, our attitude has always been one where we have welcomed such investment and have given it fair and hospitable treatment. I think the stage has come when we would be justified in opening the doors even wider to private foreign investment as long as the burden that such investment might put on our balance of payments in future is not disproportionate to its contribution to our economic growth. In the early stages of development, there was, I think, every reason for us to take care that the vital areas of development were not mortgaged for ever to private foreign investment. But now that we have established the vigilant presence of the public sector in most of these vital areas, there is less reason to fear the domination of private foreign investment. In regard to assistance from friendly foreign countries and international agencies, our need for such assistance would remain great for some years to come. Nevertheless, it is not for us to decide how much of such aid will be forthcoming. Clearly, while we should continue to make every effort to enlist international goodwill in our cause, it would be only prudent to formulate our plans in a flexible manner and without excessive dependence on external assistance from the outset.

I hope the observations that I have made on the general strategy of our Plans will be of some relevance to your thinking and discussion not only in the next few days but in the months to come. Briefly, I wish to say that in my view, the direction of our effort and the basic lines of our strategy have been right. We have noticed certain shortcomings and even certain failures. These we must take into account fully while making our programmes and planning their implementation in the years ahead. At the same time, may I add, there is in this perspective no scope for any despair or for any slackening of effort on whatever account. I am optimistic about the future. I do not know whether economists tend to be optimistic or pessimistic. At one time economics used to be called a 'dismal science'. I am sure the charge is not true these days and that your delibrations will bear me out.



WINDOW ON THE WORLD

Neo-Colonialism in Development Aid

From Our Special Correspondent

PARIS:

EARLY THIS month will be published the report of the Jeanneney Commission on aid for developing countries. This body, presided over by a former Industries Minister, was appointed by General de Gaulle last March to review the whole question of French assistance for development and to suggest ways of making it more coherent and effective. The document is not yet public, but enough of its content has become known since we wrote on "France and India" ('Eastern Economist' of December 13, Pp. 1,222 et seq.) for it to be possible to return to the question with more precision. In general, M. Jeanneney and his experts confirm the evolution of French policies outlined here: aid for Africa will continue to receive priority but will not be exclusive of increased interest in Asian countries like India. Moreover, the French contribution to development should henceforth be directed less toward financing the current administration of former colonies and more toward promoting specific projects that promise a market for French capital goods.

The reasons for this shift in emphasis are frankly stated. On the one hand, there is dissatisfaction with the use made by many African states of lavish French aid. On the other hand, it is recognised that since they became independent (and since the Common Market got going) their trade has become less important to France: French exports to the franc zone were 36 per cent of the total in 1954, but only 18 per cent this year, while imports from that zone have declined as a percentage of the total from 27 to 21. Yet between 1956 and 1962 French development aid, expressed in dollars in order to correct for the intervening devaluation of the franc, has risen by 26 per cent. Most of this aid (exactly 85 per cent of bilateral public and private aid) has gone to countries in the franc zone. In other words, almost the whole of an expanding volume of aid has been going to a group of countries whose trade with the donor-nation has declined sharply in relative importance. It was inevitable that this concentration of assistance on a restricted number of beneficiaries should be reconsidered in favour of a wider spread. Incidentally, the trend in that direction mentioned here earlier has since then been illustrated in the grant of $30 million to Cambodia.

Interesting Criticism

The criticism made by the Jeanneney Commission of the use of French aid in Africa is extremely interesting. It is less an attack on the newly independent republics than a severe censure on French "neo-colonialism", meaning an attitude of well-intentioned but wasteful paternalism into which France has drifted more by default than by design. The error has been, says the Commission, to handle technical assistance on the same lines as the old colonial administration, and in some parts of Africa it would be hard to distinguish the new arrangement from the old direct rule. Genuine development aid, it is pointed out, requires that the beneficiary be really independent, and it will not be so until French civil servants in its administration have been replaced by local people. This has occurred so far only in Tunisia and the Indo-Chinese states, whereas in Morocco and Algeria French civilians still play a large role in the administration while in Negro Africa much of the former imperial administration persists under the new name of technical aid. This must be changed, says the Commission, and the only foreigners remaining in the employ of the assisted state, apart from school teachers, should be technical experts and a small number of top-level advisers.

Too much French aid, in these countries, is going to subsidising local budgets which are in deficit because of the absence of a local tax effort, because of exorbitant salaries in the newly independent administration and because of prestige expenditures. An example of these latter is the arms outlay of the African states which aims to provide them with the symbols of independence. Last year the African states of the former French empire spent 760 million francs (about Rs. 76 crores) on military outlays in addition to 110 million (Rs. 11 crores) received for that purpose from France.

The first recommendation, then, is that French development aid be, in turn, "decolonised" which means that the recipients themselves must be encouraged to seek for economic independence. For example, they should be dissuaded from prestige projects and spectacular public works financed by the foreigner, and urged not to model their political and administrative structure on the European example which is not necessarily adapted to their needs. Instead, they should be helped in developing local administrative talent and in reviving their traditional crafts. Outside aid should insist on a certain order of priorities: first the modernisation of agriculture, next light industries that use plentiful local labour and raw materials. Only then should heavy industries be considered, and these should be backed by international organisations or by a group of Western states, rather than by France alone. Finally, French assistance should go in preference to regional projects that group several developing nations, that is, the formation of small "common markets" should be encouraged in Africa and Asia.

Exemplary Operations

These considerations apply to countries where France is the principal provider of assistance, but, as noted, the Commission confirms the tendency to offer assistance to countries like India where French capital will probably always be modest alongside that obtained from other sources. What principles should be followed on those cases? The Commission there favours "limited and exemplary operations" with evident economic and political justification. That is, it recommends the Soviet approach of financing precise undertakings rather than offering general balance-of-payments assistance. Aid should be offered on a bilateral basis if the recipient prefers that, but in practice the limited volume of French aid available to countries outside Africa makes it better to combine assistance with that given by others. This multilateral approach could work through the existing international organisations, but equally well if not better through new European aid associations, i.e., some sort of Common Market co-ordination of development aid for India and other nations. Three fields are singled out where French help should be particularly useful to such countries; planning techniques as learned in France's own experience, the formation of local administrators, and the study of industrialisation programmes. In sum, M. Jeanneney's experts think that what France should offer in Asia, now that it has decided not to limit its effort to Africa, is primarily a form of educational or intellectual co-operation, plus certain "exemplary" projects and a measure of contribution to multilateral aid.

Remains the question of on what scale, in terms of cash, this wider aid effort should be made. As indicated here previously ambitions in this respect are fairly limited. In fact, the Commission virtually says that new candidates for French aid should receive only what is saved in Africa when the above-mentioned reforms in assistance programmes have been made. At least, the total French allocation for development assistance should not exceed its present percentage of the national product. The Development Aid Committee of the

OECD calculated this year that France is devoting 2.4 per cent of her national product to this task. Using different definitions both of national product and of development aid, the Jeanneney Commission says this percentage is 1.5, but however it is calculated it is admitted that the French effort exceeds that of any other nation. The Commission considers that this is quite enough, and that aid henceforth should increase only as the French national product increases, without taking a greater share of it. Since that product currently is rising by 5 per cent a year, this would guarantee a doubling of assistance in absolute terms in 15 years, so greater funds will be available without straining the economy further. An increase, it is said, would be possible if all the Western nations agreed to make it equally; e.g. if the members of the OECD all agreed to give 2 per cent of their national product to development aid, France would follow suit, but meantime (which means indefinitely) France should stick at the present figure.

Since the Jeanneney report has every chance of being favourably received at the Elysee Palace, the future orientation of French development assistance becomes fairly clear. Aid to Africa will remain the main concern but if that aid is "decolonised" as thoroughly as is recommended, there will be scope for a wider spread of effort in other parts of the world, especially if the percentage of aid allocations is maintained while the national product rises at its present pace. If the Jeanneney group's advice is heeded, assistance should become more rational and less paternalistic not because egoism is more paying than sentimentality but because the current aid policy is wide open to the charge of neo-colonialism. That vague and polemical term, incidentally, is given a precise definition in the report, where it means international assistance with these three features: confusion between technical help and old-style colonial administration, encouragement of a single export crop in an under-developed economy to meet the import needs of the donor, and finally the operation of big corporations that attain as much local domination as the old "colonial companies". To rid French aid to Africa of these three vices, it is suggested is not only politically advisable but economic, in that it will release funds for assistance in other parts of the globe where French influence is too modest to run similar risks. Thus M. Jeanneney has performed a useful task of self-criticism for a leading provider of development assistance.

A British Economic Miracle?

By JOSSLEYN HENNESSY

LONDON:

SIR ALEC Douglas Home's government has now pinned the whole of its vast schemes to increase public expenditure by no less than 27 per cent in 1963-64 and 1964-65 on the achievement of a four per cent growth rate in the economy, and one of Britain's most influential groups of independent economists has predicted that the 1964 target will be easily fulfilled. This forecast, in a recent issue of the National Institute of Economic and Social Research Economic Review, is also supported by a Federation of British Industries enquiry into business sentiment and investment plans among its members. The NIESR and the FBI agree that the economy has not yet reached top gear and is still accelerating.

Total national output has been rising at an annual rate of 5 to 6 per cent (i.e. above the minimum 4 per cent required) since December, 1962, with industrial production going ahead at 7 per cent. The Institute looks to a much bigger rise in output in 1964 than in 1963. This expansion may lead to a stock building boom in 1964, resulting in a worsening in the balance of payments, which would be "significant but not dangerous" because it would be a once-and-for-all phenomenon. Since overseas sterling area countries are likely to be building up their sterling balances, any less to reserves should be small.

The Government has already warned the electors that its programme precludes any tax cuts next April. It is relying on the buoyancy of the economy to provide growing tax revenue and on the continued expansion of private savings. The National Institute agrees that tax cuts would be inappropriate and adds that, on the other hand, it is far too early to contemplate steps to restrain the increase in demand.

Has the British "economic miracle" arrived? Can the government's spending programme be carried out without a "Stop" to the present enthusiastic 'Go"? What can, at least, be said is that the economy's gathering impetus follows the fruition of the very substantial investment in new plant and equipment during the past decade, and of the wage pause of 1961 and 1962. New techniques of controlling the economy have been emerging as the result of the Conservatives' twelve years experience in office. The National Economic Development Council is beginning to play an important role in influencing employers and workers towards a new vision of expansion. A new generation of younger leaders has been steadily assuming ever wider control over industry and commerce. Greater international resources and closer co-operation between central banks are now available to support the pound (and other leading currencies), and this should help to iron out the peaks and valleys of Stop and Go.

It is nonsense to believe that any country which has to earn foreign exchange to pay for its food and raw materials can indulge endlessly in an internal inflationary boom. The UK's notoriety for "Stop and Go" arises solely because of the exceptional extent to which it depends on foreign trade and because of its position as a world banker, but it has had no post-war monopoly of balance of payments crises followed by restrictionary measures; France, Holland, Sweden, Denmark —every country in Europe in fact — have periodically had to do exactly the same.

Difficult Choice

On the other hand, if restraint should become necessary in 1965 (when unemployment is expected to fall below 1.5 per cent, or even lower, and when private investment is expected to be rising fast in competition for funds with public investment), the National Institute urges that restraint should fall on private consumption or on current public spending. (This means increased taxes or cuts in public expenditure — neither of which are easy for politicians). The Institute is opposed to the previous methods of trying to curtail the rise in public or private investment, because cuts in these sectors take a long time to be effective, disrupt properly balanced programmes, and jeopardise future increases in productivity.

The trade unions control the prospects for a British economic miracle. If they are content with moderate wage rises and a stable currency to give them real buying power, we shall forge ahead. If they insist on wage rises in excess of the increase in output, we could still get by if the government refused to create the inflationary credit to pay for these rises. Equilibrium would then be restored, and the wage rise halted, by a warning rise in unemployment. But no government, Conservative or Labour, has ever dared to refuse to increase credit to finance wage increases. So, I repeat, it is up to the unions to decide whether they want a British miracle or not.

LISTENING POSTS

Socialists All, And Demagogues Too!

By Our Special Correspondent

NEW DELHI:

THE NEW YEAR has certainly begun on an anxious and uncertain note. Although the Draft Resolution of the Congress Working Committee on Democratic Socialism has generally been received with relief on the ground that it is, in the circumstances, a moderate document, many senior and responsible Congressmen do not trouble to hide their misgivings. They point out that the Menon-Malaviya elements are obviously exploiting the socialist slogan for creating split in the Party. Mr. K. D. Malaviya is certainly campaigning furiously for the immediate nationalisation of banks and has threatened to confront Bhubaneswar with an alternative resolution on Democratic Socialism. He has thus made it clear enough that he is seeking to put the Congress leadership on the defensive.

The surprise, however, is that some Congressmen, who ought to know better, seem to be playing the Menon-Malaviya game. Mr. Shyam Nandan Mishra, for instance, has thought it fit to revive on this occasion the exhortation to Congressmen to "Keep Left" and express dissatisfaction with the quantum of socialism in the Working Committee's Draft. More intriguing — and certainly more disturbing — is the support which Congressmen such as Mr. Chavan could be found giving to the demand for nationalisation of banks. The fact that the Maharashtra Pradesh Congress Committee had supported nationalisation does not seem to be warrant enough for the Defence Minister's action. Observers have been tempted to suggest that perhaps the issues are not being discussed only on the basis of principles or ideology. It is possible that the personal factor has also been brought in. In this reading of the currents and cross-currents of Congress politics the demand for nationalisation of banks could be seen as an attempt by some sections of the Congress Party to embarrass the Finance Minister. The Menon-Malaviya fringe had never had much use for Mr. Krishnamachari or his ideas on economic policy. What, however, may be of greater significance is that Mr. Krishnamachari's current effort to bring together for regular consultations the Ministers in the Government who are concerned with the management of the nation's economic affairs does not seem to have been to the taste of some of his colleagues. So far as the Finance Minister himself is concerned, he seems to be clear enough in his mind that there will be no gain to the community from the nationalisation of banks. He has much positive work to do and it would be surprising if he easily allows himself to be coaxed or coerced into unprofitable diversions. The point, however, is whether he can carry the Prime Minister with him.

Elusive Quantity

Mr. Nehru, as may be expected, is an elusive quantity, and, hence all this anxiety about Bhubaneswar. It has more often than not been the Prime Minister's practice not to declare his hand earlier than need be. At the recent Jaipur Session of the All-India Congress Committee for instance, there was nothing to prevent Mr. Nehru having second thoughts on Mr. C. Subramaniam's or even Mr. Nanda's draft on Democratic Socialism. A reassuring aspect to the present occasion is that the Finance Minister is believed to have discussed with the Prime Minister and kept him fully informed of the broad strategy of positive development which he proposes to follow. In Mr. Krishnamachari's plans or programmes for dynamic economic expansion the nationalisation of banks certainly does not seem to rank among the sensible courses to be pursued. It follows that a lot will have to happen at Bhubaneswar to make him change his mind.

Normally it is only fair to say that the Finance Minister himself is partly responsible for the fuss and furore which has been stirred up over the banks. For reasons best known to himself, Mr. Krishnamachari has chosen at least verbally to relax the firm stand that had been taken earlier on behalf of the Government. Mr. Morarji Desai upto the last — and even Mr. Krishnamachari on the first occasion he had to refer to the subject in Parliament after he had taken over from Mr. Morarji Desai — had stoutly maintained that nationalisation of banks was neither necessary nor would be desirable. It is a pity that instead of standing firm in this position, the Finance Minister should have allowed his Deputies, on subsequent occasions in Parliament, to qualify the Government's rejection of the bank nationalisation demand with such phrases as that the Government was keeping an "open mind" or that nationalisation was not to be considered "at present". If the intention was to ward off the extremists, it is clear that this particular exercise in diplomacy has not worked at all. On the contrary, Mr. Malaviya and his like have been persuaded, apparently, that the Government is weakening and that it should therefore pay to keep up the clamour.

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Burmah-Shell, it is learnt, is not now biding for the oil refinery proposed to be set up at Madras. Its place has been taken by the Burmah Oil Company which, along with the Shell International, owns Burmah-Shell. The BOC, it is further understood, submitted its proposals to the Ministry of Petroleum and Chemicals some days ago, according to which the Madras Refinery will have a capacity of 2.6 million tonnes per annum, expandable to 4 million tonnes. It will be a very 'sophisticated" unit, designed to process a wide varieties of crude.

A new rupee company is proposed to be formed for undertaking the project. The Union Government will be offered 51 per cent share in it, the remaining 49 per cent share being equally divided between the Burmah Oil Company and the Shell International. The rupee finances for the venture will be arranged by the Government and all the foreign exchange requirements by the BOC and Shell International, partly in the form of their share in the equity capital and partly through the raising of loans as was done in the case of Oil-India which is a 50:50 partnership between the BOC and the Union Government, engaged currently in exploration and exploitation of the oil resources of the Nahorkatiya-Moran and adjacent areas in Upper Assam.

By virtue of its majority share in the capital, the Government will have greater representation on the Board of Directors of the Madras Refinery. It is proposed that the Board should consist of nine members, five to be nominated by the Government and four by the BOC and Shell International. The Chairman and the Financial Director will be the nominees of the Government and the Managing Director that of the BOC. The technical personnel for building and running the refinery in the initial stages will be provided by the BOC. Construction is to be completed in a period of from 28 to 30 months of the signing of the agreement.

Crude supplies are proposed to be arranged by the BOC from the Middle-East on more or less the same pattern which will emerge from the current negotiations of the Burmah-Shell with the Government in regard to supplies for the Burmah-Shell's Trombay Refinery. It is understood that Burmah-Shell is now willing to match its crude prices with those of any other supplier in a commercial sale against convertible foreign exchange, implying thereby that it will make available the same discounts over the Persian Gulf posted prices at which the Soviet Union is selling her crude to Japan. Indi-

This is only an announcement and not a Prospectus and persons interested are requested to apply for a copy of the Prospectus for full details.

BHARAT FORGE COMPANY LIMITED

Registered Office : 13, Elphinstone Road, Kirkee, Poona - 3

EXISTING AND PROPOSED ACTIVITIES

Bharat Forge Company Limited plans to erect a Modern Drop and Upset Forge Plant capable of producing 6,000 tons of forgings per annum on a single shift operation and 16,800 (Nos.) finished crankshafts per year.

Included in the project, in addition to modern Drop and Upset Forging Equipment, will be a completely equipped Die Shop, heat treat facilities and up-to-date equipment for Quality Control.

Complete facilities for the machining heat treatment, grinding and inspection of Drop Forged Crankshafts will enable the Company to produce these items from the billet to the completed crank.

The Company will produce a complete line of forgings and finished crankshafts in a variety of ferrous and non-ferrous metals for the rapidly developing manufacturing industries of India.

The Company has concluded collaboration agreement with The Steel Improvement and Forge Company, Ohio, U.S.A., for providing the necessary technical assistance and services. The Company has secured the necessary Foreign Exchange Loan and import licences.

LOCATION OF THE INDUSTRY

The Company has purchased from the Government of Maharashtra 61 acres and 34-8 gunthas of land in Mundhwa, within 3¼ miles from Poona City, to locate the Industry.

BOARD OF DIRECTORS

1. SHRI SHANTANURAO LAXMAN KIRLOSKAR
(Chairman)
Lakaki, Shivajinagar,
Poona-5.
Industrialist,
Chairman & Director:
Kirloskar Oil Engines Ltd.
Swastik Rubber Products Ltd.
Kirloskar Cummins Ltd.
Kirloskar Pneumatic Co. Ltd.
Kirloskar Consultants Pvt. Ltd.
Director:
Kirloskar Brothers Ltd.,
The Mysore Kirloskar Ltd.
Kirloskar Electric Co. Ltd.
Jay Engineering Works Ltd.
Delhi Cloth & General Mills Co. Ltd.
Escorts Limited
Bajaj Auto Limited
The Ahmedabad Electricity Co. Ltd.
Kirloskar Asea Limited.
Bharat Ball Bearing Co. Ltd.

2. LALA CHARAT RAM,
15, Kitchner Road,
New Delhi.
Industrialist.
Director:
Shri Ram Associates Pvt. Ltd.
Delhi Cloth & General Mills Co. Ltd.
Jay Engineering Works Limited,
Bharat Ball Bearing Co. Ltd.
Usha Refrigeration Industries Ltd.
Industrial Finance Corporation of India
National Research Development Corporation of India
Indian Drugs & Pharmaceuticals Ltd.
Amar Dye-Chem Limited.

3. SHRI NAVNITLAL SAKARLAL SHODHAN
Ellis Bridge,
Ahmedabad.
Industrialist.
Director:
The Sarangpur Cotton Mfg. Co. Ltd.
Sakarlal Balabhai & Co. Ltd.
The Silver Cotton Mills Co. Ltd.
The Laxmi Commercial Limited.
Hind Chemicals Limited.
Amar Dye-Chem Limited.
The Sandesh Limited.
Gopalbhai Balabhai & Co. Ltd.
The Indian Electro Chemicals Ltd.
The Anil Starch Products Ltd.
National Machinery Manufacturers Ltd.
Asian Cables Corporation Ltd.
The Gujarat Steel Tubes Ltd.
The Ahmedabad Electricity Co. Ltd.
Indequip Engineering Ltd.
Bank of Baroda Limited

4. SHRI PRATAP BHOGILAL,
26, Ridge Road,
Bombay-6.
Industrialist.
Director:
Shree Ram Mills Limited.
South India Insurance Co. Ltd.
New Great Insurance Co. of India Ltd.
Amar Dye-Chem Limited.
The Western India Vegetable Products Ltd.
Podar Mills Limited.
The New Standard Engineering Co. Ltd.
Bagalkot Cement Co. Ltd.
National Machinery Manufacturers Ltd.
The Scindia Steam Navigation Co. Ltd.
The Baroda Electric Meters Ltd
The Gokak Mills Limited.
The Bank of India Ltd.
Premier Automobiles Limited
Hindustan Polymer Limited.
Rockwell India Limited.
The Mysore Kirloskar Limited.

5. SHRI BAHUBALI GULABCHAND,
Ratnam Apartments,
Block No. 1, 4 Little Gibbs Road, Malabar Hill,
Bombay-6.
Industrialist.
Director:
The Hindustan Construction Co. Ltd
The Indian Hume Pipe Co. Ltd.
The Hindustan Spun Pipes Ltd.
The Neptune Assurance Co. Ltd.
PAL Hire Purchase Limited.
Vikhroli Metal Fabricators Ltd.
Walchand & Co. Pvt. Ltd.

6. SHRI NARAYAN WAMAN GURJAR,
C/o Kirloskar Electric Co. Ltd.
Rajajinagar, Bangalore-3.
Industrialist.
Chairman & Director:
Kirloskar Electric Co. Ltd.
Director:
The Mysore Kirloskar Limited
Kirloskar Oil Engines Limited.
Kirloskar Pneumatic Co. Ltd.
Kirloskar Cummins Ltd.
Kirloskar Asea Limited.
Deepak Insulated Cable Corpn. Ltd.

7. HIS HIGHNESS MAHARAJASAHEB KOLHAPUR
New Palace, Kolhapur
Ruler,
Director:
The Sandur Manganese and Iron Ores Private Limited.

8. MR. CHARLES H. SMITH JR.,
22500, McCauley Road
Shaker Heights 22,
Ohio, U.S.A.
Industrialist.
President & Director:
The Steel Improvement & Forge Co., Cleveland, Ohio, U.S.A.
Director:
Netco Inc., (U.S.A.)
Custom Tool & Mfg. Co. (U.S.A.)
Industrias Kaiser Argentina (Buenos Aires, Argentina)
Metachemical Machines Ltd (Lond.)
Metachemical Processes Ltd. (Lond.)
Sifco do Brazil (Sao Paulo Brazil).
Chairman:
Consultative Council Sifco do Brazil.
Trustee and President
Board of Trustees of the Engineering Industry Educational and Research Foundation, U.S.A.
Alternate Director to Mr. Charles H. Smith, U.S.

SHRI CHANDRAKANT KIRLOSKAR,
Yeshwantnagar,
Poona-7
Executive.
Managing Director:
Kirloskar Cummins Limited
Director:
Shivaji Works Limited.
Shamsher Sterling Cable Corpn. Ltd.

9. SHRI NEELKANTH KALYANI,
Kalyani Buildings,
Karad, Dist. Satra.
Ex-Officio Director of Company.
Industrialist & Agricu
Director:
Kirloskar Pneumatic Co.
Ugar Sugar Works Limite
Hindustan Gears Private
Karad Electric Supply Ltd.

MANAGING AGENTS

Messrs. Kalyani Industries, Karad, a partnership firm is appointed as Managing Agents of the Company for a period of 10 years from 19-12-1961. The following are the partners of the said Managing Agency Firm.

1. Shri Neelkanth A. Kalyani, Karad.
2. His Highness Maharajasaheb of Kolhapur, Kolhapur.
3. Shri Chandrakant S. Kirloskar, Poona,

AUTHORISED CAPITAL

2,00,000	Equity Shares of Rs. 100/- each	Rs. 2,00,00,000
1,00,000	Cumulative Preference Shares of Rs. 100/- each	Rs. 1,00,00,000
		Rs. 3,00,00,000

SUBSCRIBED CAPITAL

75,380	Equity Shares of Rs. 100/- each at par in cash by Directors, their friends, associates and collaborators	Rs. 75,38 000
2,620	Equity Shares of Rs. 100/- each reserved for allotment to the collaborators	Rs. 2,62,000

PROPOSED ISSUE TO THE PUBLIC

77,000	Equity Shares of Rs. 100/- each at par and in cash	Rs. 77,00,000
75,000	9.3% Cumulative Redeemable Preference Shares of Rs. 100/- each at par and in cash	Rs. 75,00,000
		Rs. 1,52,00,000

The subscription list will open at the commencement of banking hours on Friday the 10th day of January 1964 and will close at the close of banking hours on Wednesday the 22nd day of January 1964 or earlier at the discretion of the Directors but not earlier than the close of the banking hours on Monday the 13th day of January, 1964.

Application forms along with copies of the Prospectus can be had from the Registered Office of the Company or from the Underwriters, Bankers & Brokers whose names and addresses are given below:—

UNDERWRITERS

The entire issue offered to the public is fully underwritten by the following underwriters :

1. GOVERNMENT OF MAHARASHTRA.
2. INDUSTRIAL FINANCE CORPORATION OF INDIA, Reserve Bank Building, Parliament Street, New Delhi.
3. THE INDUSTRIAL CREDIT & INVESTMENT CORPORATION OF INDIA LTD., 168 Backbay Reclamation, Bombay-1.
4. LIFE INSURANCE CORPORATION OF INDIA, Jeevan Kendra, Jamshedji Tata Road, Bombay-1.
5. THE INVESTMENT CORPORATION OF INDIA LTD., Ewart House, Bruce Street, Fort, Bombay-1.
6. CANARA BANK LTD., Canara Bank Bldg., 112 Jayachamarajendra Road, Bangalore.
7. R. R. NABAR & CO., 31 Dalal Street, Fort, Bombay-1.
8. THE BANK OF INDIA LIMITED, Mahatma Gandhi Road, Bombay-1.
9. THE CANARA INDUSTRIAL & BANKING SYNDICATE LTD. Mukund Niwas, Udipi, Mysore State.

BANKERS

1. THE BANK OF INDIA LIMITED, Mahatma Gandhi Road, P.B. No. 238, Bombay-1.
2. CANARA BANK LIMITED, Canara Bank Bldg., 112 Jayachamarajendra Road, Bangalore-2.
3. THE BANK OF MAHARASHTRA LIMITED, 1177 Budhwar Peth, Poona-2.
4. THE PUNJAB NATIONAL BANK LTD., Karimjee House, Fort, Bombay-1.
5. THE CENTRAL BANK OF INDIA LTD., Mahatma Gandhi Road, Fort, Bombay-1.
6. THE UNITED WESTERN BANK LTD., Chirmule Niketan, Satara City.
7. THE CANARA INDUSTRIAL & BANKING SYNDICATE LTD., Mukund Nivas, Udipi, Mysore State.

BROKERS

BOMBAY :
1. R. R. Nabar & Co., 31 Dalal Street, Fort, Bombay-1.
2. A. B. Pandit & Co., 32 Apollo Street, Fort, Bombay-1.
3. P.R. Subramanyam, 70-A Stock Exchange Bldg., Apollo Street, Fort, Bombay-1.
4. Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Bombay-1.
5. Harkisondas Lukmidas, Stock Exchange Building, Fort, Bombay-1.
6. Batlivala & Karani, Union Bank Building, Dalal Street, Fort, Bombay-1.
7. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay-1.
8. Champaklal Devidas, Aga Khan Building, Dalal Street, Bombay-1.
9. Chimanlal J. Dalal & Co., 107 Stock Exchange Building, Fort, Bombay-1.

CALCUTTA :
1. Place, Siddons & Gough Pvt. Ltd., 6 Lyons Range, Calcutta-1.
2. G. M. Pyne, Allahabad Bank Building, 14 India Exchange Place, Calcutta-1.

MADRAS :
1. Kothari & Sons, Oriental Buildings, Armenian Street, Madras-1.
2. Paterson & Co., 22 Errabalu Chetty Street, Madras-1.
3. Macnochie & Co., Mercantile Bank Building, Madras-1.

NEW DELHI :
1. H.P. Mehta & Co., Connaught Place, New Delhi-1.
2. Harbans Singh Mehta & Co., 33 Regal Building, Parliament Street, New Delhi-1.
3. Raj Paul Chadha & Co., Delite Cinema Building, Asaf Ali Road, New Delhi.
4. P.S. Khambete, M-45 Connaught Circus, New Delhi-1.

AHMEDABAD :
1. Chinubhai Chimanlal Dalal, Manek Chowk, Ahmedabad.
2. Narendrabhai Lalbhai Sheth, Manek Chowk, Ahmedabad.

BANGALORE :
1. Lokkur & Co., Kempegowda Road, Bangalore-9.
2. P. R. Subramanyam, 'Shree Siva', 24 Fourth Street, Benson Cross Road, Bangalore-6.
3. M. Nanjappaiah Jaghirdar, 181 Cavalry Road, Bangalore-1.

HYDERABAD :
1. P. B. Afzulpurkar, Sultan Bazar, Hyderabad (A.P.)

genous crude, if and when available, however, is to be accorded priority. The Middle-East crude will be imported in Indian tankers.

The product-pattern proposed lays paramount emphasis on the production of middle distillates which predominate in the petroleum products requirements of the Madras area. It is hoped that these will be fully met right up to 1969-70 by a throughput of 2.6 million tonnes. The expansion to four million tonnes, therefore, will take place after 1969-70. Arrangements for exporting surplus products will be made by the BOC.

Although the estimated cost of setting up the refinery is being kept a closely guarded secret, it is said that the Madras project is expected to cost less than the 2.35 million tonnes Cochin unit which is being built by Phillips Petroleum.

★★

The Companies (Amendment) Act, 1963, except the provisions of Section 8, came into force with effect from January 1, 1964, according to a notification issued by the Government. The enforcement of Section 8, which provides for the exercise of voting rights by the public trustees in respect of shares held in trust in excess of the limits specified in the new Section 153B, will be notified later.

The amended Act inter alia provides for the constitution of a Tribunal for enquiring into cases against managerial personnel which may be referred to it by the Central Government, and also for transferring to the Tribunal the powers and functions under certain sections of the Companies Act which are at present conferred on the Court. It further gives powers to the Government to constitute a Board, to be called the Company Law Board, to exercise such powers and functions as may be delegated to it by the Central Government, and to appoint a person as public trustee for the exercise of voting rights in respect of shares held in trust. Separate notifications will be issued about the transfer of certain powers from the Court to the Tribunal and the delegation of powers to the Company Law Board when these bodies have been duly constituted.

The other important changes effected in the existing Act relate to Sections 81, 397, 398 and 408. The scope of Sections 397, 398 and 408 has been enlarged to provide for the entertainment of applications under these sections on grounds of public interest as well.

The new Section 153-B, inserted by Section 7 of the (Amendment) Act, makes it obligatory for persons holding shares or debentures in trust, to make a declaration to the Public Trustee to be appointed by Government, where the Trust is created by instrument in writing and the trust money invested exceeds the limits specified in Sub-section (4).

From 'Dry' to 'Damp'

From Our Special Correspondent

BOMBAY:

THE STATE Government announced on December 31 its new year present of a liberalized prohibition policy. Maharashtra, under the revised scheme, would still have a dry law, but this law would be directed more against illicit distillation and bootlegging than against individuals who drink. Drinks with not more than 3.5 per cent of alcoholic content and equally weak toddy will be legalised from April 1, 1964 and will be freely available. As regards foreign liquor, the quota would be increased to six units in the case of foreigners who would be permitted to entertain Indians or to be entertained by them with liquor.

Permits for foreign liquor will also be issued more generously to Indians. In the case of those above the age of 40, it is sufficient if a declaration accompanied by a medical certificate is made by the applicant to the effect that he needs alcoholic drinks for maintaining his health. In the case of others, the existing requirement that a certificate should be secured from a Medical Board appointed by the Government will continue. Persons above the age of 40 will also be given the further concession of a larger quota of four units. Those between 30 and 40 will be eligible for three units and those below 30 for two units. Simultaneously, the unit itself has been enlarged. Whereas one unit was so far equivalent to one bottle of whisky or other hard liquor or three bottles of wine or nine bottles of bear, it would fetch either four bottles of wine or 12 bottles of bear after April 1. Liquor permits will be available for two years in the case of those above 40 and one year for the rest. The logic of the more stringent restrictions put on those below the age of 40 seems to be that addiction to alcohol should be discouraged in the younger age groups when the habit may not have been formed already.

The State Government has decided further to increase the number of wholesalers and retailers in the liquor trade. It would also permit the manufacture of indigenous liquor (including that of the free 3.5 per cent variety) by sugar factories and breweries and also wine from grapes. Mr. V. P. Naik, Chief Minister, expressed the hope that following the liberalization and rationalisation of the dry law, its enforcement would secure greater public support and that the implementation of the revised prohibition policy would thereby be facilitated.

★★

The Presidents of the three professional bodies — Prof. S. K. Basu, Dr. B. N. Ganguli and Dr. Radhakamal Mukherjee — called for a re-orientation of the Government's policy for sustaining rapid economic development. The perscriptions suggested stemmed from a sharp criticism of Government policies. Prof. Basu pleaded for the introduction of a costly credit structure with the aim of rationalising the use of scarce capital resources in the country. He wanted a straight-forward use of the Bank rate without precluding the use of multiple discount rates to divert credit into useful channels. Prof. Basu suggested a preferential tariff rate system for easing the strain on balance of payments — as an alternative to devaluation. He recommended the constitution of a high-powered commission to inquire into the working of the Indian monetary and credit system.

Price Disincentive

Dr. Ganguli enumerated the difficulties and dangers of ad hoc price fixation of agricultural commodities in a developing economy. He showed how such price fixation actually acted as a disincentive to farm production by disturbing the intricate series of parities that influence farm response. The terms of trade of the agricultural sector had acted against it. Dr. Ganguli pleaded therefore for more investment in the infra-structure for agriculture, adjustments in the tax system in favour of agriculture and provision of cheap credit.

Dr. Radhakamal Mukherjee urged that the payment of bonus should be made obligatory on the employers. Bonus should be paid to mitigate the differences between actual wages and fair and living wages. The State should relinquish its responsibility for 'industrial remuneration and welfare decisions' and give the trade unions full opportunity for collective bargaining.

★★

The Indian Chemical Manufacturers' Association (ICMA), celebrated its Silver Jubilee recently. Founded in 1938 by the late Acharya P. C. Ray, it has presently a membership of 122 with a total capital investment of over Rs. 315 crores, employing nearly 1½ lakh workers.

Inaugurating the Silver Jubilee Celebrations, Mr. Asoka Mehta, Deputy Chairman, Planning Commission, said that although the chemical industry has steadily grown, and in the last decade its growth rate has been over 18 per cent a year, the mere fact that the programmes of development in health, agriculture, textiles, transport, etc. greatly depended on the rapid growth of the chemical industry called for a faster 'pick-up' than there has been so far. Capacity had increased to a considerable extent in the manufacture of inorganic chemicals, but even in this limited field, expansion was lagging behind the pressure of effective demand. In the field of organic chemicals the progress has been even less satisfying, he said.

Pinpointing the role of the chemical industry in the transformation of our stagnant economy and stratified society into a socially mobile and opportunity-cum-egality-oriented expanding economy, Mr. Mehta said that, along with the metallurgical and engineering industries, the chemical industry formed the three prongs of transformation. Mr. Mehta pointed out that in an industry of this kind, while it was necessary to get foreign know-how, it was not wise to depend on their processes wholly. He said: "We have to foster efforts that would enable us to utilise raw materials available in our country. The industry's real dynamism lies in its capacity to make science and technology augment and alter resources provided by nature." This could only be achieved through research for "research is the heart of the chemical industry and, unless the industry and science remain closely related, the industry's growth will not be lusty". Mr. Mehta said that the future of the industry depended on its ability to advance import substitution, of raw materials as well as intermediates, develop process knowhow, and help with competent consultants, our engineering firms to fabricate large parts of the machinery needed. Presently the industry with an output of over Rs. 300 crores, has been importing raw material worth Rs. 100 crores a year. To develop the industry with pressure in this measure growing on our external resources cannot be encouraged, he said. According to him the economy can become self-sustaining in its achievements and growth only when the appropriate orientation and effort enliven every sector and, indeed, every major industry.

Industry in the Eastern Region

From Our Correspondent

CALCUTTA:

THE EASTERN Regional Conference of the Indian Chambers of Commerce and Industry held here in the last week of December was remarkable for a discussion characterized by its awareness of a wider world. Mr. Bharat Ram, Mr. K. K. Birla and Mr. A. Ramaswamy Mudaliar, among others, showed keen concern for the proper alignment of the business community to the rest of the national life. They emphasised the importance of co-operative effort among business organisations for building up the right kind of platform for the industry and commerce of the nation. Mr. Bharat Ram pointed out that the business community should project a correct image of itself before the people. Mr. Mudaliar, agreeing, advised the business community to build a lobby with the people at large. He added that another lobby, a lobby with the Government, was also equally necessary. Mr. K. K. Birla pleaded that business organisations needed to be strengthened. He also underlined the fact that a large sector of trade and industry still remained unorganised into representative associations.

It was brought out at the conference by a number of speakers that it would be wrong to consider West Bengal as "over-industrialised." Mr. Bharat Ram made the telling point that, except in Calcutta and its environs, the Asansol-Durgapur region and the tea districts of Siliguri and Darjeeling, industrial development was conspicuous by its absence. Mr. K. K. Birla drew attention to the fact that, whereas population had increased by over 33 per cent in West Bengal in the decade ending 1961, there had been no corresponding progress in employment opportunities. One reason was that the State had been losing ground in the matter of new industrialization. Whereas in 1957-58, West Bengal had 360 new company registrations, it had only 327 in 1962-63. In comparison, Bombay had 293 new registrations in 1962-63 as against 191 in 1957-58 and Madras 252 in 1962-63 as against 80 in 1957-58. Mr. Sukumar Roy, President of the Bengal National Chamber of Commerce and Industry elucidated this aspect further. He pointed out that, between 1956 and 1961, the number of registered factories in Bombay rose from 1549 to 2686 — a rise of over 70 per cent. In West Bengal the figure was 1493 in 1956 and it went down to 1487 in 1961. During this period, the number of persons employed went up by 50 per cent in Bombay but only by 13 per cent in West Bengal.

The assembled business leaders agreed that not only West Bengal but the entire eastern region was in sore need of a well-planned industrialization drive.

Mr. K. K. Birla underlined the importance of proper advance planning of power development. He also pleaded for serious attention to be given to the problems of Calcutta port, both with regard to the handling of cargo and the continuously increasing port charges. Mr. Bharat Ram pointed out that the key to Assam's economic progress would be adequate transportation. In Orissa there should be strategic concentration on the development of metallurgical and metal-based industries. The industrial fortunes of Bihar would depend on how well the new industries in the Chota Nagpur region were able to flourish and multiply. The President of the Bharat Chamber of Commerce, Mr. Hari Shanker Singhania and the President of the Indian Sugar Mills Association, Mr. G. M. Modi, drew attention to another aspect. They said that the traditional industries of the region had to be given due importance too. The excessive controlling of the sugar industry was doing great harm to the economy of States such as Bihar.

Mr. K. K. Birla, concurring with the theme, pointed out that while the claims of relatively new lines of production such as the engineering industries (which, incidentally, were faced with serious shortages of steel and pig iron) had to be attended to, it would be disastrous if the continuing good health of traditional industries such as jute and tea, so important to the export trade of the nation, were not effectively ensured. In the tea industry, for instance, there was need for replanting of tea gardens on an extensive scale. In the jute industry, the mounting threat of competition from Pakistan where the industry enjoys the advantage of an export bonus scheme, could not be indefinitely ignored without dire consequences, not merely to West Bengal or the Eastern region, but to the whole country.

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Mr. Raj Bahadur, Union Minister for Shipping, Mr. Ashoke Sen, and Mr. Humayun Kabir, Union Ministers, and about 40 Members of Parliament visited the site of Haldia Port on Saturday, December 28, 1963. Considerable progress has been made in recent months for the detailed planning of the various facilities to be provided at Haldia and the preparation of tender documents and specifications. Soil borings at various sites of Haldia have been taken in order to determine the characteristics of the soil strata at the sites where deep struc-

tures carrying heavy loads have to be constructed. The hydraulic studies relating to the Haldia Reach are progressing satisfactorily. An esturaian dredger has already been ordered for improving the approaches to Haldia.

An estimate of Rs. 2 crores for the acquisition of 9.373 square miles of land (about 6.000 acres) required for the Haldia Project has been sanctioned. The land is being acquired. About 695 acres have already been handed over to the Commissioners. A further 300 acres of land is likely to be handed over shortly by the West Bengal Government. The West Bengal Government have also acquired land near the Port area measuring about 200 acres for rehabilitating the displaced families and are developing it. The estimated cost of developing the low lying land is estimated to be about Rs. 8.3 lakhs.

Plans for New Refinery

From Our Correspondent

MADRAS:

THERE IS much satisfaction here over the latest indication by the Union Minister for Petroleum and Chemicals that the fourth oil refinery in the public sector will be located near Madras and that there is every likelihood of its being commissioned into production in the first year of the fourth Plan. It was no doubt expected that Madras State would have an oil refinery as, from the geographical point of view, there was need for installing a big unit which would serve the growing needs of Madras City and surrounding areas without involving unnecessary expenditure on transport of petroleum products. It was not, however, clear where exactly this refinery would be located and whether it would be in the public or the private sector. Actually, reports were current sometime back that a project report had been submitted to the Central Government for installing a refinery having a capacity of 2.5 million tons by a prominent group of industrialists in collaboration with Shell International. The latest developments, however, clearly suggest that the refinery will have to be constructed at a place where the requisite harbour facilities already exist and there would be a large local market. These criteria are satisfied by Madras City and it has now been decided that the refinery should be erected near this centre.

The idea that foreign firms and Indian interests should be allowed to collaborate with Government on the model of the Phillips Petroleum Company of the United States and Duncan Brothers of Calcutta would seem to be not quite in favour and the latest reports indicate that the many foreign oil firms which have offered to collaborate with the Central Government would be asked to take a minority interest and at the same time be prepared to provide fully the foreign exchange required for importing the plant and machinery. It has been stated that Burmah-Shell is very keen on installing a plant which will be capable of producing up to four million tons annually without effecting any major additions to plant and machinery. Esso also has made an attractive offer while E.N.I. of Italy and others are in the field. It is highly interesting to be told that the capital cost of the refinery would be the lowest for any new unit in spite of the fact that many facilities would have to be newly created. Till recently, it was thought that the Cochin Oil Refinery was the cheapest. The figure mentioned for a unit having an initial capacity of 2½ million tons is only a little over Rs. 10 crores, cheaper than the Cochin Refinery by nearly one-third, even allowing for the latter's special features. In view of the scope for deriving a considerable saving in foreign exchange expenditure, with the commissioning of a new refinery, it is expected that an early decision will be taken, having regard to the various factors.

It is needless to point out that the oil refinery will form the nucleus of many other industries. Already Mr. Alagesan has stated that there is a proposal for erecting a fertilizer factory based on naphtha available from the oil refinery. Quite a few industrialists also are thinking in terms of starting petro-chemical industries which are expected to spring up in several parts of the country in the next few years in a big way.

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The location of the new refinery may also prove to be advantageous in other respects. If, luckily, oil is struck in the Kaveri basin, the supplies can be used by this new unit. It is too early to speculate about the commercial possibilities of tapping oil from the Kaveri basin. But Russian geologists would, however, seem to be quite confident about oil being available in the required quantities without much difficulty. The drilling equipment for boring a deep well in Karaikal has arrived from the U.S.S.R. and is on the way to that centre and it is expected that drilling operations might commence in right earnest in the next few weeks. The New Year can, therefore, be said to have started under happy auspices for the Madras State.

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If there are prospects of securing petroleum products from nearby sources, it should be said that the position in regard to the availability of power has improved considerably in recent weeks and the State Electricity Board is having a problem in regard to the utilization of capacity during nights while the peak demand cannot be met during day without a staggering of loads, arranging of shifts and holidays and the like. The State's Industries Minister announced a few days back that the supply of 20,000 kW power to Kerala from Neyveli during nights is proving helpful to both the States while existing industrial units are being urged to increase third shift working as power can be supplied to them freely. The position is expected to improve considerably after sometime as the fifth unit in Neyveli is scheduled to be commissioned in March next while the units of the Kundah project in Power House No. II might be commissioned by the middle of next year. It is not clear, however, whether the summer months will present any serious problems though the satisfactory North-East monsoon has resulted in the filling up of the main reservoirs to a safe level.

The State Electricity Board, however, is conscious of the need for firming up power availability. It has, therefore, been suggested that besides a substantial increase in the capacity of the Neyveli Thermal station, there should be a big unit at Ennore having a capacity of 300 mW based on coal imported from West Bengal or three units having a capacity of 100 mW each located at Madras, Cuddalore and Tuticorin. The Electricity Board has already submitted a scheme to the Planning Commission and it has been estimated that the cost of setting up a thermal station of 300 mW capacity at Ennore will be Rs. 29 crores. The alternative scheme of establishing three thermal stations of 100 mW each at Ennore, Cuddalore and Tuticorin is estimated to cost Rs. 34 crores. Since there is a large unsatisfied demand in the Madras region and there will be a considerable saving by installing a big unit, technical experts would seem to favour the proposal for constructing at Ennore a station having a capacity of 300 mW. Even with the use of high cost coal, it has been calculated that the net return on investment for the single big station will be 8.8 per cent and for the three different stations 6.04 per cent, based on coal in both cases. It is actually pointed out that the return on investment will be very much higher at 12 per cent if the boilers could be fired with furnace oil. The reaction of the Planning Commission for these proposals is awaited.

The moving finger writes

I SEE that the economists gathered in Bombay in Christmas week (and whose discussions were inaugurated by the Finance Minister) were agreed that the country was confronted with a crisis of character and the most important task before it was to try and raise moral values. I suppose that the Home Minister, Mr. G. L. Nanda, should now call a conference of sadhus to discuss with them the country's economic stagnation and how it can be broken.

Talking of Mr. Nanda and the sadhus, I am happy to record that knowledgeable sources tell me that after he has become Home Minister, Mr. Nanda is becoming increasingly impatient with the calls which the Bharat Sadhu Samaj is making on his time. I have been further informed that when the Sadhu papers come to him, Mr. Nanda, more often than not shrugs his shoulders and shoves them away (I mean, he shoves the papers and not, of course his shoulders, or those sadhus).

Persons working with Mr. Nanda have also been noticing other agreeable changes in him. It appears that the Home Minister is not merely crusading in public against corruption in administration. There were quite a few occasions recently, when he reportedly showed remarkable firmness in insisting on the proprieties in matters relating to very senior officers. I have heard it said on good authority that there was even a case where the Prime Minister more or less suggested that it was not necessary to take too strict a view of the background of a certain officer whose claim for promotion was being discussed. But it appears that Mr. Nanda — all honour to him — refused to budge from his stand that he could not be preaching about honesty in the Administration if he were not to insist on a record of integrity when it came to dealing with service matters relating to individual officers. This apart, the nature of much of the work that is being done in the Home Ministry is such that it is not possible for the public to know from day to day what is the quality of the new policies or the worth of the new approaches which are being tried. My sources, however, are confident that the good work which Mr. Nanda is claimed to be doing in many important spheres, such as the purity of the Administration or the adequacy of Central Intelligence, is bound to impress public opinion through its results over a period.

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The Minister for Shipping, evidently, is a confirmed believer in looking at the bright side of things. Thus he was not unduly depressed when a research team of the Stanford University in California in the United States reported that a good percentage of American tourists who had been to India once did not want to visit a second time because of poor hotel facilities. Nor was he upset at another finding that a similar sizable percentage of tourists, who had decided that "once was enough", did so because they did not think much of our transport facilities. Finally, Mr. Raj Bahadur's exuberant spirits, certainly, were not dampened by the complaint that the swarming beggars in our tourist centres were also a deterrent to doing India 'again. And all because the Minister for Shipping and Tourism had been alert to notice the silver lining to the Stanford Report which had also said that not one of the "non-returners" had given our prohibition policies as an explanation. I am sorry to grouse, but it seems to me that when a visiting foreigner complains that our hotel amenities are nothing to write home about or that our transport is lousy, he cannot be rejoicing over the fact that in many places in this country he cannot have for the asking the bottle that inebriates so that he might be able to forget his other miseries.

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Leafing through the early issues of "Eastern Economist", in search for "quotable quotes" for the feature "Eastern Economist 20 Years Ago", I came across a poetic effusion which a reader from Kanpur, ascribing it to a 17th century English poet, had sent for the issue of January 7, 1944. The Kanpur reader had also sent an accompanying note: "Let your readers substitute the word 'India' for 'Donkey' and the poem becomes very apposite as portraying the economic position of our country." I hope he is still a reader of "Eastern Economist", in which case I am sure he will agree with me if instead of 'India' we now say 'the third Plan' or even more appropriately, 'Democratic Socialism'. And now let us laugh with the poet.

THE DONKEY AND HIS PANNIERS

A Fable

Fessus jam sudat asellus,

Parce illi; vestrum delicium est asinus. — Virgil, Copa.

A Donkey, whose talent for burdens was wonderous,
So much that you'd swear he rejoiced in a load,
One day had to jog under panniers so ponderous,
That — down the poor donkey fell, smack on the road.

His owners and drivers stood around in amaze —
What! Neddy, the patient, the prosperous Neddy,
So easy to drive through the dirtiest ways,
For every description of job-work so ready!

One driver (whom Ned might have 'hailed' as a 'brother')
Had just been proclaiming his donkey's renown,
For vigour, for spirit, for one thing or other, —
When, lo, 'mid his praises, the donkey came down!

But, how to upraise him? — one shouts, t'other whistles,
While Jenky the conjuror, wisest of all,
Declared that an 'over production' of thistles —
(Here Ned gave a stare) — was the cause of his fall.

Another wise Solomon cries, as he passes, —
'There, let him along, and the fit will soon cease
The beast has been fighting with other jackasses,
And, this is his mode of transition to peace'.

Some looked at his hoofs, and, with learned grimaces,
Pronounced that too long without shoes he had gone —
'Let the blacksmith provide him a sound metal basis,
(The wiseacres said), and he's sure to jog on.'

But others who gabbled a jargon half Gaelic,
Exclaimed, 'Hoot, awa, mon, you're a 'gane astray', —
And declared that, 'whoe'er might prefer the metallic,
They'd shoe their own donkeys with papier mache.'

Meanwhile the poor Neddy, in torture and fear,
Lay under his pannier, scarce able to groan,
And — what was still dolefuller — lending an ear,
To advisers whose ears were a match for his own.

At length, a plain rustic, whose wit went so far
As to see others' folly, roared out, as he passed —
'Quick — off with the panniers, all dolts as ye are,
Or your prosperous Neddy will soon kick his last'!

Company Affairs

KESORAM INDUSTRIES ISSUE

KESORAM INDUSTRIES & Cotton Mills Limited, is issuing debentures to the extent of Rs. 1.75 crores to the public in order to finance a project for manufacturing cast iron spun pipes. Construction work has already started at Bensberia, District Hooghly and production is likely to start by the end of 1964. The plant will have an annual capacity of 30,000 tons of pipes from three inches to 12 inches nominal bore and fittings. The company has entered into agreements with Messrs. GHW-Gesellschaft Fuer Huettenwerksanlagen MBH of West Germany for the supply of plant and machinery, drawings, etc., for the installation of the plant. The collaborators will also provide the necessary facilities for training the company's basic staff. Moreover, a tripartite agreement on technical collaboration has been entered into between the company, its collaborators and Messrs. Buderus Sche Eisenwerke of West Germany, under which the foreign companies have agreed to provide all technical know-how for production and process control, technical consulting services and all research development to the company.

The authorised capital of the company is Rs. five crores and issued, subscribed and paid-up capital is Rs. 3,19,92,590. The present issue to the public is made up of 17,500 debentures of Rs. 1,000 each bearing interest at the rate of seven per cent per annum at par. The subscription list will open on January 9 to close on January 18 or earlier at the discretion of the directors but not before January 11. The issue has been underwritten by Life Insurance Corporation of India, Messrs. Harkisondass Lukhmidass, M/s. G.M. Pyne, the Central Bank of India, the United Commercial Bank of India, West Bengal Finance Corporation, the Oriental Fire & General Insurance Co. Ltd., M/s. Batlivala & Karani, M/s. Meconochie & Co., Canara Bank Ltd., M/s. Jhawar & Co., and M/s. M. Murarka & Brothers.

BHARAT FORGE ISSUE

Bharat Forge Company plans to erect a modern drop and upset forge plant capable of producing 6,000 tons of forgings on a single shift operation and 16,800 finished crankshafts per year. To finance this project the company proposes to enter the capital market to raise a sum of Rs. 1.52 crores by the public issue of equity and preference shares. The subscription list for this issue will open on January 10 to close on January 22 or earlier at the discretion of the directors, but not before January 13. The company has an authorised capital of Rs. 3 crores made up of 200,000 equity shares of Rs. 100 each and 100,000 cumulative preference shares of Rs. 100. Equity shares worth Rs. 75.38 lakhs have been subscribed by the directors, their friends, associates, collaborators and equity shares worth Rs. 2.62 lakhs have been reserved for allotment to collaborators. The present issue is made up of 77,000 equity shares of Rs. 100 and 75,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each. The entire issue offered to the public is underwritten by the Government of Maharashtra, Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India Ltd., Life Insurance Corporation of India, the Investment Corporation of India Limited, Canara Bank Ltd., Messrs. R.R. Nabar & Co., The Bank of India Limited and the Canara Industrial and Banking Syndicate Ltd.

The unit to be located at Poona will produce a complete line of forgings and finished crankshafts in a variety of ferrous and non-ferrous metals. The unit will be equipped with die shop, heat treat facilities and uptodate equipment for quality control. Complete facilities for the machining, heat treatment, grinding and inspection of drop forged crankshafts will enable the company to produce these items from the billet to the completed crank. It has secured the collaboration of the Steel Improvement and Forge Company of Ohio, USA for providing the necessary technical assistance and services. It has also secured the required foreign exchange loan and import licences.

NIRLON SYNTHETIC FIBRES

Within a period of four months of the commencement of nylon yarn production, Nirlon Synthetic Fibres & Chemicals Limited recorded sales worth Rs. 28.59 lakhs which show that the company can look forward to a substantial market for its products. This was revealed by Mr. S. Vaidyanatha Aiyar, Chairman of the company, while addressing the annual general meeting held recently. In fact, the record of the company for the subsequent eight months after the year ended March 31, 1963 shows that sales amounted to Rs. 149.82 lakhs which only confirms the confidence and the optimism with which the company has started. Nylon occupies a place of significant importance in the Indian economy as it has proved its utility for tyre cord, fabrics for rain wear, ground sheets, light-weight tents, gun equipment covers, safety belts and parachute harnesses because of its tensile strength and durability. The Chairman indicated that the company has decided to go ahead with an expansion programme which will raise its capacity for nylon yarn production to 5.6 tons a day from the present 2 tons a day. This Rs. 10-crore expansion programme includes the production of nylon tyre cord as well as caprolactam, principal raw material for the nylon industry. It proposes to produce a wide range of nylon yarn with a strict quality control enforced at every stage of manufacture. Even the present plant when in full production will have an annual turnover of Rs. 4 crores and is moreover so designed as to accommodate additional equipment without any additional construction work.

The proposed production of caprolactam, an important raw material for the nylon industry, is going to be a significant development for the company. At present, it is importing it from the Allied Chemical Corporation, USA, for which it pays through exports of fabrics. It has been able to secure firm orders for exports to meet all the foreign exchange requirements and this scheme is likely to continue till the company's own caprolactam plant starts functioning. The company has already secured a licence for the establishment of this plant with a daily capacity of 12 tons for which it has negotiated for a collaboration with a firm of international repute in the USA and the Central Government has indicated approval of the terms of negotiations. This factory is likely to be located at Thana, near Bombay, where phenol required for the production of caprolactam, will be available. The Chairman indicated that overall capacity of the proposed plant will be sufficient to meet the requirements of the entire nylon industry. The plant will also yield nearly 60 tons per day of ammonium sulphate, a nitrogenous fertilizer, as a by-product, besides producing cyclohexanone, an intermediary compound used in a number of industries such as paints, lacquers, pesticides and pharmaceuticals. Mr. Vaidynatha Aiyar informed the shareholders that the company intends to enter the capital market shortly for the issue of 106,000 equity shares of the face value of Rs. 100 each for cash at par.

ACC—PROGRESS AND PROBLEMS

Mr. Dharmsey M. Khatau, Chairman of Associated Cement Companies Ltd., reviewed the state of cement industry at the annual general meeting of the Company held recently. The industry has been facing the twin problem of rising costs and static selling prices which ultimately reduced the finances that



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could be ploughed back for expansion and rehabilitation. As the Chairman indicated, the company even then has continued to struggle in its plans for expansion of capacity and higher productivity.

There has been a steady rise in the cost of production and over a period of two years alone, freight rates have gone up by nearly 15 per cent and coal prices by nearly 12.5 per cent. There have been several factors such as the rapid deterioration in quality of coal supplies, the imposition of power cuts, which further led to higher costs. In response to these increasing prices and rising costs, the company along with other producers approached the Government for revision in the retention prices which were allowed as late as on June 1, 1963. An increase of 2.75 per ton was granted which was accompanied by a cut in the selling agents' commission so that the net increase to the company was only Rs. 2.50 per ton. The Chairman also made a reference to the issue of packing materials where the Government had fixed the packing charges for cement on the basis of 50 per cent use of secondhand bags. The industry as a whole represnted to the Government about the impracticability of adopting such norms as they could not be expected to use such a high ratio of secondhand bags. Ultimately, the industry did persuade the Government to fix the use of secondhand bags at 33 per cent, which was more practicable.

Mr. Khatau reviewed the company's programmes of expansion and modernisation which were in various stages of progress. The production of 'slag cement' at Chaibasa works showed considerable improvement and the plant at Madukkarai works was being extended by 1.20 lakh tonnes. He indicated that the works at Mancherial could not operate to the rated capacity because of continued restriction in power supply. Similarly, the works at Bhupendra could not keep up the running capacity due to the shortage of limestone reserves. The company was approaching the authorities to allow the transfer of four kiln units from Bhupendra to Madukkarai works. The machine and fabrication shops of the new engineering works at Shahabad were completed according to schedule and went into production in 1963. Efforts were also being made to enlarge the scope of engineering activities at Shahabad by including new lines of manufacture in technical collaboration with Messrs. Hitachi Ltd., of Japan. The Heavy Engineering plant of ACC-Vickers-Babcock Ltd., which commenced production last year, has made steady progress. This unit was proposed to be expanded further for which a sum of Rs. 2.50 crores would be required. ACC proposes to contribute the required additional finance jointly with Vickers Ltd. and Babcock and Willcox Limited.

TUBE INVESTMENTS

Mr. A. Ramaswami Mudaliar informed the shareholders at the annual general meeting of Tube Investments of India Limited that the production of cycles, which was the primary objective of the company, had fallen during the year by nearly 10 per cent. This decline, the Chairman pointed out, was due to various reasons and perhaps the most important among them was the short supply of tubes. Moreover a severe cut imposed by the Government in the value of import licences issued to the company, had debarred it from importing essential consumable stores such as chemicals, nickel, etc. The third significant factor that caused this fall in output was a complete cut in the supply of electricity by the Madras State Electricity Board for a period of over two weeks.

The Chairman referred to the unsatisfactory nature of supplies of skelp from the Rourkela steel plant, as a result of which production of tubes went down in the company's cold roll mill installed in 1962. Skelp supplied by Rourkela was not of the requisite quality or specifications and to make matters worse the defects became manifest only after the steel had been processed which resulted in considerable avoidable financial loss.

The Chairman also referred to the taxes which had led to higher costs of production. The increase in the import duty on plant and machinery, the enhancement of inter-State sales tax the increase in the import duty on essential raw materials not readily available, were some of the tax burdens which, according to the Chairman, deserved a more thorough examination by the top authorities. He emphasised that the industry in general was having a sense of frustration because on the one hand it was being asked to show higher productivity and better results and on the other the costs of production were increasing alone with the complexities of controls and administrative delays which in their turn led to higher costs and lower production.

CONSOLIDATED COFFEE

Mr. M. A. Sreenivasan, the Chairman of Consolidated Coffee Estates (1943) Limited, utilized the occasion of the annual general meeting of the company to protest against unhelpful official attitudes towards the industry and pleaded for more constructive policies, particularly in the matter of taxation. He stressed that the burden of taxation — Central, State as well as local — has continued to increase very rapidly. In 1962 the maximum rate of agricultural income tax in the Mysore State, which only five years before had been stepped up from 25 to 40 per cent, was further raised from 40 to 60 per cent. In the same year excise duty on Arabica was raised from Rs. 21 a cwt. to Rs. 28 a cwt. It appears that as against 23 per cent taken away by taxation in 1951, 41 per cent was taken away in 1961 and 57 per cent in 1963. As a result of this rising taxation, this company recorded a surplus, after tax, of Rs. 17 lakhs in 1951 against an output of 1,500 tons of coffee and against this in 1963 on a crop of over 3,000 tons, its surplus was around Rs. 18 lakhs. In a way, as the Chairman pointed out, the manner of recent taxation has led to the paradoxical and disheartening situation in which the producer is producing more and more to get less and less in return. In the context of taxation, Mr. Sreenivasan also highlighted the fact that the slab system in taxing agricultural income has resulted in putting a heavy and inequitable burden on shareholders of larger companies which had given a lead not only in matters such as labour housing, medical facilities but also in farm techniques, quality production and research programmes. But it appears, as the Chairman indicated, the system of higher taxation of larger units has already led to sub-division and fragmentation of plantations. Between 1953 and 1960 the number of holdings of 250 acres and above declined from 227 to 157 and the number of those with less than 10 acres went up from 27,000 to 38,000.

Mr. Sreenivasan quoted a number of instances to illustrate the officious nature of official intervention in the affairs of the industry. For instance, till 1962, coffee curers were free to take out a fidelity guarantee insurance policy in respect of the coffee they held for the Coffee Board with any of the insurance companies and it usually cost them nearly Rs. 105 a year. Last year, the Coffee Board, apparently at the instance of the Government of India, issued a directive to all curers that the fidelity insurance should be placed only with one of the two insurers named by the Board and both these insurers charged a premium of Rs. 1,250 a year, which the company was forced to pay. Similarly, through some other acts and bills, the Government has reduced the manoeuvrability of producers and has taken powers to impose new controls and restrictions which have hindered the productive machinery considerably. Coffee plantations had more than trebled their total outputs in the decade 1950-1960, but this progress is unlikely to be maintained if official interference continues to be excessive and uninformed.

COMPANY MEETINGS

THE MYSORE SUGAR COMPANY LTD
Bangalore

Extracts from the speech of Sri V. Venugopal Naidu, Chairman and Managing Director at the Annual General Meeting of the Shareholders of the Mysore Sugar Company, Ltd., Bangalore, on Monday the 30th December, 1963.

1. As you are all doubtless aware, the year 1962-63 was an unfavourable one for the Sugar Industry as a whole. The set-back in production, witnessed in the preceding year, continued in an aggravated manner, with the result that the production in the country sharply declined to 21.6 lakh tonnes from the previous year's production of 27.3 lakh tonnes and 30 lakh tonnes of 1960-61. This poor performance was because of inadequate supply of sugarcane to factories. Unfavourable weather conditions, general shrinkage in cane crop and, in particular, large diversion of contracted cane for manufacture of jaggery and Khandsari were mainly responsible for this. This fall in production is most unfortunate for two reasons; firstly, the internal consumption has increased from about 21 lakh tons to 26 lakh tons and secondly there is a good demand for export, in view of the world price for sugar having reached phenomenal heights. In order to tide over the crisis of shortage, Government of India once again imposed control on price, movement and distribution of sugar with effect from 17th April, 1963.

2. As stated above, one of the main reasons why sugar factories did not get adequate cane supply during the year 1962-63, — in fact the same difficulty has been experienced this year also — was the attractive price the cane growers got by converting cane into jaggery or by supplying cane to jaggery manufacturers. Government have therefore increased the cane price this year to induce the growers to supply their cane to factories and the increase in cane price is as much as 25 nP per maund under the recovery formula. It is hoped that the Central Government — now that the sugar price is controlled — will take the full increase in cane price into consideration while fixing the ex-factory price of sugar. As far as the factories in the South are concerned, till now adequate increase in sugar price has not been given to compensate the increase in cane price.

3. In common with many other sugar factories in the country, the performance of the Mandya factory was also below expectation. The result is that for the year under review, the crushing was only 2,57,363 tonnes of cane with a production of 27,390 tonnes of sugar during a comparatively short season of 202 days. However, there was improvement in recovery from 9.77 per cent to 10.57 per cent. The total quantity of sugar sold during the year was 37,294 tonnes.

4. The working of the Distillery was also adversely affected because of the lower output of molasses in the sugar factory. The deficiency in molasses was, to some extent, made up by purchases from a neighbouring sugar factory. Government of India have passed the Molasses Control Order to assist the distilleries to obtain their requirements of molasses and it is left to the State Governments to give effect to this Act. However, the Act has not been introduced in our State so far and the State Government have been impressed of the urgency of this matter.

5. Government of India have decided to license an additional capacity of 5 lakh tons and as you know we have been asking since a few years for an expansion license to increase the crushing capacity from 1,400 tonnes to 3,000 tonnes per day. Your Directors are confident that the application will now be favourably considered. In fact, your Company has recently obtained permission from the Sugar Directorate to effect some additions and alterations to the Factory which we hope will be carried out during this off-season. As soon as the expansion licence is received it is expected that the rest of the additions and alterations would be effected during the course of next one or two off-seasons without disturbing the normal production and it is further expected that, on the average, your factory will crush about 6 lakh tonnes of cane a year thereafter. This will go a long way to improve the profitability of your concern.

6. I have already referred to the controls introduced in April 1963. The sugar industry has been subjected to alternative controls and de-controls ever since 1942. It will not be wrong to say that even in de-control period it is a highly controlled industry. Raw material price, i.e., cane price, is controlled and this constitutes about 45 per cent of sugar price; taxes, both Central and State, come to about 35 per cent; wages and salaries have been fixed by the Central Wage Board and prices of other stores materials such as fuel oil, coal, etc., are also fixed. But the sugar price is now fixed based on the Tariff Commission Report given in 1957 with certain adjustments, which does not take into consideration the actual conditions of our factory. The price fixed in our case is very uneconomical and it has been impressed upon the Government of India that they should revise the sugar price.

7. The production of sugar in our country for the last few years has seen violent ups and downs. It is therefore time to think of a long-term policy. To my mind, fixation of cane price every year is not in the interests of the industry; neither does it serve the interests of the consumers or the cane growers. This year you have seen cane price being varied three or four times for various reasons and one of them being the demand from the cane growers. Though, one of the considerations for fixing cane price is the cost of its production, yet cane price should have some relation to the price of other agricultural commodities and in particular, food crops. I hope the present high price fixed for cane will not react adversely on food crops next year. Government of India may have to think of fixing cane price for a long period, say 5 years, and any difficulty experienced by factories in procuring adequate supply of cane as in this year should be tackled by measures other than by changing the cane price.

8. Another point I would like to stress in this connection is the capacity of our factories. The average crushing capacity is so low in India that under normal conditions our sugar price will not be able to compete with the world market price. Now that Government of India are thinking of licensing additional capacities it is just right time to think of licensing bigger units and also raise the capacity of the existing small units to an economic level, say 2,000 tonnes crushing capacity.

9. About our capital re-construction and development plans I am happy to inform you that the Government of India have permitted us to issue one right share with a small



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premium of Rs. 2 and bonus shares thereafter in the ratio 1 : 4.

10. A word about our new venture. In my last year's speech I mentioned to you that we have secured triacetate know-how from Gevaerts, a well-known Belgium firm. A new Company by the name and style of "THE MYSORE ACETATE AND CHEMICALS COMPANY, LIMITED" has been incorporated to undertake this new venture. Based on this know-how, technical agreements have been concluded with foreign collaborators for supply of machinery and also for erection, supervision and initial running of the plant. A foreign exchange loan of Rs. 100 lakhs from the Eximbank and Rs. 54 lakhs from Industrial Credit and Investment Company, Limited, have been obtained and negotiations are being carried on for the balance of Rs. 21 lakhs. It is hoped that all the formalities will be completed within the next 3 or months.

11. As you know, the Mysore Sugar Company will b putting up an Acetic Acid plant as an adjunct to its Distiller and necessary Swedish credit has been obtained to purchas the plant and machinery. An agreement with the Swedis suppliers has also been signed for purchasing this plant. Witl the completion of the expansion and modernisation schem and with the commissioning of the Acetic Acid plant, th future of your Company, I dare say, is well assured.

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

THE ASSOCIATED CEMENT COMPANIES LTD

Summary of the Chairman's Statement

The following is a summary of the statement issued to shareholders by Shri Dharamsey M. Khatau, Chairman, The Associated Cement Companies Limited, on the Company's working for the year ended 31st July, 1963. The Annual General Meeting of the Company will be held on Friday, the 17th January, 1964, at 4 p.m. at Patkar Hall of S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Off Queen's Road, Fort, Bombay.

The world received with a sense of great shock and bewilderment the news of the assassination of President John F. Kennedy. We in India have lost a sincere and good friend and the world will be infinitely poorer for the absence of this great statesman of high purpose. And in Maharashtra, with the passing of Mr. M. S. Kannamwar, the Chief Minister, we have lost an able administrator who had endeared himself to the people by his simplicity, integrity and fairmindedness. These tragic losses, from far and near, will undoubtedly have their repercussions on all of us.

Though we operated under a far less tense atmospehere politically than in the previous year, the state of emergency caused by the Chinese aggression still continues. Government is naturally anxious to find additional funds to meet the great task of defending the country against all eventualities. Extra financial burdens have had to be borne by all. These levies, coupled with rising cost of production, have had a marked effect on the Company's working. It is hoped that in the coming year the indications given by the Finance Minister of reviewing fiscal policies would result in greater confidence and lead to increased industrial activity and production. The Directors' report has drawn attention to these and other difficulties that have affected the Company's operational results during the year, despite increased production and sales. Once again it has become necessary to draw from reserves to pay a reasonable dividend.

RISE IN COSTS

There has been a steady rise in the cost of production despite continuous efforts to hold it in check by improvements and innovations. In two years railway freight rates have gone up by some 15 per cent and coal prices by 12.5 per cent. The prices of consumable stores and spares have soared up by about 15 per cent. And the spiral has been urged upward by increased royalty rates, higher contributions to Government Provident Fund and State Health Insurance etc. Other important factors responsible for rising costs are the steady deterioration in the quality of coal available, the imposition of power cuts and restrictions on supply from electricity grids.

CEMENT PRICES

Since the retention price of Rs. 69.50 per tonne for the Company's cement was fixed on 1st November, 1961, there have been substantial increases in the cost of production — due directly to Government action. The Industry made repeated representations to Government to afford necessary relief, and it was only on 1st June, 1963, i.e., after 19 months that Government granted an increase of Rs. 2.75 per tonne, but there was a simultaneous cut in the selling agents' commission; thus the net increase to the Company was only Rs. 2.50 per tonne. This belated but welcome increase was, however, inadequate to cover the very heavy loss in returns amounting to over a crore of rupees already incurred by the Company. Costs have further increased since June 1963 on account of factors beyond the Industry's control, and I would urge that Government should at the earliest opportunity examine these increases and afford quick relief to the Industry in order to help it play its due part in the national development.

INDUSTRIAL POLICY

While on the subject of cement price and Government's pricing policy, I would like briefly to refer to the World Bank Mission's observations on Indian Economy, and the pricing and price control policy of the Government. The Mission's opinion appears to be that:

i. low prices will tend to discourage production, reduce the incentive to invest in expansion and will encourage the wasteful use of resources;

ii. the policy of controlling prices in key-industries has diverted capital from priority sectors — the very sectors where the need for expansion is greatest!

iii. the cost plus formula, the normal basis for price fixation, is singularly unconducive to efficiency and that

iv. there is a growing recognition in India that prices fixed for basic commodities such as coal, iron and steel, and cement are far too low.

We ourselves have had occasions to express similar views regarding Government's programmes and policies. The various Chambers of Commerce have already brought these observations to the notice of Government. The Cement Industry strongly urges Government to give due weight to these aspects of the Mission's report and to allow a satisfactory price, which will enable it to pay a satisfactory dividend, and also have something left over to plough back into the busi-

ness. This is essential for the expansion of this vital basic industry.

DEVELOPMENT AND REHABILITATION ALLOWANCE

I would also like to refer to the cumbersome procedure by which the Company is first required to deposit the net rehabilitation allowance after paying tax, in a separate account to be jointly operated by the Government of India and the Company. Rehabilitation expenses can be released from this account only on the strength of audited certificates of actual expenditure incurred on development and rehabilitation of plant and machinery. Even then, certain items of legitimate expenditure incurred such as on crane gantries, power houses, railway sidings, buildings for flotation plant etc., essential for efficient working and maintenance of the cement plant, are treated as inadmissible by Government. There does not seem to be any justification for this and we hope that Government policy and procedure will be suitably modified.

COAL AND PACKING MATERIAL

The position regarding coal supplies quantity-wise has eased considerably following the steady improvement in transport. Unfortunately, the quality continues to be a matter of serious concern, because this affects, very markedly, both the quantity and the quality of clinker produced, disproportionately increasing the cost of cement production. The quality of Indian coal of all grades has deteriorated over the last few years while its price has steadily risen. Government's action in encouraging the conversion of cement factories located in South India and Gujarat to oil-firing at a subsidised cost consequently comes as a welcome relief. The factory at Dwarka has been converted to oil, and the Madukkarai factory will follow suit shortly. In due course, the Kistna and Sevalia factories and the new factory at Porbandar, will also use oil instead of coal in their kilns.

So far as packing materials are concerned, we suffered heavily from Government's insistence on fixing the packing charges for cement on the basis of a 50 : 50 use of new and second-hand bags. The frenzied attempts of many companies to secure second-hand bags in as large numbers as possible served only to create an artificial demand which shot up prices of second-hand bags to a level far above the permitted packing charges. The Industry as a whole represented to Government the impracticability of such norms for the fixation of packing charges. Government revised the packing ratio of old to new bags from 1 : 1 to 1 : 2 from August 1963. Even this ratio is high, and efforts will have to be made by the Industry to persuade Government to fix the ratio at the more rational level of 1 : 3.

INCENTIVE BONUS SCHEME FOR CEMENT INDUSTRY

The announcement by Government early in 1963 of an incentive bonus scheme for the Cement Industry must be welcomed. Under the scheme, a manufacturer will be paid a small bonus for every tonne of extra production during the calendar year 1963 which is in excess of the best performance achieved by any unit during any of the years 1960, 1961 and 1962. This will of course mean bettering the best performance of the previous three years, and is, therefore, an excellent challenge to the Industry.

EXPANSION, REHABILITATION AND DIVERSIFICATION

The Company's programme of expansion and modernisation has been progressing as well as it could under the prevailing circumstances. The first unit of our new Jamul Works, which will manufacture "Slag" cement by utilizing granulated slag from the Bhilai steel plant, is expected to go into production by the end of 1964. The construction of the new "dry process" plant at Porbandar is also making progress. The production of special cements such as Silvicrete, slag cement, oil well cement, hydrophobic cement, etc., was stepped up and the manufacture of other ACC products — FIREBRICKS, ACCOCID, ACCOSET - 50 AND ACCOPROOF — also made steady progress. The machine and fabrication shops of the New Engineering Works at Shahabad went into production in the third quarter of 1963. Efforts are being made to enlarge the scope of the engineering activity at Shahabad in technical collaboration with Messrs. Hitachi Ltd., of Japan. The ACC Technical Training Institute at Kymore, started in 1957, is being enlarged to double the annual intake of apprentices. In course of time it will turn out skilled craftsmen to meet all our needs.

ACC'S CENTRAL RESEARCH STATION

Construction work on our Central Research Station at Thana is progressing satisfactorily. This station, the first of its kind in India, will devote itself primarily to technological and applied research on cement and concrete and other products manufactured by the Company.

ACC - VICKERS - BABCOCK LTD.

The Heavy Engineering Plant of ACC-Vickers-Babcock Ltd., which commenced production last year, has made progress. The working till 31st March, 1963 has shown a loss of Rs. 92 lakhs of which, as much as Rs. 72 lakhs is on account of unrecouped depreciation. This is inevitable since, in a heavy capital-intensive project, the attainment of a satisfactory level of output is a time-consuming process, which may take about 3 years. To provide the Company with certain balancing equipment to meet the demand for machinery, AVB has decided on a further expansion of their project.

LABOUR-MANAGEMENT RELATIONS

Labour-Management relations at the Works and Collieries continued to be cordial except at the Nowrozabad Colliery, where, owing to the misguided attitude of the labour union, it was not possible to operate the Coal Washery well for some considerable time. In August-September of the current financial year, there was an unjustified and illegal strike at our Kymore Works which lasted for 26 days. The strike was called off finally through the good offices of the Labour Minister of Madhya Pradesh and it was agreed to have the dispute arbitrated.

The Company's disputes pending before various Tribunals in respect of bonus from 1956-57 onwards have been satisfactorily settled with the majority of our unions which are affiliated to the Indian National Cement Workers' Federation. As part of the settlement and in the interests of industrial peace and increased production, we agreed to pay additional bonus amounting to Rs. 41 lakhs towards all the claims for the years 1956-57 to 1961-62. Only about 7 per cent of our labour force who are members of unions affiliated to the All India Cement Workers' Federation have not taken advantage of this settlement and are pursuing the dispute before the National Tribunal.

I would like to express on your behalf, the Management's warm appreciation of the loyalty, hard work and whole hearted co-operation of the Company's employees.

BOMBAY,

2nd December, 1963.

Note: The above summary is not a document purporting to be a report of the proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

New Approach to Old Problems

THE FOLLOWING is the Statement on the Economic Situation which the Finance Minister made in Parliament on December 16.

During the time that I have been in charge of the stewardship of the Finance Ministry, I have placed before Honourable Members a number of proposals which have been designed to promote economic growth, I believe, with social justice. But I had not the opportunity of stating in Parliament my views on the economic trends and movements in the country. Last week, the Lok Sabha had occasion to discuss at considerable length the document from the Planning Commission on the Mid-term Appraisal of the third five-year Plan. My purpose today is not to return to the ground that had already been traversed. I propose instead, if I may, to think aloud on economic and financial conditions in the country in recent months and to share with Honourable Members certain tentative and general ideas on the course that economic policy might take in the months ahead.

The economic situation in the country as it confronts us today provides, so to say, a mixed bag. Some aspects of it are encouraging, others are less so. In regard to our foreign exchange situation, the position continues to be tight, though it may be said that we have, by prudent management, achieved a not too uncomfortable balance. Honourable Members are aware that our foreign exchange position turned difficult once again last summer and we had to renew our stand-by agreement with the International Monetary Fund for one more year. Fortunately, this decline in reserves was arrested after August and it has not been necessary for us to draw on the stand-by so far. In fact, we have repaid 25 million dollars to the International Monetary Fund. On the 6th December, 1963, the total foreign exchange resources held by the Government and the Reserve Bank of India, amounted to Rs. 282 crores as against Rs. 295 crores at the end of March, 1963 and Rs. 257 crores at the end of August last. We might in the coming months expect some further improvement. Even so, we expect that at the end of the current fiscal year the reserves would be of the same order as at the beginning of the year, i.e., about Rs. 300 crores or so. At this level the reserves leave only a very small margin for safety, and we shall have to continue to be as careful, as ever before, in the expenditure of foreign exchange.

Improved Export Earning

To a large extent, the satisfactory position of our external account was due to an improvement in export earnings during the first seven months of the current fiscal year which were higher than the earnings in the corresponding period last year by about Rs. 47 crores. The increases have been largely in conventional items. While this is reassuring, certain variations in the sources of our invisibles cause some concern and indicate that some of the concessions that we have given in regard to exports are being abused. We cannot afford to have our efforts at increasing exports nullified by a decrease in our earnings from invisibles. The position calls for careful watch and scrutiny. A steady increase in export-earnings must remain, for many years to come, a matter of the highest urgency and importance, and this urgency must be reflected in all our economic policies, be they policies pertaining to taxation, to controls, or to the relative emphasis given to different sectors in the programme of development.

Internally, the budgetary outlook for the current year is not unsatisfactory despite major concessions in regard to the compulsory deposit scheme, and the reduction on two occasions in premium rates for the Emergency Risks Insurance Scheme. Net receipts under market borrowings, as a whole, were somewhat lower than expected, and external loan receipts are also not likely to come up to earlier expectations. Further, the large number of budgetary imposts introduced last year have added to the cost of governmental operations, both normal and those relating to our developmental programmes. The Railways, for example, will have to spend more this year as a result of the additional imposts as well as increases in the price of coal and steel. What is true of Railways is also true of other programmes undertaken by the Centre and the States. As Honourable Members are aware, we have already agreed to increase Central assistance to the States for the Plan this year by Rs. 50 crores partly in response to the rise in costs and in part to enable the States to undertake additional programmes in the vital fields of agriculture and power. An extra provision for the Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India will be made to enable these institutions to play a more active part in stimulating worthwhile investments in the private sector.

Buoyant Revenues

The shortfall in capital receipts and the additional items of expenditure to which I have referred will be off-set to some extent by an improvement in tax revenues. In regard to indirect taxes, the buoyancy witnessed earlier this year is not likely to be maintained, but, on the whole, we might expect to exceed the estimate, or at least to break even. In regard to direct taxes, it is expected that there would be a significant improvement mainly because of the more intensive collection drive. Besides, receipts under small savings have also shown a marked improvement this year so far and it is not unlikely that total collections might exceed the budget estimate of Rs. 105 crores for the country as a whole. On a realistic basis, we must also reckon with some shortfalls in expenditure.

Altogether, taking account of all the factors that I have mentioned, the overall budgetary deficit for the current year should be lower than the figure of Rs. 181 crores that was originally budgeted for. Even so, it would, in all probability, be appreciably higher than the deficit last year. Honourable Members will agree that in the present situation, in which there is considerable concern in regard to rising prices, there is no scope for complacency in the matter of deficit financing.

I am well aware that in this field of budgetary policy, we are passing through a particularly difficult period this year. Substantial additional taxation had to be imposed to meet the needs of defence and development precisely at a time when there was a significant decline in agricultural production and consequently a spurt in the prices of several basic necessities. The juxtaposition of these three factors has inevitably added to the hardships that were implicit in the higher requirements of defence and development. We have endeavoured to respond to the difficulties created by the combination of lower production, rising prices and higher taxation by some measure of relief through the modification of the compulsory deposit scheme. But in view of the budgetary position for the current year as I have already outlined, there is little scope for any further relief. Nevertheless, in view of business conditions in the country and the fact that we have already collected a substantial amount under the Emergency Risks Insurance Scheme, I have decided that for the coming quarter, namely, January-March 1964, there shall be no collections of premiums under this particular scheme. The Emergency Risks Insurance Scheme must necessarily be continued as long as the potential threat to the country remains. And let no one underrate it. It is my intention, however, to announce from quarter

to quarter the premiums to be paid under this scheme in the light of circumstances existing at the time.

As Honourable Members are aware, the two related problems which have caused us a good deal of concern in recent months are those of rising prices and an inadequate rate of growth. Over the first two years of the current Plan period, the general level of wholesale prices in the country had remained unchanged. The small decline in the first year was offset by a corresponding rise in the second year of the Plan. During the current year, however, there has been a more or less persistent upward pressure on prices, particularly of rice and sugar. On the whole, the outlook of agricultural production in the current season is better and this has begun to be reflected in the trend in wholesale prices in recent weeks. Seasonally, the price situation should show some improvement around this time of the year in any case. It would, however, be a mistake to allow any sense of complacency to develop as a result of a seasonal fall in prices.

Given the improvement in crop prospects this year it should be possible, by intensified measures of procurement as well as regulation of wholesale trade, to maintain the price situation under reasonable control. This would need both Government and people taking a long range view of the problem of prices and cost of living. Equally, we must all be prepared for the injection of a large degree of discipline in our economic system. Taken separately, the safeguarding of the interests of any distinct group or class of people appears reasonable, but when synthesizing various group and class interests and fitting them into the national interest it is inevitable that Government will have to call for sacrifices from all sectors of the population. When we speak about control of the strategic points of the economy, we have to take into account not merely the interests of the producers, but also those of the consumers, nay, even the interests of industry which consumes some of our cash crops. It is only when we are able to recognise that for every question, there is another point of view that has to be accommodated to some extent that we could progress further in the direction of establishing stable prices for the benefit of the community as a whole. This is a task which faces the Government today in all its grimness. The problem cannot be solved by Government alone without substantial assistance and support from Parliament and the public.

In the ultimate analysis, however, our success in dealing with our basic economic problems, be they problems of improving our balance of payments position, or of maintaining

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a degree of stability in prices, or of raising resources for the Plan, will hinge on the success that we achieve in stimulating and sustaining production and productivity. I, for one, would not deny that in a developing economy, characterised by scarcity of resources all-round, there is a continuous need for a measure of restraint on consumption and on less essential investment. At the same time, nothing could be more short-sighted and self-defeating than the assumption that, no matter how big the problem in terms of the resources we need, it can be solved by policies of restraint. In a rich country trying to correct minor and temporary imbalances in the situation from time to time, restraint may well be the keynote of economic policy. Even in such countries, there is considerable doubt nowadays whether policies which seek to emphasize curtailment of demand, rather than augmentation of supplies, are really well-conceived. In our situation where a large section of the people are living on sub-marginal levels of existence and where there is considerable leeway to be made in raising production, our fundamental approach to any imbalance or shortage can only be in terms of ending this shortage or imbalance at higher levels of supplies rather than in terms of greater and greater restraint on demand. Let me repeat that I do not dispute the necessity of a measure of restraint. Much less do I plead for a complete abrogation of regulation or of a sense of priorities. But I have no doubt whatsoever that we shall succeed in solving our complex and difficult problems only in so far as we succeed in fixing our eyes steadily on expansion and higher production even as we seek to contain demand within reason at any given time.

Interest Policy

As Honourable Members are aware, we have, of late, taken a number of measures to stimulate economic activity in the country. The Reserve Bank has announced that it will ensure that credit for all legitimate purposes is available in the current busy season. But it is not our intention to usher in an era of cheap money policy in the country. For a country like India where capital is scarce, the accent of monetary and credit policy must necessarily be on realistic rates of interest which reflect adequately the real cost of capital to the economy. At the same time, the supply of credit should be adequate to meet the needs of growth. The enlargement of resources of the Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India, the establishment of the Unit Trust, and the legislation which I intend to introduce for the setting up of a Development Bank, are all designed to strengthen the present institutional framework for meeting the legitimate financial needs of private industry.

While considerable attention has rightly been focussed, of late, on the need to increase agricultural production, we should not lose sight of the fact that industrial production also needs to be increased at a much faster rate than has been the case so far. The rate of increase in industrial production during 1962-63 was somewhat higher than in 1961-62. Indications, however, are that even with improvements in a number of directions, the rate of increase in industrial production during 1963-64 will be of the same order as in 1962-63, i.e., roughly 8 per cent or so. I do not wish to go into details here about production trends in different industries. Basically, I think, the situation that confronts us is very clear, namely, that unless industrial investment in a number of vital sectors is increased as quickly as possible, and unless production in some of the important consumer goods industries, such as, cotton textiles and sugar, picks up to a significant extent, it will not be possible for us to achieve an overall rate of growth in industrial production of the kind that we urgently need.

Speaking on this subject of growth on the All India Radio on the 11th of October I had mentioned that it was my intention to review the present fiscal and related policies with reference to the immediate needs of the economy as well as the requirements of growth and social justice in the years to come. Honourable Members would appreciate that this is not the occasion to announce any changes in the fiscal system. Around this time of the year it is customary to review our budgetary policy departmentally in the light of the requirements for the coming year and the emerging conditions in the economy. In the nature of things this examination of budgetary policy cannot be conducted in the full glare of publicity. At the same time, there is, I think, a certain advantage in taking Parliament and the people at large into confidence up to a point, well before the finalisation of the Budget proposals.

The budgetary outlay next year will inevitably be considerably higher than during the current year. Given the continuance of the emergency and the threat to our borders, of which I see no visible signs of abatement, there cannot clearly be any question of slackening our defence effort. On the other hand, the Plan outlay next year will have to be substantially larger. We are currently having discussions with State Governments on their plans for 1964-65 and indications are that Central assistance to the States next year for their plans will have to be significantly larger than in the current year. The outlay on the Centre's Plan next year will also have to be higher.

A certain order of increase in non-Plan expenditure is also inevitable. As Honourable Members are aware, we have already taken a few measures to enlarge the area of social security. It is my intention to extend these measures to the



maximum extent possible consistent with our ability to find the additional resources. This too, while conferring a direct benefit on the people, will impose an additional claim on public resources.

To a certain extent the increase in expenditure, both Plan and non-Plan, would be offset by growth in normal tax revenues and by greater utilisation of external assistance as the projects for which such assistance is earmarked begin to get completed. On the other hand, while it should be our endeavour to increase receipts from small savings even beyond the satisfactory levels for the current year, it will not be prudent, in the light of this year's experience and the requirements of the rest of the economy for funds, to plan for any significant increase in the resources to be raised by market borrowing. There is also no question of taking the lid off deficit financing at a time when the utmost vigilance is required on the price front.

I think it will be clear from what I have said that given the imperatives of the situation, the need for increasing the pace of mobilisation of resources remains as insistent as ever. In short, in any review of fiscal policies, the primary emphasis has to be on such forms of modification and rationalisation of the tax system as are calculated to improve the performance of the economy without disregarding the need for raising resources on an adequate scale. The relevant question before us, therefore, is whether there is any scope for making such changes as would stimulate savings, investment and production and thereby contribute even more to the buoyancy of public revenues than the present tax system does.

Unaccounted Money

Honourable Members would recall that on a number of occasions I have referred to the prevalence of unaccounted money in the economy. It is a curious paradox of our situation that, while money for worthwhile investments and public purposes is in short supply, there is a great deal of unaccounted money circulating in the economy in search of further undercover gains. What is even more important, the social evil inherent in tax evasion gets doubly compounded as it necessitates greater and greater tax burdens on those who are law-abiding. Perhaps the most important problem that faces us in regard to fiscal reform is that of devising astute and stringent measures to meet this evil of tax evasion so that it might be possible to distribute the burden of taxation more justly and evenly between different individuals in the same or similar walk of life. We have thought too exclusively of social justice as justice between different classes or sections of the community and not enough of the injustice inherent in tax evasion as between different members of each class or profession and as between the honest tax-payer and the dishonest evader.

Another avenue which I think we need to explore is that of surpluses from public enterprises. It has been common knowledge for some time that the returns of investment in the public sector have not been commensurate with what we should expect. The mid-term review also brings out the fact that, while we are likely to exceed the target of additional taxation by a substantial margin, surpluses from public enterprises are not likely to come up to original expectations. There may be many unavoidable reasons for this into which we need not enter here. The fact, however, remains that the public sector cannot hope to play a dominant part in the development of basic industries, transport, power and the like unless our massive investments in these fields begin to earn a reasonable rate of return. Over the years to come, we shall have to rely relatively more on the profits of public sector enterprises than on taxation for meeting our needs if a proper balance between the two is to be kept. It may well be that profits of public sector enterprises can be raised in part at any rate, only by adjustment in their pricing policies. If so, we must be prepared to make the adjustments promptly. It is a major question for consideration whether such adjustments in pricing policies are not to be preferred to additional indirect taxation on commodities in the production of which society at large is already earning a reasonable overall return.

Pricing and Control

This question of pricing policy and controls has rightly received a great deal of attention in recent months. It has often been said, for example, that the growth of the economy is hindered by the controls that we maintain at present on a large number of commodities. A measure of control is undoubtedly necessary, nay even imperative, in a planned economy, particularly in regard to those basic items which are in short supply and where there is danger of monopolistic exploitation. At the same time, controls in their actual implementation often impede the operation of those very forces which might make for the elimination of the shortages and introduce some degree of competition. It is for this reason that we have been reviewing the operation of controls over a number of sectors in the economy for some time now and we have come to the conclusion that gradual and orderly relaxation of some of the controls would be in the interest of stimulating economic growth. Government have accordingly decided to abolish the present controls over the price of 16 commodities, viz., rayon yarn, staple fibre, caustic soda, soda ash, hydrochloric acid, chlorine, calcium carbide, bleaching powder, chilean nitrate, muriate of potash, sulphate of potash, washing soap, tyres and tubes, sheet glass, paper board (but 'not' paper) and natural rubber.

As Honourable Members are aware we have appointed at present a Committee to examine the present procedures in regard to licensing of industries, the grant of capital goods licences, the control over capital issues and similar other controls which affect the expansion of the private sector. Pending full enquiry by the Committee and in the light of our experience, we have decided that under the Industries (Development and Regulation) Act, the limit for exemption from licensing which was raised to Rs. 10 lakhs in 1960 will now be raised to Rs. 25 lakhs. Correspondingly, the exemption limit for purposes of the capital issues control is also being raised from Rs. 10 lakhs to Rs. 25 lakhs. In general, in the administration of all controls, including permissions for intercorporate investments, we shall be guided mainly by the need to promote the growth of essential industries. I hope that, quite apart from freeing a significant area of industrial investment from these requirements, the proposed change will also make it possible to deal with those cases which would still require a licence or sanction, with greater speed and efficiency.

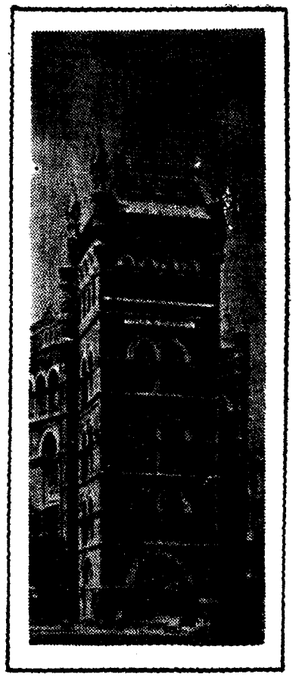
In announcing these changes I should like to make two things abundantly clear. Firstly, in our present foreign exchange position, we cannot relax the scrutiny over the import of plant and machinery associated with any investment howsoever small. In sanctioning licences for the import of capital goods, therefore, Government will continue to have the utmost regard for the essentiality of industry and other relevant factors. I should also like to make it clear that even after this liberalisation no one should put up industries which would need steady supplies either of imported raw materials or of indigenous raw materials which are in acute shortage and the distribution of which is controlled by Government. The relaxation I have announced is therefore intended to simplify and expedite the present licensing procedures and to give a special fillip to the setting up of industries with indigenous equipment and using indigenous raw materials.

I venture to think that the steps we have taken and are now taking would help to lift the economy to a somewhat higher level of effort and enterprise than has been the case for sometime in the recent past. At the same time many more things will need to be done. My tentative thinking on the state of the economy and budgetary problems for the coming year will, I hope, help stimulate thought and informed discussion on these matters of vital public importance.

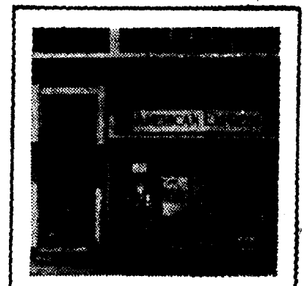
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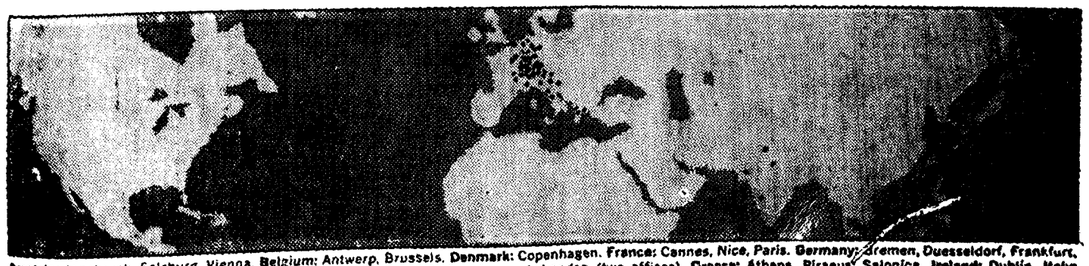
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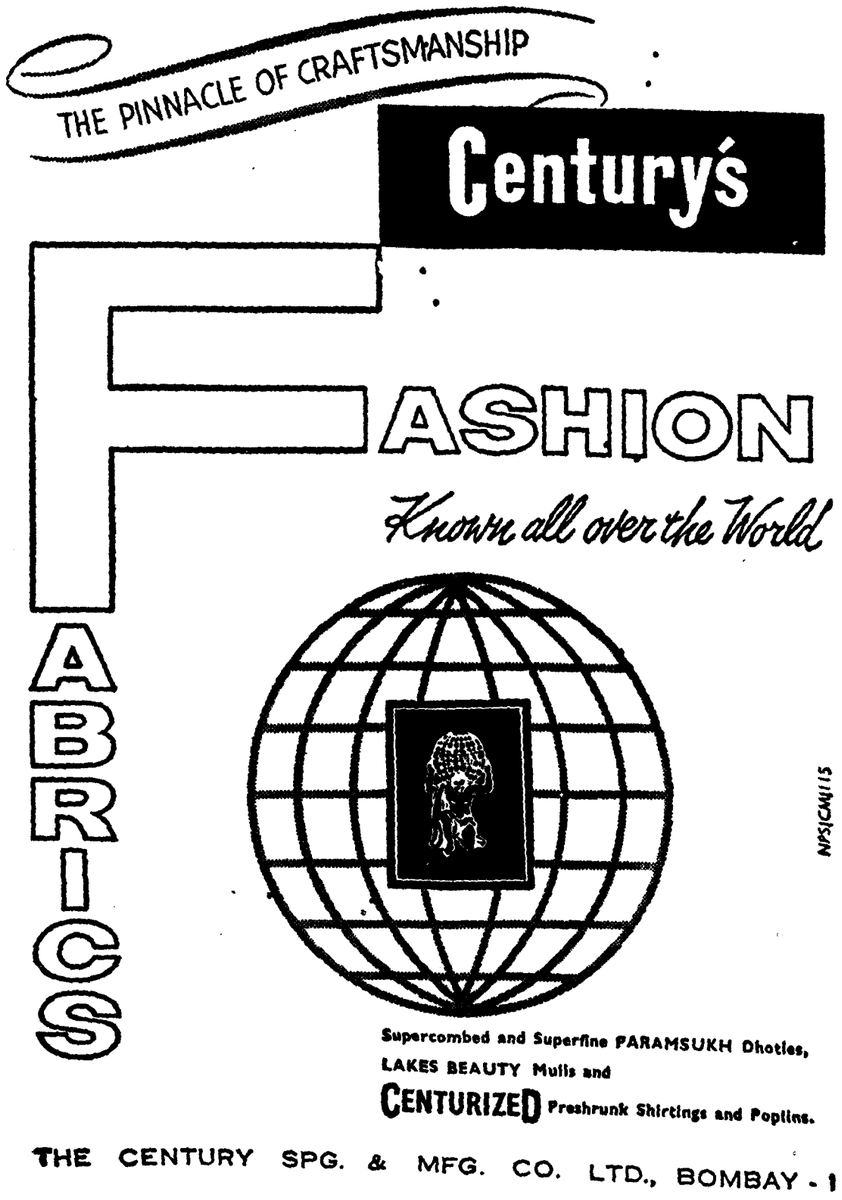
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EASTERN ECONOMIST



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EASTERN ECONOMIST

JANUARY 10, 1964

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Whither India? Whither the World?

THE PRESIDENT of the United States of America and the President of the Indian National Congress are in many ways remarkably alike. Both are of the earth, earthy. Neither has pretended (or can ever pretend) that he is more than what he is; or what he seems to be. Consequently, the popular respect or the popular support that either might evoke is more solidly made than the mass enthusiasms inspired by more flamboyant politicians.

Mr. Kamraj has come to be the Congress President almost as unexpectedly and as abruptly as Mr. Lyndon Johnson came to be the President of the United States and the accession of both has prompted similar popular reactions of friendliness and goodwill, prompted by curiosity. If Mr. Lyndon Johnson makes a good President which in all probability he will, most Americans will be more than satisfied. Should he succeed in becoming a great President, they will be pleasantly surprised. Similarly, with Mr. Kamraj in the Indian (Congress) context.

It may not, therefore, be entirely an accident that, on the occasion of their most important public speech-making to-date in their present capacities, both Mr. Johnson and Mr. Kamraj have spoken much the same language in some ways. The U.S. President's State-of-the-Union Message to Congress and the Indian Congress President's address to the annual general session of the party at Bhubaneswar are both relatively short speeches, employing a minimum of rhetoric and expressing a whole series of realistic political judgments on the various affairs with which each is concerned. The U.S. President, in his speech, gives first thought to the forging of unity of purpose and a common course of action between the two political parties — Democrats and Republicans —, the two regional personalities — the South and the North —, the two wings of the Legislature. — the House of Representatives and the Senate — and the two limbs of Government — the Congress and the Administration — which must let themselves be bound closer together by the democratic processes of the American Constitution if the United States were to continue to help provide leadership in progress to more than one half of the world and security for all of it.

Mr. Kamraj, in his less dramatic and certainly much more limited jurisdiction, has also had to call for a consensus through a commitment to the largest national good. He emphasized that the political and economic organisation of this country would have to be based on the consent of the people and that it was necessary therefore for all those who had faith in the ideology of socialism and democracy to participate in the building up of a new society instead of frittering away their energies in small groups and organisations.

Again, just as the U.S. President would appeal to Congress to "demonstrate effective legislative leadership by discharging the public business with clarity and dispatch, — voting each important proposal up or voting it down but at least bringing it to a fair and final vote", Mr. Kamraj had to insist on the efficient implementation of legislative and executive measures in furtherance of accepted goals. If, in the list of priorities and administrative action, Mr. Johnson placed first the issue of Civil Rights and advised Congress that it should also make this session memorable in history as the one "which enacted the most far-reaching tax-cut of our time", Mr. Kamraj too was concerned with defining clearly the areas of

urgent legislative and executive action, mentioning land policy as a matter which called for competent implementation.

On the problems of a larger world, Mr. Kamraj, after referring to the efforts of the late President Kennedy and Premier Khrushchev to bring about a lessening of world tensions — efforts which have happily succeeded in large measure — dwelt on the importance of the Disarmament Sub-Committee of 18 nations meeting in Geneva discharging sincerely its great duty and responsibility to the people of the world. The United States has, of course, a very special responsibility in the matter of world peace. The highlight of the State-of-the-Union Message, consequently, was that President Johnson, after making it very clear that, in 1964, his country would be better prepared than ever before to defend the cause of freedom, committed himself to making new proposals at Geneva for the control and eventually abolishment of arms. Not less encouragingly, he said that, even if no agreement might be reached on Disarmament, he was convinced that the United States should not stockpile arms beyond its needs or seek an excess of military power that could be provocative as well as wasteful. The U.S. President pointed out that his Administration was cutting back its production of enriched uranium by 25 per cent shutting down four plutonium piles and closing down many non-essential military installations. The President indicated also that the budget which was to be submitted shortly would propose reduced spending on Defence consistent with the maintenance of that margin of military safety and superiority which, he claimed, had been obtained by the United States through three years of steadily increasing the quality and quantity of strategic, conventional and anti-guerilla forces.

President Johnson's indications of the U.S. Government's likely attitudes at the Geneva Disarmament talks came in the wake of the Soviet Prime Minister Khrushchev's declaration of January 3, calling for a "fresh wind" to soften the international climate, and proposing an international agreement renouncing the use of force in settling territorial or border disputes. If the cutting down of Defence budgets by the Big Powers is an earnest of their serious pursuit of world peace, the Soviet Prime Minister has also been talking of a further reduction in the numerical strength of the Soviet armed forces and the cutting down to a certain degree of military expenditure in the course of 1964. It is, of course, true that if the Soviet Union is proposing to trim its Defence budget, it is at least partly because the high cost of competitive nuclear preparedness is becoming too great a strain on nations, however powerful over its citizens or rich in resources. Even in the case of the far wealthier United States the point has admittedly been reached where the President is pledging his Administration not only to be efficient and honest but also frugal. His State-of-the-Union Message thus takes pride in the claim that the budget which is to be submitted shortly would cut the deficit in half, that is, from $10 billion to $4.9 billion, and would be, in proportion to the national output, the smallest budget since 1951. The US President, proceeding, pointed out that within the framework of the reduced budget, he would still be able to promise the largest Federal support in history for education, health, rehabilitation of the unemployed and relief of the economically and physically handicapped.

It is interesting that Mr. Khrushchev too has to think on similar lines. Apart from the fact that he desires to step up investment in the chemical industries and has conceded that the necessary funds would have to be diverted from other sectors of the economy, he has spoken significantly of the need to devote special attention to meeting more fully the requirements of the Soviet people through what he describes as "social funds", i.e., from public revenues. While, already hospitals, schools and educational establishments were being paid for by the State from social funds, he urges that with the growth of the material wealth of the society, more and more has to be done in that direction. For instance, children in nurseries and kindergartens should be provided with food and meals free of charge and then, gradually, they should be provided with free breakfast and lunches in the schools as well as with school uniforms and footwear.

But it is not only the relatively poorer Soviet Union which has to worry about the need for more social services. Even the President of the United States, the richest country in the world, has to take note of the poverty which exists in his country — "in city slums and small towns, in share-cropper shacks, in migrant worker camps and on Indian reservations, among whites as well as negroes, among the young as well as the aged, in boom towns and depressed areas," as he himself has put it. President Johnson has also had to call for special efforts for the benefit of the chronically distressed areas and of segments of American population consisting of the jobless, the aimless and the "hopeless youngsters" who have to be given opportunities for working on useful projects. He has even said that there is need for a domestic counterpart to the Peace Corps which — with American money and American organisation — is engaged in helping the economically handicapped in other countries of the world. The President has also insisted on the expansion of minimum wage laws to more than two million workers now lacking this protection of purchasing power and he has said that the United States should no longer postpone meeting its obligations in respect of medical care, proper housing or low-cost transportation for the poor and the elderly. Above all, he has told a nation that has been distributing vast agricultural surpluses around the world year after year that, in its midst, too, there is the needy for whom it must provide through a broader food stamp programme.

And how do those two great countries propose to do all this, that is, improve the lot of their peoples? Mr. Khrushchev is forthright on this point. Most emphatically he tells the Communist Party of the Soviet Union that "it is necessary to work hard in order to create the material boons of life". The cutting of Defence or other spending, whether in the United States or in the Soviet Union, could thus be only a part of the answer to the problem of securing more and more welfare for the people. Even in the richest or the most powerful countries of the world, the need for more and more production for the relief of poverty is both significant and urgent. It is, of course, true that poverty is for the most part a relative term, but when one out of five Americans has an annual income of less than 3,000 dollars while the national average is more than $7,000 and has, therefore, to live in conditions which (in the American sense) are characterised as sub-standard, then poverty, even in the American context, must cease to be notional to the Americans. And since, even Mr. Khrushchev, working within the Communist system, cannot call for hard work without promising better wages and better living conditions, it is obvious that the US cannot talk of more production in the United States economy without also talking of incentives. Hence President Johnson's emphasis on prompt legislative action for a programme of tax reduction which would add "$11 billion to the private spending stream and thereby create new jobs and new markets in every area."

What, now, are we, in this country, proposing to do about our own problems of poverty? The Congress President in his speech and the Congress Resolution on Democracy and Socialism have asked that the highest priority be given to assuring a national minimum in essential requirements to every citizen in respect of food, clothing, housing, education and health. If the United States, where only one in every five citizens is poor in the American sense, has to think in terms of greatly stepping up its production in order to improve the lot of its poor, can there be any limit at all to what this country will have to do in terms of stepping up its economic progress if it is to relieve poverty among a population of which more than nine in every 10 are poor, not just in the Asian sense of the word, but in the very special Indian sense of the poverty of, for instance, the pavement-dwellers of Calcutta or casual agricultural labourers almost everywhere in the countryside? It is on this question that much of the proceedings at Bhubaneswar would seem to be far from reassuring. It is often demanded in certain sections of the Congress that it is not enough to define the Party's goal as socialism but it is necessary also to detail the specific proposals for achieving socialism. Is it not at least as reasonable to ask, that besides saying that the people should be provided with the basic necessities of life, the Congress should also propose specifically how this is to be done? To the extent that this question has not even been properly asked in the Congress Session, the people are bound to doubt that the party is really concerned in a pragmatic way about improving the living conditions of the people for which more production is necessary. Mr. Khrushchev has a recipe for more production. He could demand that the Soviet people work harder and ever harder. Mr. Johnson too has a formula. He could cut unnecessary or wasteful Government spending, insist that the taxpayer gets a dollar's value for every public dollar spent and proceed to release more resources into the hands of the individual citizens for increased consumption as well as place more funds with the productive apparatus of the community for more investment. What the Congress Party in our country has done, however, is to debate whether banks and rice mills should be nationalized or State Governments should put up factories instead of maintaining roads, building hospitals and schools or providing irrigation.

On behalf of three countries, the United States, the Soviet Union and India, there have been attempts in the past few weeks to tell the world what they expect to do in 1964 and what they expect 1964 to do for them. It remains to be shown that India in 1964 would see satisfaction in either direction.

Eastern Economist 20 Years Ago

JANUARY 14, 1944

In his address to the Associated Chambers of Commerce last month, the Viceroy said that the full realization of the Sargeant scheme must wait on other developments. In his own words, "India at present has simply not the money for such a scheme. As the country acquires increased riches by industrial and agricultural progress, so it can afford to spend larger sums on education and health. This is, I think, the way in which the social services have developed in other countries." Mr. John Sargeant has now answered him. He suggests three sources of finance, viz., diversion of a part of defence expenditure to education on the assumption that there will be peace after the present war, freeing a part of the funds of religious bodies after meeting their due needs on the lines to be recommended by a charity commission which should be appointed for the purpose, and international rehabilitation credits. On the last one it is futile to rely, even though on grounds of justice India's social services are in the nature of the rehabilitation of a country devastated by exploitation, inflation and famine. The refusal of the U.N.R.R.A. aid to Bengal is enough evidence. The idea of a charity commission is commendable. It must be possible to get considerable funds from the religious bodies without in any manner prejudicing their religious and other social functions. Already these bodies are devoting some of their resources to education. But what is wanted is their pooling and liberalization and the pruning of less important expenses. Reduction of expenditure on defence is problematical in the extreme.

Highlights of the Week

BLOOD AND THUNDER

THE LAST few days have not been good for anybody's blood pressure. The surprise really is that more were not taken ill at Gopabhandhunagar. Mr. Lal Bahadur Shastri, for one, must have found it all a great strain. It must, however, be reassuring not only to the party faithful but to the people, by and large, that he could so confidently step into the breach and more or less take charge of the deliberations of the Steering Committee in the absence of an ailing Nehru. In fact, it is possible that the Prime Minister not being there served to impart self-confidence to the party elders and enable them to fight the wild men who were clamouring for the nationalisation of this, that, or the other.

Although much of the debating in the Steering Committee on the draft on "Democracy and Socialism" was sheer political exhibitionism, it was good that controversial issues were thrashed out and the "nationalisers" shown to be an isolated lot. Mr. Patnaik failed miserably in his attempt to bully the High Command into giving silent approval to the nationalisation of banks at some future date, if not now. Mr. Patil called his bluff and had it go on record that the nationalisers yet had to show that they were anything more than a minority of malcontents. In the event the attempt to use the Congress session to stampede the Finance Minister into a commitment to nationalise banks failed miserably.

DANCING DERVISHES

THE WILD men, however, had better success elsewhere, not, perhaps so much in the body of the Draft itself, as in the attendant speeches and the address of the Congress President. It seems now to be the case that Congress Governments in the States are being committed — at least in form — to a policy of taking over rice mills or flour mills or setting up public undertakings in medium industries producing consumer goods, or, perhaps, even capital goods such as machine tools. It is, of course, more than likely that much will be done in these directions since at least State Governments, by and large, are better aware of their limitations than the collective brain or brawn of the Congress Party politicking in Bhubaneswar pretended to be. What may do more real damage is the series of vague, but nevertheless potentially harmful, generalisations made with regard to the so-called concentration of wealth in the country. The Congress President spoke of this and urged measures for reducing disparities in income and wealth. Inherited wealth and what has been described as "unearned income", along with the "unaccounted money" of the Finance Minister's occasionally speculative economic philosophy, have been raised to the status of the nation's first three public enemies. It would be tragic, indeed, if the Finance Minister's essentially pragmatic thinking is to be distorted unduly by political pressures or personal vagaries. The stock exchanges have been sensible and subdued and the clamour of capital issues for public subscriptions in the New Year has been virtually drowned in the din and disturbance of the Congress session.

LEST WE DESPAIR

BEFORE LEAVING Bhubaneswar, we must gratefully note that the Steering Committee effected an amendment in the Party Constitution in order to make it clear that the Congress brand of socialism is socialism based on parliamentary democracy. Mr. Lal Bahadur Shastri, determined to be hopeful, suggested that this should help achieve the peaceful co-existence within the Congress Party -- but not surely within its Bombay organs? — of Mr. Menon demanding socialism and Mr. S. K. Patil desiring parliamentary democracy. Incidentally, while pledging itself to democracy, the Steering Committee would curtail democracy in the party's own functioning by depriving primary members of the right to vote in party elections. Resistance from the Floor, variously motivated, however, succeeded in keeping the proposal open for settlement by concensus in the Pradesh Committees. And, as if to remind the world that there was a man called Gandhi and that the Congress was his creation, the Faithful, spurning temptations, stood up and reaffirmed that they should continue as habitual wearers of khadi. That, at about this time, this country should be practising some modest space rocketry at Trivandrum did not, obviously, strike the khadi enthusiasts at Gopabhandhunagar as incongruous.

WITH SOUL INTACT

THAT THE Congress had not lost its soul whatever might be said or heard in the country or outside — was further proved by an impressive last-ditch fight for prohibition by Mr. Gulzari Lal Nanda. It would be uncharitable to suggest that Mr. Nanda was fighting not so much for a principle as for his portfolio, although, besides being Home Minister, he happens to be in charge of Prohibition as a Member of the Planning Commission. Thanks to a highly spiritual barrage mounted against him, Maharashtra's Chief Minister, Mr. V. P. Naik, had to agree ruefully not to proceed with his decision to give a spirituous slant to the "Dry" law in his State until, as suggested by the Congress President, the whole issue of Prohibition could be revived and settled on an all-India level.

QUIETLY DOES IT

NATURALLY, AMIDST all this excitement, many other lively happenings of the week did not receive their due attention either in the Press or from the public. Thus, the first diesel locomotive to be built in this country chugged and clanged out of the railway workshop at Varanasi, while in New Delhi, in a rather more quiet manner, Mr. Manubhai Shah was eased of his responsibilities for "Textiles", "Handloom Industry" and "Jute", which were transferred from the Ministry of International Trade to the Ministry of Industries, to which went also "Cement" from the Ministry of Steel, Mines and Heavy Engineering. While Mr. C. Subramaniam, who relishes describing himself as Minister for Mines, Metals and Machines, would, no doubt, be only too glad to be relieved of the untidy presence of an extraneous subject in his portfolio, it is hardly likely that Mr. Manubhai Shah is equally happy over the rationalisation treatment given to the Ministry of International Trade. It is, nevertheless, possible that Mr. Manubhai Shah may decide in favour of doing more with less. What is rather doubtful is that Mr. Kamungo, now in charge of the Ministry of Industries, would be left undisturbed in the larger responsibilities which have now been given to him. Mr. Sanjivayya should soon be coming into the Council of Ministers in some way or the other and it is more than likely that as part of the further changes that will have to be made with regard to persons or portfolios, the Ministry of Industries and the Ministry of International Trade are brought together by reviving the Ministry of Commerce and Industry and placing it under a Cabinet Minister who may not necessarily be Mr. Sanjivayya.

Indian Exports to Common Market

R. M.

THIS STUDY attempts to evaluate the consequences of the advent of the Common Market for India's exports. The analysis is mainly based on a comparison between the national tariffs of the six E. E. C. countries and the Common External Tariff of the Community. The conclusion drawn is that the formation of the Community will not adversely affect our exports. The difficulties we face in exporting to these countries are not the result of the formation of the E. E. C., but the legacy of the policies followed by the member countries before the Community was formed.

Indian exports to E. C. M. during 1958 are set out in Table I. It will be seen that our exports to E. E. C. went up steadily except in 1962-63, when there was a fall due to the reduced exports of coffee and leather. The shortfall in the case of coffee was due to a decline in production and consequent high prices. The main reasons for the decline in the export of leather were increased internal consumption, a shortage of raw materials and the fall in prices. However, the latest statistics show that the rising trend in our exports to E. E. C. has been restored. Exports to E. E. C. during April-August, 1963 have been 28 per cent. higher than our exports during the same period last year. The rise in the total exports during the same period is only 15.5 per cent. The export trends are significant considering that the E. E. C. countries have gone a long way towards reducing the differences between their national tariffs and the Common Tariff of the Community.

However, in order to examine the consequences of the Common Market for our future exports to E. E. C., it is necessary to consider, in detail, the effect of the Common Market on the important commodities which are exported to those countries. For this purpose twenty commodities, which together account for about 75 per cent. of Indian exports to E. E. C. and exports of each of which exceeded a crore of rupees in value during any one of the last six years, have been included in the list. Table II shows the exports of these commodities alongside of the country's total exports.

Of the twenty commodities in the list, the following will enter the community duty free—iron ore, manganese ore, mica, raw wool, raw cotton, rose wood, opium, coir yarn, groundnut seed, bones and oil-cakes. In the case of leather 90 per cent. of our exports, which consist of undressed sheep skin and goat skin, will enter duty free. In the case of lac and shellac, only bleached shellac has to pay duty at 3 per cent. Recently the Community agreed in principle to suspend the tariff on bleached shellac. All types of lac and shellac can thus enter the Community without paying any duty. Some of the commodities, which now enter duty free, had to pay import duties varying between 4 and 7 per cent to member countries according to their national tariff rates. With the rapid economic growth of the Community,—the rate is expected to be 5 per cent. per annum—the exports of all these 13 commodities on which no duty is charged can be expected to go up substantially.

Gatt Negotiations

There is another group of commodities, in the case of which the Community has agreed in principle to suspend the Common External Tariff. It can be reasonably expected that the suspension of duty will be consolidated in the GATT round of negotiations*. We can confidently expect that these commodities will enter the Common Market duty free. Among this group there are three commodities which are of interest to India: cashew-nuts, bleached shellac and tea. In the case of tea, in addition to the suspension of the Common External Tariff, the national tariffs, too, will be suspended from January 1, 1964. Before the formation of the Common Market, Indian tea had to pay an average of 35 per cent. import duty (Table III). As the elimination of the duty will considerably reduce the price of tea, exports are likely to rise appreciably.

Of the 20 important commodities chosen for examina-

TABLE I.

INDIA'S EXPORTS (INCLUDING RE-EXPORTS) TO E.E.C. AND THE WORLD

(Value in Rs. Lakhs)

	1958	1959	1960-61	1961-62	1962-63	April to August 1962	April to August 1963
Belgium	464	514	525	593	452	210	264
France	721	827	884	808	870	328.7	338.5
Germany	1483	1950	1987	2068	1640	622.1	784.8
Italy	553	568	927	938	961	347	506.9
Luxembourg	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Netherlands	680	892	852	805	970	315	425.4
European Economic Community ..	3901	4757	5175	5212	4916	1822.8	2319.7
TOTAL—World Exports ..	57900	52072	64278	66055	69369	26519	33637

Source: D.C.I. & S., Calcutta.

*The "Kennedy round" due to be held in March, 1964.

tion, 15 will thus enter the Community duty-free. The export prospects of the five important commodities that remain—coffee, pepper, cotton textiles, jute cloth and jute bags—will have to be examined in some detail.

The Common External Tariff on coffee was fixed at 16 per cent., but with the signing of the convention with the African States, the External Tariff has been reduced to 9.6 per cent. However, the exports from the Associated Overseas Territories will enter duty free. In spite of this preference enjoyed by them, Indian coffee is likely to hold its own. We export two types of coffee—Arabica, and Robusta. Arabica, which accounts for the bulk of our coffee exports, is not produced in large quantities in the Associated territories and does not, therefore, face any serious threat. Even in the case of Robusta, the Indian variety is considered to be far superior to the African variety. The possibility of the European consumers changing over from high to low-grade coffee appears remote. In fact the price of Indian coffee will go down in Germany which is our main market, as the E. E. C. Tariff is only 9.5 per cent as against the West German Tariff of 26 per cent. The coffee consumption in the E. E. C. is expected to go up by 50 per cent. by 1970. Indian coffee exports can, therefore, look forward to an expanding market in the E. E. C.

Exports of pepper are also likely to go up. The Associate Territories produce small quantities of pepper; only Madagascar produces more than a few tons for exports. India's main competitors—Indonesia and Sarawak—will also have to pay the same duty as India. The E.E.C. duty is only 17 per cent. as against a national tariff of 25 per cent. in Germany and 60 per cent. in Italy and these two countries constitute our main markets in the E. C. M. Hence, it can be safely assumed that the export of pepper to the Common Market will rise.

Jute Goods

India's exports of jute goods to E. C. M. have been valued at Rs. 5 crores. There exists a substantial jute industry in the Common Market. The tariff is also high; 23 per cent. on jute cloth and jute bags. Recent studies by the Economic Intelligence Unit and the Srivastava Committee have, however, established that India will be able to compete successfully with European industry in spite of the high tariff, if quota restrictions are not imposed. Among E. C. M. countries, France maintains rigid quota restrictions while Belgium, Netherlands and West Germany have been liberal in allowing imports. The future of our exports of jute goods to E. C. M. will, therefore, depend upon the commercial policy adopted by the Common Market countries. Again, the formation of the E. C. M has not adversely affected our exports, for these quota restrictions existed before.

More than 90 per cent of our exports of cotton textiles to E. C. M. consists of grey cloth of 32 counts and below.

TABLE II.

EXPORT OF SELECTED COMMODITIES TO EUROPEAN ECONOMIC COMMUNITY

(Value in Rs. Lakhs)

Commodity	1958		1959		1960-61		1961-62		1962-63	
	EEC	World	EEC	World	EEC	World	EEC	World	EEC	World
1. Iron Ore & Concentrates ..	70.4	999	67.4	1293	113	1678	127	1745	105	1982
2. Manganese Ore & Concentrates	430	1158	259	1274	248	1404	196	1042	70	788
3. Mica, unmanufactured ..	212	934	190	1031	229	1015	226	966	171	1036
4. Bones for manufacturing purposes	113	195	124	222	106	261	156	291	145	289
5. Rose wood	70	73	108	113	167	174	134	196	243	266
6. Opium	43	133	98	209	117	389	96	426	21	203
7. Raw cotton	136	1520	81	1121	45	867	94	1432	68	1220
8. Raw wool	92	861	185	1102	76	710	73	343	29	671
9. Coir Yarn	276	499	280	523	289	5765	630	4839	384	4659
10. Ground nuts seeds	3	21	11.8	237	147	495	61	390	94	407
11. Oil cakes	18	745	340	1946	96	1430	76	1404	279	1799
12. Leather*	374	1820	565	2847	630	2484	728	2532	515	2250
13. Lac (including Shellac) ..	84	589	90	610	94	630	82	451	72	480
14. Cashew kernel	38.2	1547	47	1518	54	1891	75	1817	105	1936
15. Tea	227.4	13596	287.4	12558	218	12359	228	12240	336	12919
16. Coffee	407	718	179	625	375	722	379	901	109	761
17. Pepper	47	298	49.5	427	108	850	103	808	72	657
18. Jute cloth	55.2	5877	151	6517	270	7425	234	7944	169	10063
19. Jute bags	190	4047	165	4005	263	5731	211	6091	285	4666
20. Cotton piecegoods	24.7	4549	54	6049	122	5765	74	4839	69	4654

*Indian Article Code 611.

Source: D.C.I. & S., Calcutta.

Our main competitors for grey cloth in the Community are not the E. C. M. countries, but non-E. C. M. countries such as China, Hongkong and Japan. Hence the tariff preference enjoyed by the Common Market countries should not pose a serious threat to our exports.

Of the five commodities, therefore, which cannot enter the Community duty free, only exports of cotton and jute goods are likely to be affected. Even this will be due not to the formation of the Common Market, for the tariff disabilities, high prices and quota restrictions existed before the E.C.M. came into being. This, of course, is not to preclude sympathetic consideration by the E.C.M. of India's need for trade. But it needs to be emphasised that the difficulties we face in our exports to E.C.M. countries are not to be ascribed to the formation of the Common Market. On the other hand it may serve to remove some of the impediments in our exports to these countries.

TABLE III.

A COMPARISON BETWEEN THE NATIONAL* TARIFF AND COMMON TARIFF OF E.E.C. COUNTRIES

Sl. No.	Brussels nomenclature	Commodity	Germany	Benelux	France	Italy	EEC
1.	12.01	Ground nut seed	0	0	10	8	0
2.	41.01	Leather (Indian articles code 611) ..	0	3 to 6	0 to 10	13	0
3.	44.03/B/II	Rose wood	..	..	..	7	0
4.	55.01	Raw cotton	0	0	0	6	0
5.	09.02	Tea	52	10	30	53	18 (to be suspended from 1st Jan. 1964).
6.	09.01	Coffee	26	0	20	10	9.6@
7.	09.04	Pepper	25	15 to 20	30	60	17@
8.	55.09	Cotton piecegoods	12 to 17	18	20 to 25	20	17 to 19
9.	57.10	Jute cloth	20	18	25	28	23
10.	62.03	Jute bags	15	6 to 18	20 to 30	20 to 27.5	23

* National Tariff before the formation of the Community.

@ 16% on Coffee and 20% on Pepper before the new convention with the African States.

Source: (i) Tariff and Trade in Western Europe, by P.E.P., London. (ii) Atlantic Tariff and Trade by P.E.P., London.



WINTER SHELTER FOR PAVEMENT-DWELLERS IS TOPICAL THEME IN THE CAPITAL

WINDOW ON THE WORLD

Brussels Before Geneva

From Our Special Correspondent

BRUSSELS:

THE SIX were committed to finding — before ringing the old year out — a joint stand to adopt in the Kennedy Round of Tariff Negoitations with their partners in GATT and, in the first place, with the United States. A few days before Christmas it was still doubted here that the subject could be cleared out by the December 31 dead-line, although it was hoped that a successful issue could result in the first fortnight of 1964. Now, in the light of the Christmas Agreement on a common agricultural policy, the belief here is that the elaboration of a common policy on tariff reductions inside the western world should not be long in coming, for the conflict of interests here is much less than is sometimes thought. Polemical exaggeration aside, it is evident that the Germans do not contemplate a tariff disarmament that would leave Europe at the mercy of the great US corporations, and the French are not systematically hostile to a reduction of duties that would open up new markets for their exports. To be convinced of this, it is enough to note that the Germans have shown their willingness, during the chicken war and the steel tariff dispute, to resist excessive American pretensions; and that the French throughout this year have practised a unilateral tariff disarmament (designed to steady their internal prices) that makes nonsense of charges of protectionism.

The interest of the case for countries such as India is plain, though, of course, much less than would have been true if John Kennedy's original scheme for total abolition of many tariffs had been carried through. As it is, there is still the hope that, if not in 1964 then within a year or so, the USA and the Common Market will halve, or at least greatly reduce very many of their import duties — and the benefit of this will necessarily be extended to India where she exports the goods in question, without her having to make equivalent concessions if that would endanger her own industrialisation. It is impossible to estimate India's likely gains but it is sure that a general lowering of tariffs in the industrialised world would be to her advantage.

Success Not Assured

To say that the Six could conceivably arrive in January at a joint position on the coming Geneva negotiations does not mean that those negotiations would be assured of success, or even that they could start on the date set (May this year) except for a formal rendezvous. A position that would satisfy all three, the Germans and the French would still be some distance from suiting the Americans, because no one in Europe is prepared to accept the original US proposals. To realise why, it is sufficient to recall a simple fact: if John Kennedy's system of halving all tariffs were applied, then more than 10 per cent of US import duties would remain higher than 10 per cent ad valorem, whereas only 6 per cent of Common Market duties would be as high as that. This disparity would be much greater for certain important products, but this global figure is enough to show that, whatever joint stand they adopt, the Six will not be going to Geneva to fall in with American suggestions. The bargaining will be intense and sometimes, no doubt, acrid and will take us well into 1965.

Before it starts however, the Six must agree on what to offer their partners in Geneva and primarily the Americans. As stated, it is a caricature of the present state of the negotiations here to assert that the Germans want to give them the world, and the French nothing. Indeed, the French case coincides with that of the supernational Common Market Commission, which defends the Community's interests and not those of any one national industry, so one is wide of the mark in bringing in General de Gaulle's anti-Americanism to explain the present deadlock. The Commission's point of view is clear. The average level of the ECM's common external tariff is already lower than the American, it is recalled (and much lower than the average of British and Japanese duties). Moreover, it is a fairly even tariff wall (the average is near the mean), while the American wall boasts lofty turrets as well as a few open gates; so to reduce it all round would bring across-the-board benefits to outsiders, but this is not true of the US protective barrier.

Next, the Common Market has no accounts to render on the subject of protectionism. It runs a large deficit in trade with the USA, and this deficit has swollen from $1,544 million in 1958 to over $2,000 million last year, and much more this year. In that same period, the Common Market has increased its imports from the rest of the world by 39 per cent, the USA by only 27 per cent. The Six's imports from the USA alone have jumped 58 per cent. Thus, on every score the Americans are the askers, who have little to fear from continuation of the existing situation and less reason to expect that the Six should concede everything asked for in a plan devised in Washington for, primarily, American benefit.

Primarily, but not of course entirely: provided the more outrageous inequalities in the American scheme are removed, the Six have gains to make also in a universal reduction in tariffs. If the Germans seem more attracted by those gains



"Look at the Dange group fighting the E.M.S. group and also the Asoka Mehta group fighting the S. M. Joshi group. It is all the success of our party's basic policy namely groupism."

than the French, the reason must be sought in the fact that the gains in question are less in the American market than elsewhere in Europe. In other words, the Germans have no more illusions than the French about the likelihood of the Six winning fresh markets in the USA, where protection is pervasive, disguised and based on much else besides mere published duty levels. But a reduction of duties that might turn out to be, as regards trade with the USA, a snare and a delusion would be a genuine liberalisation of trade if it were practised by Britain, Scandinavia and the Free Trade Association in general. It happens that West Germany has substantial trade interests in those regions (much more than France, for evident geographical and historical reasons), and they are beginning to suffer from the mutual preference awarded each other by members of EFTA. In a nutshell, the German attitude is: we have benefits to win right next door from a reduction in all Western tariffs, and if the distant Americans have even bigger gains to make that is the price we must pay for the military protection they give us and which can be had nowhere else.

The French, as is notorious, are less appreciative of this last-named boon. Rightly or wrongly, they doubt its value in case of real danger in the age of nuclear missiles, resent the dependence that goes with it, and are reluctant to pay a high price for it. They would still stand to gain, like the Germans, from a reduction in EFTA's preferences, notably in their traditional Swiss and British markets, but not enough to make them disregard greater gains that US exporters would make at their expense if tariff reductions were unequal. The ECM Commission thinks that the same is true for the Community as a whole, and that is why (starting from different positions) it finds itself largely in agreement with Paris.

There is little doubt how this dispute would have been settled before January this year, when General de Gaulle shook the Community's cohesion by his abrupt veto on British admission: the more narrowly nationalist German position would have been sacrified to the Community point of view, as had happened on many other occasions. But in the recent atmosphere of mutual suspicion, the Germans are moved to ask: "What is this Europe to which we are invited to sacrifice our particular affairs? That the French case happens to coincide with the European case as expressed by the Commission means little if the very conception of a united Europe has suffered a change this year". And of course in seeking guarantees that Paris's declared willingness to make a success of the Kennedy Round is translated into action, the Germans bear in mind the bolt from the blue of de Gaulle's January Press conference. He has another fixed for next month; before giving anything away, one must be sure there are no similar surprises in store.

That, briefly is the political climate in which the negotiations are going forward. At the technical level, they are governed by a document drawn up by the Hallstein Commission which contains a new definition of "gross disparities" between the American and European tariffs such as would call for special treatment as distinct from simple halving on both sides. The latest idea is to declare such a disparity to exist wherever one side's duty is more than twice the other side's on the same product provided more than ten points separate them. That is, where the respective duties were 9 per cent and 18 per cent both would be halved, but if they were 10 and 21 per cent some other form of harmonisation must be found. This would leave about 1,000 American duties in the situation of excessive protection as compared with European duties. The Commission would agree to disregard such excessive protection on goods that the Common Market did not import or did not manufacture, which is already a dangerously generous concession, when you recall that ten years ago Europe imported few American chemicals which thus would at that time have escaped the necessity to have their exorbitant tariffs lowered. As to what to do with the remaining instances of excessive US tariffs, the Americans are determined not to surrender them (the US chemicals corporations cling to their lavish protection), so they could be halved while European duties were cut by a quarter.

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LISTENING POSTS

Indian Business Collaboration in Africa

By Our Special Correspondent

NEW DELHI:

AMONG THE many nations which are currently showing great interest in the economic opportunities offering in newly independent African communities, this country is taking its due place gradually. Although the Indian interest is certainly not as aggressive as China's or that taken by some of the West European countries, it is becoming increasingly clear that the Indian business community is taking a constructive and forward-looking view of the role it can play in the economic development of African nations. Simultaneously, the Government of India's policy is becoming more and more positive and it is obvious that it is now favourably inclined towards allowing, encouraging and assisting Indian business men in setting up industries in Africa in collaboration with local interests.

There are, however, quite a few restrictions on enterprises of this kind which the Government of India considers necessary to enforce. There is the condition, for instance, that the Indian investments should not exceed the value of machinery exported from this country in connection with such projects. Fortunately, this rule is not being rigidly adhered to and minor modifications are considered. Each proposal of Indo-African collaboration is being examined on its merits and with reference to its individual requirements, the basic approach being to give encouragement to such enterprises.

Indian industrial collaboration in Africa is, of course, not a new phenomenon. There is, for instance, a very successful textile mill in Ethiopia which the Birlas had set up some two years ago in association with the Ethiopian Government. It has always been known that there is good scope for setting up small and medium-sized industrial units in various African countries and now the newly independent African nations are willing to take a keen interest in developing sugar, cement, paper, jute, fertilizer and textile industries and steel rolling units. That Indian business houses are energetically responding to these opportunities, with the Government of India positively helping them, is clearly a very healthy development.

Local Participation

The Birlas, for instance, have signed an agreement with the Nigerian Government for setting up a light engineering unit in that country in collaboration with local interests. The venture has also been agreed to in principle by the Government of India.

It is proposed to take up initially the production of air-conditioning and refrigeration equipment. Ultimately, the range of manufacture is to include water coolers, steel furniture, electric fans, agricultural implements and bus and truck bodies.

The Birlas' subscription to the share capital of this venture will be to the tune of 50 per cent in the form of machinery supplies. A sum of Rs. 15 to 20 lakhs may be invested in the first instance, to be progressively raised to about Rs. 100 lakhs. The value of the machinery exported in excess of the 50 per cent subscription to the share capital will be treated as loan to the Nigerian unit.

Plans are also under way to set up a small asbestos/cement factory and a textile mill in Nigeria more or less on the same pattern of collaboration as has been agreed to in respect of the light engineering unit.

Nigeria is the second African country to which the Birlas have extended technical and financial assistance. Two years ago, they set up a textile mill in Ethiopia.

Some interest has also been shown by the Birlas in the establishment of small and medium-sized industrial units in the Sudan. There is a proposal to start here a fertilizer manufacturing unit with the help of some foreign collaborators. Subsequently, a light engineering unit, a textile mill and an asbestos/cement factory may also be set up.

The Mafatlal Group of industries is also stated to be interested in extending technical assistance to the newly independent African nations. A beginning may be made by it in Tanganyika with regard to which a scheme for a textile mill is being considered.

**

The Unit Trust proposed to be set up for mobilising the savings of the small man and the middle class for investment into industry, is expected to start functioning on February 1, provided the administrative arrangements are completed by that date. Mr. R. S. Bhatt, the Executive Director of the Indian Investment Centre, is being nominated as the first Managing Director of the Trust.

**

The Union Finance Ministry, it is learnt, will be bringing forward a Bill in the Budget Session of Parliament for the establishment of a Development Bank to replace the Industrial Finance Corporation. The Bank will offer financial assistance to industry in a more comprehensive manner than is being done by the IFC. For a short transitionary period, the IFC may however continue to function.

The Union Government is expected to license, in the next few days, another 500,000 tonnes sugar manufacturing capacity. This will raise the total licensed capacity to 3.86 tonnes. On the installation of this new capacity and that already under erection, effective capacity is expected to reach by 1965-66, 3.70 million tonnes, as against 2.68 million tonnes as at present. It is hoped that the 3.70 million tonnes effective capacity will be enough to meet the third Plan target of 4.0 million tonnes sugar output per annum.

For licensing new capacity, the Government, it is understood, is considering only the applications, both for expansion of the existing units and for setting up of new ones, received before June 30, 1963. As many as 78 applications had been received by that date for setting up new units — 46 from the co-operative sector and 32 from the joint stock sector. Another 80 applications — 21 of them were from the co-operative sector — had been received for the expansion of existing units. Some 56 applications for the expansion and installation of new units that have been made after June 30, 1963, are proposed to be considered later in terms of fourth Plan target.

Preference, it is further learnt, is being given to the expansion programmes of the existing units which can be implemented quickly and at small costs. For setting up new factories, co-operative ventures are favoured, provided adequate cane supplies are assured.

The equipment for the new capacity will have to be procured indigenously. Efforts are being made to get released adequate foreign exchange to the sugar mill machinery manufacturers for import of components not yet domestically produced, so that they may be able to meet the orders fully and in time for the new capacity to be commissioned by the end of the current Plan. The new units that are being licensed, will have a minimum capacity to crush 1,000 tonnes of cane a day, the maximum limit being 2,000 tonnes. Plants for these capacities, it is pointed out, can be fabricated in the country.

The current difficult situation in regard to sugar supplies is expected to ease in the near future. This optimism emanates from the fact that production up to December 31, 1963, was the highest so far recorded in any crushing season. At approximately 770,000 tonnes, it exceeded the output during the corresponding period of the last crushing season by nearly 152,000 tonnes. It was higher by about 50,000 tonnes compared to the production in the hitherto peak year of 1960-61.

The Development Council for the Sugar Industry is meeting at Etikoppaka, in Andhra Pradesh, on January 10. Among other things, it will deliberate upon the problems of the uneconomic units in the industry in the light of the findings of the Gundu Rao Committee which went into this question recently, and the development programmes for the fourth Plan period. Taking into consideration factors such as the increase in population, rise in the standard of living etc., the country's requirements of the three sweetening agents — white sugar, gur and khandsari — in 1970-71, have been estimated at 4.5 million tonnes (including 500,000 tons for exports), 6.78 million tonnes and 0.4 million tonnes, respectively. Sugarcane requirements have been worked out at about 135 million tonnes. Attempts are to be made to secure the additional cane supplies through improvement in unit-area yields rather than from extension of acreage under cane cultivation.

**

According to reports reaching here, the West German oil companies may in the near future intensify their oil exploration programmes outside the Federal Republic. A new Federal law which came into force on January 1, 1964, envisages progressive reduction of State subsidies on crude oil production within the Federal Republic and empowers the West German Government to give low-interest loans for exploration abroad. These credits, of course, will not be available for exploration in the other five countries of the European Economic Community under the Oil Protocol of the ECM Treaty.

A sum of DM 800 million is said to have been earmarked for assisting oil exploration by the West German companies in foreign countries during the six-year period to 1969. The loans are not required to be repaid unless and until exploration activities lead to commercial production.

Currently, West German oil companies are operating in 13 foreign countries i.e. Libya, Algeria, Morocco, Ethiopia, Syria, Turkey, Canada, Peru, the Netherlands, Spain, Switzerland, Austria, and Italy. They are said to be anxious to enter the Eastern Hemisphere on a big scale. Although their primary interest here will be in Iran, observers are of the opinion that some of them can be invited to India as well in view of the rapidly expanding market for oil products in this country.

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Disappointed at the tardy progress made in the manufacture of printing machinery, the Union Government has expressed eagerness to entertain new well-drawn schemes in this line, preferably in collaboration with reputed foreign manufacturers. It is stated that production of printing machinery is not at present covered under the Industries (Development and Regulation) Act, 1951. No permission, therefore, is necessary for starting new ventures in this field. Approval of the Government, however, is required for import of capital equipment and collaboration arrangements.

After a review of the position recently, it has been concluded that the demand for various types of printing machinery will go up to slightly over Rs. 7 crores per annum by 1965-66 and up to Rs. 12 crores by 1970-71. During the last year of the current Plan, the requirements of the printing equipment (in numbers of units) are expected to be as follows: Precision Cylinder Proof Presses 300; Letter Press Proof Presses 1,000; Platen Presses — treadle and power operated — 3,000; Single Revolution Stop Cylinder Type Flat Bed Machines 600; Two Revolution Type Flat Bed Machines 300; Rotary Presses 20; Offset Machines (single colour) 600; Guillotines 550; Wire Stitching Machines 1,700; Board Shearing Machines 200; Folding Machines 300; Perforating Machines 200 and Book Sewing Machines 200. No estimate of the demand for composing machines is available, but it is expected to be fairly large.

Know More About 'Know-How'

From Our Correspondent

BOMBAY:

WHILE FOREIGN finance and technical collaboration are undoubtedly playing a large and dynamic role in this country's industrialisation, it is no secret that the quality of such collaboration is not always above reproach. There are collaborators and collaborators and there is, in fact, considerable dissatisfaction among Indian business men who have had some very disagreeable experiences. Indeed, many Indian industrialists, who feel that they have had a raw deal from their foreign collaborators, are even tempted to suggest that the Government of India should more positively enforce principles for such collaborations both as guidance to Indian business men and as a safeguard. This feeling, of course, is at variance with another widely held view, also among Indian business men, that the Government's interest in the terms of foreign collaboration should be confined to the minimum as otherwise undue procedural delays and difficulties over minor details might impede smooth and successful negotiations between Indian industrialists and their counterparts abroad.

In this context, the views expressed by Mr. G. L. Mehta, Chairman of the I.C.I.C.I., in his Pandya Memorial Lecture delivered under the auspices of the Indian Institute of Metals and the Indian Institute of Technology will be of keen interest. Mr. G. L. Mehta, who has unique knowledge of foreign collaboration in all its aspects, made no bones about cautioning Indian entrepreneurs against indiscriminate choice of foreign collaborators and advising them to be selective in their choice of foreign entrepreneurs from whom they seek technical assistance.

"In the course of our operations in I.C.I.C.I.," Mr Mehta said, "we have come across cases where attempts have been made by collaborators to sell obsolete processes or ou dated machinery, include items of unnecessary equipment in the essential machinery list and make exaggerated claims regarding the potentialities of the plant."

Mr. Mehta was equally forthright in exposing the worthlessness of consultancy firm, so called, which have sprung up during the last decade. Some of them are foreign based with or without Indian associates and others wholly Indian. Quite a few of them are in the nature of "mushroom growth," firms without adequate experience and organisation, some of which are mere agencies interested only in the supply of machinery. "I must frankly admit," he said, "that this has made us somewhat chary of relying on consultants' feasibility reports for the appraisal work in the I.C.I.C.I."

While Mr. Mehta has certainly done a great service by

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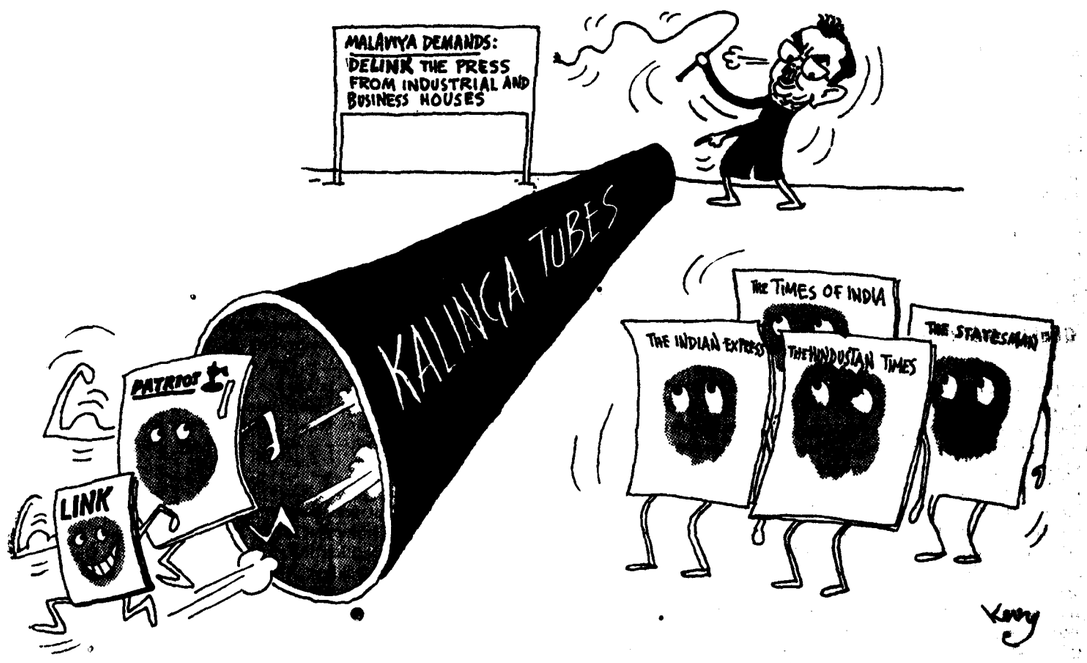
pointing out these snags and pitfalls in foreign technical collaboration, it is less obvious that the remedies or correctives he has suggested are wholly practicable. For instance, he suggested that established manufacturers themselves should provide technical advice through their technologists to new units so that the latter may not have to go to consultants of dubious competence. This pre-supposes an ample supply of high technical talent in established business houses. But surely this is not the case. It is only too well-known that most established industrial concerns have their technical resources fully extended. This apart, there certainly does not exist enough trust or goodwill among business houses, which are often in a state of rivalry, outbidding each other for industrial licences. In the face of these facts, Mr. Mehta seems to be unduly optimistic when he advises established manufacturers to provide consultancy services to new units.

Secondly, while it is certainly true that Indian entrepreneurs should be selective in their choice of foreign collaborators, it must also be mentioned that very often the former are not in a strong bargaining position. For one thing the Government's general policy attitudes and procedural delays have not exactly made foreign collaborators vie among themselves for associating with industrialists in this country. Secondly, the Government's policy of dispersing industrial licences has often resulted in licences being issued to weak, inexperienced or unknown Indian parties who naturally cannot be expected to be in a position to be highly discriminating in their choice of foreign collaborators. Mr Mehta, no doubt, is aware of all these limitations on our side and if, nevertheless, he has chosen to emphasize the various problems in foreign technical collaboration, it is surely because the time has come for Government and the business community to consult on how best Indian interests could be safeguarded.

Mr Mehta was critical of wholesale resort to foreign know-how for setting up industries. He deprecated the practice in the public sector as much as in the private sector of the Indian side being content with receiving ready-made designs and plants from foreign collaborators. In his view "it is essential that the industrialists, whenever they enter into collaboration arrangements, should attempt to have their technologists associated with designing of plants." A connected point of basic importance which Mr Mehta rightly emphasized was that our technical education should be geared to emphasizing design aspects of engineering. Finally, Mr Mehta was critical of the slow materialisation of the fruits of the research done by the National Laboratories. He attributed this to the existence of "a development hump" which he described as "the obstacle between discovering things and applying them."

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Scheduled bank credit expanded by Rs. 24.3 crores to Rs. 1,574.9 crores during the last week of December, 1963. The year-end increase brings the seasonal expansion in credit to Rs. 107 crores against only Rs. 32 crores in the corresponding period of last year (1962). There was an expansion of Rs. 10.6 crores in deposits (under demand) to Rs. 2246 crores and a reduction of Rs. 11.2 crores in investments (to Rs. 709.2 crores). During the calendar year 1963, total deposits of scheduled banks increased by Rs. 204 crores to Rs. 2,246 crores as against Rs. 217 crores in 1962. If the transactions of PL480 funds are taken into account, the increase in 1963 would amount to Rs. 234 crores as compared to Rs. 237 crores in 1962. An important feature of deposit expansion in 1963 was the sharp rise in demand deposits and a decline in the rate of growth of time deposits. Demand deposits went up by Rs. 172 crores to Rs. 991 crores in 1963, against Rs. 92 crores in 1962; time deposits increased, on the other hand, by Rs. 22 crores to Rs. 1,256 crores in 1963 against Rs. 125 crores in 1962. Inclusive of the transfer of PL480 funds, time deposits went up by Rs. 53 crores in 1963 against an increase of Rs. 145 crores in 1962.



"Come, pass the purity test."

Bank credit at the end of 1963 was Rs. 152 crores higher over the year-end, 1962; at the end of 1962, it was Rs. 155 crores higher than at the end of 1961. Scheduled bank investment increased by Rs. 57 crores to Rs. 709 crores in 1963 as compared to an increase of Rs. 73 crores in 1962. Inclusive of PL480 transfers, investments swelled by Rs. 87 crores in 1963 as against Rs. 83 crores in 1962. The banking system was in more comfortable position at the close of 1963 than at the end of 1962.

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The annual meeting of the Indian Institute of Metals was held recently at the IIT, Powai, Bombay. Speaking on the occasion, Dr. D. P. Antia, Director of Union Carbide India Ltd., and this year's President, told the members that the fact that the services of the Institute had been recognised inasmuch as November 14 has been named National Metallurgists Day, was no cause for the Institute to rest on its laurels. Rather it brought out that there were added responsibilities which the Indian Institute of Metals had yet to fulfil. Chalking out a programme for future activities, Dr. Antia said that to meet the nation's increasing need for qualified metallurgists, the Institute should not only provide vocational guidance to aspiring metallurgists, but also act as the liaison between industry and technical colleges to provide practical training for student metallurgists. In this context, he suggested a confidential survey among industrial units to ascertain employment and remuneration possibilities, to enable the Institute to give a clear picture of the profession to young metallurgists.

Citing the holding of a joint meeting in India with the Iron and Steel Institute of London in February 1963, Dr. Antia said that the Indian Institute of Metals should hold more such meetings with foreign institutes, since "such exchange of information with the visitors should make the task of absorbing more advanced ideas and technologies easier".

In outlining this programme for the Institute Dr. Antia pointed out that without financial support from the metallurgical industry, the Institute could not hope to take its rightful share in the changing economic scene of the country.

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Mr. J. S. Raj, Deputy General Manager of ICICI, has left for Europe on his way to Nigeria to take up the post of General Manager of the Nigerian Industrial Development Bank being set up there. In view of the initial problems of setting up a new organisation in that country, the World Bank and IFC (W) requested ICICI to spare the services of Mr. Raj during the early stages of the new Bank's development. ICICI has agreed to lend his services for a short period.

Prior to joining ICICI in mid-1960, Mr. Raj had served in the International Monetary Fund for six years from 1953 to 1959 and, thereafter, for a short period as Deputy Secretary (Stock Exchanges) in the Ministry of Finance of the Government of India.

The Nigerian Industrial Development Bank which is now being set up is a successor institution to the Investment Company of Nigeria (paid-up capital £1 million) which is being merged in the new Bank. The new institution is being set up with Nigerian and international participation and with larger funds to meet the growing requirements of the Nigerian economy. It will have a paid-up equity capital of £2 million, which will be divided between the A (national) and B (foreign) shareholders in the ratio of 50 : 50, and a preference capital of £250,000. IFC(W) has invested £0.5 million in the share capital. In addition, the Nigerian Government has agreed to give an interest-free loan of £2 million to the new Bank.

Jute From Many Angles

From Our Correspondent

CALCUTTA:

WEST BENGAL'S premier industry is currently very much in the news. Mr. G. C. L. Joneja, Jute Commissioner, who has just returned from leading a delegation to the ECM countries, the U.K., Sweden and Denmark, has underlined the impression strongly held in the industry that its presence in the overseas markets cannot be taken for granted, but must be nursed with vigilance and vigour. The Jute Commissioner, addressing a Press Conference here, said that the competition from Pakistan was a definite threat to the position held by the Indian jute industry in the world export trade in jute manufactures. He also referred to emerging Chinese exports, but said that China has not yet entered the trade in a big way.

Quality Standards

The Jute Commissioner urged the importance of steady improvement in the quality of Indian jute manufactures. Quality has certainly improved to an appreciable extent in the recent past and this, he said, was being well appreciated by our customers abroad. There was, however, scope in a big way for further improvement and he hoped that jute mills would not relax their efforts at producing better and better goods. The quality of manufactures depended no doubt on the quality of the fibre and here the Indian jute industry is at a conspicuous disadvantage vis-a-vis its competitor from Pakistan. Mr. Joneja referred to this aspect also. But he expressed satisfaction at the progress being made by efforts at improving the quality. This progress, he pointed out, is reflected in the fact that even in certain areas such as Bihar, where the produce is generally below average in quality, cultivators have been able this year to sell the tossa variety at between Rs. 35 and Rs. 36 per maund. Twenty-five centres have been set up in Bihar to demonstrate proper practices in retting and Mr. Joneja disclosed that number of such demonstration centres would be trebled next year. The Government of India has provided for a loan of Rs. 3 crores, free of interest for the first three years, for State programmes for improving the quality of raw jute. The Jute Commissioner hoped that the industry would co-operate in the schemes financed by this loan and thereby help to make them a success. Meanwhile, it is being generally admitted that State Governments in jute-growing areas have themselves been slow to take advantage of the Centre's loan offer.

The estimated Indian crop for 1963 was of the order of 7.3 million bales, while the availability during the season would be about 7.5 million bales. Mr. Joneja said that the compulsory quota system has so far absorbed about 5 million bales which leaves 2.5 million bales to be lifted in the future. The IJMA mills are being asked to lift during this month 700,000 bales and non-IJMA mills, 60,000 bales. The Jute Commissioner was confident that the offtake would be sufficient to stabilize prices and keep the raw jute market in a healthy state.

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A somewhat less confident assessment of raw jute market prospects had, however, been presented earlier by Mr. T. L. Sethia in his presidential speech at the Annual General Meeting of the Jute Dealers Association. He complained that the ample availability of raw jute and mesta during 1962-63, much in excess of official estimates, had kept the raw jute markets depressed. The fixation of quotas of jute for mill purchases as also for buffer stocks of raw jute, based on official estimates, could not bring about the desired effect on raw jute prices which had remained below the operational minimum during that year. While Mr. Sethia does not seem to dispute official estimates relating to the output or availability of the fibre this year, he emphasized that this year's crop would be the third big in succession and he expressed a doubt that the arrangements made for stabilizing the raw jute market would turn out to be adequate. He pointed out that the industry had already built up stocks to a point where the entire godown accommodation of many jute mills had been fully engaged with the result that large quantities of the fibre are stacked up in open spaces. Mr. Sethia would therefore plead for increased exports of raw jute as well as for the relaxation of conditions under which it could be sold for export.

Delayed Payments

Mr. Sethia was also critical of the attitude of jute mills many of which, he alleged, were unduly delaying payment of Seller's Value Bills for raw jute. Referring to the Government's decision that the State Trading Corporation should purchase jute to the extent of 1.5 million bales, Mr. Sethia said that, while the raw jute trade was in favour of buffer stock purchases to the extent they helped to stabilize prices at a remunerative level, it was also anxious that such stocks should not be built up to unmanageable sizes since they would in that event create problems of orderly disposal in the future. Another point he urged was that the State Trading Corporation should be prompt in making payments for its purchases. Here it may be mentioned that at the recent annual meeting of the Indian Central Jute Committee, there were complaints that the STC had not paid for jute bought by it as far back as May last year. Regarding the move of the Ministry of Food and Agriculture to set up Agmark standards for raw jute, Mr. Sethia expressed some uneasiness at the trend of conclusions favoured by a technical body of experts. He said that in the opinion of the Jute Dealers Association, the standards likely to be adopted might be about 30 per cent above the normal standards of the respective jute growing areas to which they might be related.

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Relevant to the Jute Commissioner's emphasis on the improvement of the quality of jute goods is the report recently considered by the Agricultural Research Sub-Committee of the Indian Central Jute Committee of the results obtained at the Jute Agricultural Research Institute and their application for improving the yield and quality of jute. The Institute has evolved three new strains of "obitorius" (Tossa) jute from crosses between Indian and Russian varieties, which are claimed to possess not only a higher yield potential than the existing improved strains, but also a whiter and a more lustrous fibre. To enable a speedy decision on their release for general cultivation, extensive trials with these new strains have been recommended both at Government research farms and in cultivators' fields in all the jute-growing States. The Institute has also been able to obtain a new strain each of mesta and roselle which could well replace the existing improved strains of these fibre crops to realize higher yields. Early steps for multiplying their seeds on a large scale were recommended.

The problem of saturating the country's jute areas with improved seeds could be solved, according to the ICJC Sub-Committee, only by concentrating seed multiplication efforts in areas where there would be no competition between fibre production and seed production. The Sub-Committee was apprised of the steps already taken to start seed multiplication work in suitable areas of Rajasthan and U.P. under the aegis of the National Seeds Corporation. The Sub-Committee also recommended that the agricultural engineers of the jute-growing States should meet and select a reasonably-priced model from out of the different designs of seed controls which have been brought out in West Bengal, Bihar and U.P. Another proposal made by the Sub-Committee was that the districts of Malda, Murshidabad and Nadia in West Bengal and Purnea and Saharsa in Bihar should be given the Package Programme treatment with special emphasis on the provision of liberal credit facilities to jute-growers for using fertilizers. The Sub-Committee noted that the yield per acre was the lowest at present in the districts named by it.

As advance action for the fourth Plan, when it is proposed to take up intensive cultivation of jute in 14 selected districts which account for over 80 per cent of India's total acreage under the jute crop, the Sub-Committee recommended the setting up of three 100-acre pilot projects in each of these districts during the remaining two years of the third Plan. It may be added that the Union Agriculture Minister, Dr. Ram Subhag Singh, told the Indian Central Jute Committee that the fourth Plan target of eight million bales of jute and two million bales of mesta had to be achieved wholly through higher yields per acre, as there was no scope for extending jute acreage.

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In a proposal submitted to the Union Minister for International Trade, the Indian Engineering Association has made out a strong case for making Haldia a free port. But Haldia will differ from other existing and proposed free ports in one important aspect and that is that while the other ports will attract all industries, Haldia will place the emphasis on export-oriented industries. Evidently, the idea of making this new port into a free zone has suggested itself to the Indian Engineering Association in view of the uphill task that faces the industry in promoting the export of engineering goods. Addressing a press conference in Calcutta recently, Mr. C. E. Cargin, Chairman of the IEA has pointed out that despite incentives engineering goods formed only 1½ per cent of the country's total exports. Many adverse factors are responsible for this poor performance. In the first place there is intense competition in world markets where our products have to compete with similar products from highly developed countries. Our products are also handicapped by high production costs brought about by high domestic taxation and the large idle capacity resulting from the meagre availability of imported raw material. These difficulties are likely to persist for quite some time because there is no likelihood of an easing in the present extremely stringent foreign exchange position.

Ideal Solution

Mr. Cargin has pointed out that if exports have still to be maximised notwithstanding these handicaps, the problem has to be tackled from an entirely different angle. It is in this view that a free port at Haldia offers an ideal solution. This new port that is being developed has several advantages that will help it emerge as an industrial complex. It is large enough (125 square miles) to accommodate several large industrial units and has a well developed hinterland with good communications. It can also easily obtain quite a large skilled labour force. The IEA proposal envisages a large measure of economic freedom and tax relief to the industrial units located within the free port zone. For all practical purposes the zone will be an independent region free as to production targets, imports, tax and duties. These advantages will not only attract Indian entrepreneurs to expand their business but will offer great incentives to foreigners also to set up units at Haldia. According to Mr. Cargin there will be no difficulty in meeting the administrative cost of the free port as low rates of tax on personal and business income and on import or excise duty on selected items, as in Hongkong, will suffice.

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Dr. D. Bannerji, Chairman of the Export Promotion Council for Chemicals and Allied Products, stated on

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December 30, 1963, that the exports of chemicals and allied products had shown only slow improvement. As against exports (excluding unspecified items) valued at Rs. 6.35 crores in 1960-61, the trade yielded Rs. 6.67 crores of foreign exchange in 1962-63. In the first half of the financial year 1963-64, exports were worth Rs. 0.37 crores. The industrial manufactures falling within the purview of the Council at Calcutta — as a result of the bifurcation of the Council — dealing with paints, varnishes, pigments, printing inks, glass, ceramics, potteries, refractories, cement-asbestos, rubber tyres, paper and paper products and fertilisers showed much better performance. Between April-September, 1962 and April-September, 1963, the rise was as high as 15 per cent. Rubber and paints recorded increases by 25 per cent and 29 per cent respectively. Glass and ceramics, and paper and paper products progressed slower at 16 per cent and five per cent respectively. There was a fall in exports of unspecified items and organic fertilizer including crushed bones, bonemeal etc., which dropped by nearly a quarter but which could be improved if Government granted the assistance sought by the industry.

The analysis of the direction of exports of chemicals indicated that the main markets for Indian chemical products were: (1) the next-door neighbours, namely, Burma, Ceylon, Pakistan, Nepal and Afghanistan; (2) countries of West Asia and Africa and (3) the South-East Asia and the Far Eastern countries including Japan. Dr. Bannerji referred to the recent meeting at New Delhi of the chairmen and secretaries of all the export promotion councils and commodity boards and of about 26 of India's ambassadors in West Asian countries and Africa. The conference gave him the impression that there were new opportunities for exporters in the newly independent countries of Africa and in the countries of West Asia which would be lost if necessary steps were not taken in time. Other countries such as West Germany, Italy, Japan and some of the East European countries were operating actively in those markets. In the case of British East Africa particularly, the independence of the countries will reduce the importance of the crown agents and will create a vacuum which should be filled by India by a policy of aggressive salesmanship. Referring to the exports of this country to the U.K., the E.E.C. and the EFTA countries, the Chairman wondered why those highly developed countries had quotas and restrictive tariffs on imports from developing countries such as ours. There has been some success in getting tariffs abolished in 18 commodities so far in the case of the Common Market. A further extension of this list will be in the interest of both the parties.

A basic requisite for enhancing exports of chemicals and allied products is to lower the cost of manufacture by supplying indigenous raw materials at international prices. Because of insistence by the Government on the use by the industry of indigenously produced intermediate products, the capacity to compete in the international markets is reduced. If, however, imports are allowed for raw materials in the case of goods to be exported, the level of exports can certainly be increased significantly.

Market Survey

The Chairman laid stress on the future programmes of market surveys, market research, sales-cum-study delegations, publicity etc. Already the Council had submitted a comprehensive programme to the Ministry of International Trade for publicity and market surveys abroad. The Chairman also recommended to the members of the Council that they should increasingly take to export risk insurance cover. The Council is preparing a scheme of bulk cover for members whereby it is hoped to gain a straight reduction in premia rates up to 10 per cent.

Another element which has so far hindered the growth of India's exports to the West Coast of Africa and Latin America is high freight cost. The Chairman said that, but for prohibitive freight rates, this country could have sold to Nigeria alone glass bottles worth Rs. one crore. In the first 10 months of 1963 alone, the Freight Investigation Bureau reduced freight rates on 73 of the commodities (in which the Council was interested) and to 51 destinations. Special rates for samples were introduced, but a considerable further drop in freight rates is needed for making the products of the industry competitive in international markets.

Rice Prices and Prospects

From Our Correspondent

MADRAS:

RICE HAS been in the news. The State Government got alarmed over the increase in prices for the better grades of this cereal, following the ban on the movement of rice from Nellore. It naturally represented to the Centre that there was no meaning in imposing a partial ban on movement within a zone and that consumers in Madras City particularly were unnecessarily penalised on account of the stoppage of arrivals from Nellore. The Andhra Pradesh Government, for its part, represented to the Centre that the despatches of rice from Nellore were unusually heavy and consumers in their areas were obliged to pay high prices. It was in fact suggested that the ban should be continued for some time as the position was expected to improve only after the harvest of the standing crop and its actual marketing. The Central Government, however, has not agreed to a prolonged ban as the contention of the Madras Government has been accepted in principle. It has been indicated that the ban may be lifted by the middle of January when the new crop would stop moving. This prospect has led to some easing of rice prices in the city in the last few days, especially as liberal sales have been through fair price shops.

The developments in the past few weeks, however, have prompted the authorities to think in terms of stricter control over the wholesale trade in foodgrains in order to prevent violent fluctuations in prices. The Madras Government proposes to adopt a system of licensing which will enable it to keep a more careful watch on the trade. The Centre has suggested the introduction of a system of returns and codes in the determination of profit margins. This step is intended to check hoarding. Meanwhile it is proposed to intensify procurement. It is generally expected that the crop prospects are satisfactory and that an attempt should be made to procure at least 750,000 tons from the surplus States in the country. The quota of Andhra Pradesh for procurement has been raised to 250,000 tons and that of Madras to 150,000 tons. It is proposed to change the system of procurement in Madras as the voluntary system did not succeed in the last season. After a conference of millers in the City it has been announced that there would be a levy system and millers would be asked to procure up to 20 per cent of their transactions in Tanjore District and 15 per cent in other Districts. In Andhra Pradesh, the scale of levy would be 40 per cent of the turnover of millers and wholesalers. No changes have been made in procurement prices.

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Meanwhile it is being questioned whether the State Governments of Andhra Pradesh and Madras are well advised in intensifying their procurement in the present conditions. The Andhra Pradesh Government has swooped down on rice millers in this region and requisitioned stocks up to 40 per cent because they had not complied with the terms of

voluntary procurement. Already, it has been promised that the procurement of rice would be raised to 250,000 tons from 175,000 tons for the last season. The procurement policy in Madras State would also seem to be revised as there was a conference of millers in the City a few days back. No doubt there is need for procurement for creating buffer stocks for being released to fair price shops during lean periods, but procurement should be carried in such a way that it does not result in a further rise in prices in the retail shops. The only satisfactory feature in the dismal situation is the report that the standing crop in Andhra Pradesh has not suffered on account of the recent heavy rains and the prospects in Madras also are good. If the surplus in Andhra Pradesh proves to be larger and Madras also has a marginal excess, it should be possible to bring down prices to reasonable levels before long. The veracity of crop reports will be borne out by the developments in the coming weeks.

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The Andhra Pradesh Government has decided to extend old age pensions to a larger number of persons by stating that individuals, who had attained the age of 60 and who were physically incapacitated, can receive such pensions. At present, only those above 65 and have no means of sustenance, can receive pensions. The Budget appropriation for this purpose has, therefore, been increased to Rs. 25 lakhs from Rs. 4 lakhs. This gesture on the part of the Government has been appreciated and it is expected that other State Governments also will follow suit. In Madras, it has been found that old age pensions have benefited a large number of people and with the greater accent on social security measures, this is a move in the right direction. The Andhra Government has also decided to impart free education to girls up to the secondary school stage. Even earlier, it was indicated by the Madras Chief Minister that a scheme for giving free education to all up to the SSLC stage was being worked out. But as it was found that the cost would be very prohibitive, it was indicated later that free education of girls might be considered. The neighbouring State has actually taken a decision on this very question.

It is felt that much larger sums can be spent on social services and on the implementation of projects which will yield quick results, if the State Government's suggestion that the Nugarjuna Sagar Project should be taken over by the Centre is accepted. This question has been considered by the Central Government and there is somehow a feeling that the Centre might provide much larger assistance for projects which will take a longer time to be completed and the interest charges could not be paid easily during the construction stage. It will be a long time before the Nagarjuna Sagar Project begins to yield the maximum results. In the meantime, it is felt that the expenditure out of the State's resources would prove to be a heavy strain and the Central Government may probably be taking a helpful decision though it has been stated that, in future, the economics of working of bigger projects should be more carefully examined and the emphasis should be on the formulation of schemes which would yield results in a very short period. This was suggested by the Union Finance Minister when he addressed the gathering of economists in Bombay recently.

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The Andhra Pradesh Government is keen on developing the film industry. Recently the State Cabinet decided on a series of measures to encourage the setting up of film studios in Hyderabad. The State Government would acquire 200 acres of land and make them available to entrepreneurs intending to set up film studios. In addition, financial assistance will be given to the industry. Apart from a loan of Rs. 2.5 lakhs to the only existing studio in the State Capital, other loans totalling Rs. 10 lakhs would be extended to new units. The loans will be free of interest for the first two years. Finally, an award of Rs. 50,000 will be made every year to the best Hindi or Telugu picture produced in the State. The first in this series of awards has already been given to a feature film based on the Salt Satyagraha campaign in Guntur during the freedom movement.

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Work is proceeding briskly on the public sector project for the commercial production of photographic film, which is located in Ootacamund. The construction work was started towards the end of March last year and a major portion of the civil works has been completed. About 75 per cent of the machinery and equipment has already been shipped to this country and work on erection has started. It is expected that the plant will be commissioned within the third Plan period. The Hindustan Photo Films Manufacturing Company Limited, which is in charge of this project, has secured the collaboration of Messrs. Bauchet of France. The collaboration agreement covers the supply of machinery and equipment as well as the training of Indian technical personnel, assistance in the erection of plant and the establishment of production of the various manufactures in view. A sum of about Rs. 3 crores is payable to the French firm for its services, the payment to be made in equal half-yearly instalments starting from April, 1964.

The total cost of the project, excluding the township, is estimated at Rs. 7.4 crores, consisting of Rs. 4.45 crores on account of machinery and equipment, Rs. 1.7 crores for development of land and buildings and Rs. 77.45 lakhs for industrial services, and the rest towards initial expenditure, administrative expenditure during construction and expenses on the training of personnel. The annual production will be of the order of Rs. 6.5 crores of cine films, roll films, sheet films, X-Ray films, aerial films, photographic papers, etc. The largest single item of manufacture will be cinematographic film and a start will be made with black and white film.

The project is expected to serve as a nucleus for allied industries, schemes for which are being formulated by industrialists in the private sector. The manufacture of cellulose triacetate, methylene chloride and beryta-coated paper base are among the various lines of production which are being kept in view. Several small units in the region are also being encouraged to undertake the production and supply of items such as light fittings, plastic containers, and aluminium foils. There is also scope for entrepreneurs to produce, in due course, items such as dark-room accessories and cameras. Meanwhile, in order to familiarize the Indian market with the materials that are to be produced at the Ooty plant, Hindustan Photo Films are importing small quantities of photographic materials from their French collaborators and marketing them under the company's brand name "INDU".

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The New Year has begun on a dull note in the Stock Markets. There was considerable concern over the pronouncements made by some of the Leftist leaders relating to the nationalisation of banks and consumer goods industries, state trading in foodgrains and other commodities, etc. But there was some relief when the draft resolution of the Congress Working Committee was published. Knowledgeable circles are inclined to believe that the Centre may not adopt any hasty steps, as the nationalisaion of banks particularly may have an unfavourable effect on the flow of foreign capital. Besides, there is now rigorous control over banks and with the new powers assumed by the Reserve Bank, a better use of available resources can be ensured while safeguarding the interests of depositors more effectively. The allaying of fears to some extent has been responsible for the slight recovery in prices in the past two days. But there will not be any disposition to push up values until it is clearly known that the Central Government would adopt a pragmatic approach when framing new policies and the next budget also would be drawn up on a realistic basis. The results of some companies have clearly shown that, without a reduction in the tax liability, it may not be possible to pay higher lividends or plough back fairly large sums into business.

The moving finger writes

PRESS REPORTS from Bhubaneswar speak of heated discussions in the Subjects Committee on the Resolution on "Democracy and Socialism". But it is, not only the temperature which seems to have shot up. Evidently, tempers too have risen. And also blood pressures. The Prime Minister's, happily, has quickly gone back to normal. One hopes that this indisposition is only a passing one. Men much younger than he, undergoing strain much less than he does, would be entitled to fall ill now and then. But, in Mr. Nehru's case, it may not be all that simple. While one does not naturally want to be an alarmist, it is in the public interest to say that the Prime Minister is certainly burning his candle at both ends — and the 70s are no age to do it in. There ought to be some one around him who could put a stop to this and I for one would certainly feel easier in mind if after Bhubaneswar, Mr. Nehru could be persuaded to go away to a quiet place for the mere physical rest that he so sorely needs. It is clear, of course, that this spell of quiet should be long enough if it is to do him any real good, but that ought not to present any formidable problem so far as the Central Government is concerned, for I just do not see any reason why Mr. Morarji Desai or Mr. Lal Bahadur Shastri should not be called back to the Central Government for caretaking.

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Mr. Biju Patnaik, I concede, is a (wholly) clever and a (relatively) young man, but it is obvious that he could be wiser. Surely, it was foolish of him to have claimed in the Subjects Committee that nobody in the Congress Working Committee was opposed to the nationalisation of banks. Apart from the fact that what he said was just not true, he ought to have known that an assertion of that kind was bound to trigger a public controversy among Congressmen since the nationalisation of banks is, and has always been, a highly controversial issue within the Congress Party. When Mr. Patnaik attempted to make it appear that the nationalisation of banks had been accepted in principle and that the timing of it was a detail which had been left to be settled by administrative decision at the level of the Central Government, he was clearly trying to mislead the Congress Party as well as the country. Mr. S. K. Patil, and Mr. Morarji Desai, had no alternative to joining issue with Orissa's ex-Chief Minister and making a public affirmation of the fact that the Congress Party was not at all agreed on the nationalisation of banks as a necessary or desirable step. It was left, finally, to Mr. Krishnamachari as Finance Minister to clinch the issue which he did by firmly declaring that there was no case for the nationalisation of banks, since the Government would be able to exercise direct control over as much as some 50 per cent of the organised credit resources in the nation through the State Bank and the proposed Development Bank.

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While Mr. Krishnamachari has undoubtedly been outspokenly firm in turning down the demand for bank nationalisation, I am inclined to say that the credit for the most sensible observations on this particular issue must go to Mr. Asoka Mehta. Considering that Mr. Asoka Mehta apparently still desires to have one foot in the Praja Socialist Party, I consider it politically courageous of him to have stated publicly that, although the P.S.P., which asked for the nationalisation of banks in its previous policy statements, might be inclined to find fault with the Congress leadership for rejecting the demand, he himself would not hesitate to say that there was no case for the State taking over and monopolizing commercial banking. Mr. Asoka Mehta pointed out that, while it was certain that there would be adverse psychological effects at home and abroad if banks were to be nationalized, the advocates of nationalization had not at all been able to show that there would be positive advantages to be set off against the very real disadvantages which he had mentioned.

The Deputy Chairman of the Planning Commission was speaking to journalists in the Capital who, combining business with pleasure, had invited him to a Luncheon meeting at the local Press Club. Mr. Asoka Mehta, of course, has a very alert intelligence, but even so I must confess that I was surprised not only by the quickness but also by the maturity of his comprehension of the problems of his present assignment which is not yet many months old. I was specially impressed by his pragmatic wisdom in stressing the fact that, among all our development resources, time was the most precious and also the least valued. He explained how not only the cost of executing a project was increased when there were delays, procedural or otherwise, but also a whole series of development schedules disarranged. I personally believe that this emphasis on the urgency of every individual programme or scheme is perhaps the most relevant factor to be respected at the present time when effective steps have to be taken to step up the rate of economic growth.

Elsewhere too, Mr. Mehta showed fine appreciation of the importance of reckoning with realities. In his view, so long as the productive apparatus of the economy had not developed sufficiently, social security in any significant sense of the phrase could not be provided for the people at large. It was, therefore, necessary to realise that while such limited welfare measures as could now be contemplated might be undertaken, they would at best be only "expressions of good intentions". In Mr. Mehta's view, an increase of at least seven per cent per annum in the national income has to be firmly secured before a national programme of social security could be made meaningful.

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I forgot last week to share some good news with my readers to whom I must now apologise on that account. The year 1963, they will be happy to learn, has been a good year for "Eastern Economist". Its circulation has been steadily going up and it is now possible to claim that it has the largest circulation in its class. "Eastern Economist" has always had a good number of copies circulating abroad, and here again the last 12 months have seen an appreciable rise in the proportion of foreign subscribers to the total. Readers will have noticed that there have been more pages to most issues of the Journal in 1963 than was the case in the years before. In these days of high paper and production costs this has naturally meant more expenditure. I am, therefore, particularly happy to find advertisement revenue keeping ahead of previous collections. The advertisement support received for the Special Issues has been particularly encouraging and this, incidentally, has enabled us to place in the hands of our readers the sumptuous Annual Number, 1964, which they should have received this week.

V. B.

Trade Winds

FREIGHT RELIEF FOR EXPORTS

THE RAILWAY Ministry has decided to allow with effect from January 1, 1964 a general rebate of 25 per cent in freight on 65 products for the engineering industry booked from any station to any port for export. The rebate is intended to stimulate the country's export trade.

The rebate will also apply to Dhanushkodi when traffic is booked to Colombo via all rail routes and upto the border stations when traffic is booked to East or West Pakistan.

The commodities include, among other things, gramophones, steel pipes, refrigerators, aluminium and stainless steel utensils, brass ware, rice mill machinery, hard tools, bicycles, dynamos and zip fastners. This general rebate will be in addition to the 50 per cent rebate in freights already allowed in the case of 25 engineering goods such as motor vehicle batteries, hurricane lanterns, textile machinery and components when moved from producing centres to specific ports for export.

In regard to bicycles and their components, steel trunks, steel folding furniture, cast iron spun pipes, electric fans, oil mills machinery, tin containers, iron castings, diesel engines and bolts, nuts and rivets, the rebate of 50 per cent in railway freight is allowed for bookings from any station to any port.

Besides engineering goods, rebates in railway freights are also at present allowed for low-grade iron-ore from Rajasthan and manganese ore of all grades, non-essential oils, industrial raw material such as power alcohol, rectified spirit and fruits and vegetables.

With a view to promoting the export of bananas, low wagon rates have been recently introduced over the Central and Western Railways for movement of this fruit to Bombay port from Raver, Nimbhora, Sarda, Buhsawal, Jalgaon, Pachora and Kajgaon, Bardoli, Gangadhara, Chaltham and Timberva stations for export.

The following is the list of 65 commodities for which a general rebate of 25 per cent in railway freight will be allowed when booked from any station to any port for export: (1) gramophones, (2) crown corks, (3) incandescent lamps (pressure lamps), (4) steel furniture (non-folding cabinet with shelves, tables and sofa sets only), (5) steel pipes, (6) lathes (machine tools), (7) batteries, (8) fluorescent tubes, (9) room air-conditioners, (10) electrodes, (11) belting, (12) building hardware (steel butt hinges), (13) rice mill machinery, (14) motor vehicle noc, (15) electric motors, (16) house service meters, (17) barbed wire, (18) agricultural implements (crow-bars and shovels only), (19) R. S. pilfer-proof closures, (20) refrigerators, (21) paint brushes, (22) umbrella ribs, (23) aluminium utensils, (24) weld mesh, (25) conduit pipes, (26) G. I. buckets, (27) ghenellas, (28) hacksaw blades, (29) ferro-builders hardware, (30) power driven pumps (multistage industrial pumps), (31) hurricane lantrens, (32) C. I. flushing cisterns, (33) pressure stoves, (34) water fittings, (35) brass shells and circles, (36) brassware, (37) stainless steel utensils, (38) bicycle dynamos, (39) hard tools, (40) aluminium conductors, (41) enamelled copper wire, (42) D. C. C. copper wire, (43) single cotton covered copper wire, (44) power driven pumps (horizontal split case centrifugal pumps), (45) agridiesel, (46) storage batteries, (47) non-ferrous alloys (basic metal ingots), (48) zip fasteners, (49) construction machinery (lynx type 70 open tilting drum type concrete mixer), (50) gas plant (Manafield gas plant for Bunsen burners), (51) railway track fastners (dogspikes and round spikes and canted bearing plates), (52) C. I. pipes (other than spun pipes) (53) public address equipment (amplifier 35 volts), (54) jute mill machinery (jute shuttles and bobbins), (55) enamelled ware (mugs only), (56) industrial and scientific instruments: (a) surveyors' compass 4" with stand, (b) slinometer compass 3" dia in leather case, (c) prismatic compass 4" with stand, (d) sextant complete in a box, (e) theodolite with stand and box complete, (f) I.O.P. level complete with stand, (h) levelling staff (telescopic) 14', (i) rain gauge with stand, stainer etc., (57) ice cans, (58) air-compressor (broomwade type wr. 210 portable diesel), (59) steel tubular poles, (60) shaping machines, (61) T. L. towers, (62) motor cycles and scooters, (63) rolling shutters, (64) copper sheets, (65) power presser (40 ton non-geared vice).

In items No. 6, 7, 11, 15, 26, 31, 44, 45, 55 and 57, fifty per cent concession is in force between specific pairs of points. The 25 per cent rebate in freight will be allowed for movements other than those for which 50 per cent rebate in freight is already in force.

AUTONOMOUS COUNCIL FOR FAIRS

In pursuance of the recommendation of the Mudaliar Committee, the Board of Trade had advised the Government of India to establish an agency for organizing trade fairs and exhibitions with the active assistance of the business community. Following this an autonomous organization — the Indian Council of Trade Fairs and Exhibition — has been set up with its headquarters in Bombay. The object of the Council is to promote and participate in industrial trade fairs in India and abroad and organize visual commercial publicity for the purpose of export promotion. The Council will also concern itself with the establishment and maintenance of showrooms, trade centres and depots in strategic commercial areas abroad.

The Indian Council of Trade Fairs and Exhibitions, which will have representatives of trade and industry on it, has as its first Chairman, Mr. Keshub Mahindra of Mahindra and Mahindra Limited. The Federation of Indian Chambers of Commerce and Industry is represented on the Governing Body of the Council by its President, Mr. Bharat Ram; the All-India Manufacturers' Organisation will be represented by its Chairman, Mr. Prabhu V. Mehta; and the Basic Chemical Export Promotion Council by its Chairman, Mr. P. A. Narielwala, (Director of Tatas). The Governing Body will include senior officers of the Government of India, viz., Mr. P. K. Panikkar, Director of Exhibitions, and Mr. H. D. Shourie, Joint Secretary in charge of Export Promotion (both from the Ministry of International Trade) and Mr. N. S. Pandey and Mr. S Krishnamurthi, Joint Secretaries in the Ministry of Finance. A senior Government official will be its Executive Director. The various Chambers of Commerce and Industry, Export Promotion Councils, Commodity Board, Exhibitors, Associations, Trading Organisations and units, banks and insurance companies will have their nominees on the Council

BARAUNI AND KOYALI REFINERIES

Contracts for the preparation of detailed project reports for the expansion of the Barauni and Koyali refineries from two million tonnes to three million tonnes per year have been executed between the Indian Refineries Limited and the Oil and Natural Gas Commission on the one side and Messrs Tiajpromexport of Moscow on the other. The Soviet authorities will furnish the project reports before the end of the current financial year and the Indian parties are expected to communicate the acceptance or modifications of the project reports within a month. The expanded capacities of the two refineries are expected to be achieved by the end of 1965 or in the beginning of 1966.

CLOTH EXPORTS

The scheme of Compulsory Export Obligation operated by the Indian Cotton Mills Federation has been scrapped from January 1, 1964. It is not expected that the abolition of the scheme would make any difference to the trend of cotton textile exports. The idea of compulsory exports has never been very popular among mills and many of them had chosen to pay the prescribed penalty for not effecting the specified exports. The penalty, which goes into an export promotion fund, equals one-eighth of the value by which the F.O.B. price of export performance falls short of the corresponding export obligation. Apart from the fact that the industry, by and large, has not been in favour of the scheme, it has been found that compulsory exports tended to weaken the bargaining position of mills and shippers vis-a-vis buyers abroad. It has also been felt that an impression should not be created that the Indian cotton textile industry is exporting under coercion.

SUGAR MACHINERY

The Government of India has appointed a 12-man Technical Committee for drawing up specifications for sugar plants with daily crushing capacities of 1,000 to 1,500 tons, 1,250 to 1,750 tons and 1,500 to 2,000 tons of sugarcane. Besides officials of the Union Ministries concerned, members of the Committee include technical representatives of sugar machinery manufacturers in the country.

The Committee has been asked to submit its report within six months.

INDO-POLISH TRADE

A new long-term trade and payments agreement was recently signed in New Delhi between India and Poland. The agreement envisages a turnover of about Rs. 16 crores each way during 1964. The list of goods of Indian exports has been enlarged and diversified. India will be exporting engineering goods including textile machinery and accessories, machine tools and various other engineering products including diesel engines. India will also export cotton textiles, handicrafts and handloom products, leather footwear and other new items of manufacture such as duplicators, readymade garments, collapsible tubes and razor blades in addition to iron ore, manganese ore and mica. Other traditional items of export to Poland are deoiled cake, tea, jute products, spices, shellac, groundnuts and cashewnuts. Poland is an important supplier of mining machinery, machine tools, tractors, zinc and rolled steel products including alloy and special steels. Apart from other items, capital goods and generating equipment will also be supplied by Poland.

INDO-G.D.R. TRADE

The existing trade and payments agreement between India and the German Democratic Republic has been extended for another year. It is envisaged that the trade turnover will be of the order of Rs. 35 crores both ways. India will export engineering goods worth Rs. 2 crores including storage batteries, tyres, automobile components, precision castings, tropicalised motors, electric equipment, bolts and nuts, machine tools components and accessories, ophthalmological instruments, apparatus for chemical equipment, aluminium core cables, coal crushing and mineral grinding machines, household electrical appliances, telephone instruments and equipment, mobile workshop cranes and trolleys, industrial shutters and duplicating machines, textile machinery and accessories. India will also export chemicals including drugs and medicines, specially sodium bichromate, sodium perborate, quintine hydrochloride, harmones and synthetic vitamins.

Other items of exports from India are cotton and synthetic textiles, fruit juices and concentrates, handlooms and handicrafts, coir manufactures and leather footwear. India will increase her exports of jute manufactures, iron ore, mica and other mining products. Other items of export are tea, coffee, castor oil and deoiled cakes, etc. G.D.R. will export to India machine tools, capital goods including heavy electrical equipment, printing machinery and other items of machinery. Sizable quantities of muriate of potash, ammonium sulphate, sulphate of potash among the group of fertilizers will also be exported from G.D.R. to India. Other items of exports from G.D.R. to India are various organic and inorganic chemicals, cinematographic raw films, X-Ray films and various precision instruments including those for research and educational institutions.

RECORD EXPORTS IN NOV.

India's exports in November 1963 touched the record level of Rs. 73.7 crores which was Rs. 9.5 crores more than the value of exports in November 1962. This is the highest figure of monthly exports so far reached. Most of the export items showed an upward trend.

The total exports of India in the first eight months of the financial year 1963-64 were worth Rs. 512 crores. This was



Rs. 57 crores higher than the corresponding figure of Rs. 455 crores in the first eight months of 1962-63.

CENTRAL BOARD OF TAXES

The Central Government has constituted with effect from January 1, 1964, two separate Boards of Revenue known as the Central Board of Direct Taxes and Central Board of Excise and Customs, under the Central Boards of Revenue Act (Act 54 of 1963) which has been enforced from the same date. The composition of each of the two Boards is as follows:

Central Board of Direct Taxes: Mr. J. P. Singh (Chairman and Mr. S. A. L. Narayana Row (Member).

Central Board of Excise and Customs: Mr. B. N. Banerji (Chairman) and Mr. D. P. Anand and Mr. R. N. Misra (Members).

The Chairman and Members of the two new Boards have taken over their respective charges.

All correspondence relating to Direct Taxes should henceforth be sent to the Secretary, Central Board of Direct Taxes and that relating to Excise and Customs to the Secretary, Central Board of Excise and Customs.

EMERGENCY RISKS

It was announced in the Finance Minister's statement in Parliament on December 16, 1963 that no premium will be payable in respect of the quarter ending March 1964 under the Emergency Risks Insurance Schemes. The Emergency Risks (Goods) Insurance Scheme and the Emergency Risks (Factories) Scheme have been modified by the Central Government with effect from January 1, 1964 in order to implement this decision. The duration of policies issued under the two schemes which were in force on December 31, 1963 will be extended automatically by the Government agent without the payment of any premium for a further period of three months with effect from January 1, 1964 and no further applications will be necessary for this purpose.

As regards property which becomes insurable under the schemes for the first time on or after January 1, 1964, no premium will be payable at the present and the rates at which premium will be payable will be announced, if necessary, at a later stage by the Government. The rates of premium will be fixed with due regard to the nature of the risks and other relevant considerations and may be nil if the circumstances justify such a decision. Applications without treasury challans will be received, in the meantime, in respect of property which becomes insurable under the acts and schemes for the first time and policies will be issued subject to the payment of premiums at a later stage at such rates, if any, as may be fixed by the Central Government. Persons owning or interested in property insurable under the two schemes are advised not to pay premiums into treasuries or sub-treasuries in respect of any period after January 1, 1964 in the absence of any further information or notice.

ACTUAL USERS LICENCES

An Import Trade Control Public Notice issued by the Ministry of International Trade says that in the case of industries which have been granted licences for the first half-year's requirement as first instalment, the supplementary licences for the second half-year will be granted. The annual licences granted to established importers and actual users for April 1963 - March 1964 need not be presented to licensing authorities for endorsement regarding utilization of the second half. Such licences will be deemed to be automatically valid for utilisation of the second half without application of any cut. The validity period of such licences will also be deemed to be extended by another six months for utilization of the second half of the licences.

In cases where fresh annual licences are yet to be issued to actual users both in the scheduled and non-scheduled sectors for April 1963-March 1964, the annual licences will be granted for the total yearly entitlements. The licences will be suitably endorsed to permit the import of the goods in one lot within the validity period of the licence. A notification issued by the then Ministry of Commerce and Industry on May 17, 1963 had said that established importers and actual users who had been granted annual licences for the period April 1963 - March 1964 were required to present such licences after 30-9-1963 to the licensing authorities for endorsement for validation of the second half of such licences, subject to such changes in values as might be decided upon. The notification had also said that the second half of the annual licences after application of cuts, if any, could, however, be utilized only after the expiry of the first six months from the date of issue of such licences and within the extended period of validity of six months allowed by the licensing authorities.

PRICES OF TYRES

Following the abolition of price control on 16 commodities, as recently announced by the Finance Minister, Mr. T. T. Krishnamachari, tyre manufacturers are reported to have increased the prices of all types of tyres by six per cent. This should particularly help newly established units in the industry.

According to a spokesman of a leading tyre company, the six per cent price rise would, for the time being, apply only to manufacturers' prices, as retail prices could be increased only with the approval of the Government.

The price of caustic soda is also reported to have been increased by eight per cent. A similar increase in the price of soda ash could be expected soon.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

Notice is hereby given that the Board of Directors of this Company have declared payment of an Interim Dividend on the Company's Ordinary Stock at the rate of £3½ per cent net (tax applicable at 7s. 9d. in the £) for the year ending 31st March, 1964. Payment will be made on 15th February, 1964, to those stockholders whose names are registered in the Company's Stock Register on 28th January, 1964.

Applications for transfers received in this Office before 12 O'Clock noon on Tuesday, the 28th January 1964, will, if otherwise satisfactory, be registered at the date for the purpose of participation in the above dividend.

BY ORDER OF THE BOARD
D. P. M. KANGA
AGENT

VICTORIA HOUSE,
CALCUTTA, 9th January, 1964.

Company Affairs

SCINDIA STEAM

AT THE annual general meeting of the Scindia Steam Navigation Company Ltd., Mr. Dharamsey M. Khatau, the Chairman observed that there was considerable improvement in the performance of the company which had been achieved through efficient running of the vessels, rationalization of the fleet and services in the overseas trade and upward revision of freight rates. The 10 per cent increase in the West-bound freights had not come a day too soon because these freights had remained static since 1957. He added, however, that the problem of mounting operating costs arising from increased benefits given to the dock labour under various awards and also from increased port charges, had made the establishment of an appropriate machinery like the Tariff Commission necessary to correlate the rise in costs with compensation in freight rates.

The Chairman informed shareholders that, out of the three 17 knots fast motor vehicles — Jalakrit type — ordered with Messrs. Hindustan Shipyard, the first vessel was expected to be delivered by about the middle of this year and the second would be ready sometime in the next year. Keel of the third vessel was laid on April 26, 1963. He also referred to the recent addition to the company's fleet of two second-hand motor vessels — one of 12,800 d.w.t. and another of 11,700 d.w.t. — both built in 1958 and having a speed of 14 knots. These vessels have been acquired on a deferred payment basis.

Referring to the appointment of a one-man Commission to review the freight rates of shipowners operating on the coast, he hoped that the Commission would look into the urgent need of allowing an appropriate increase, which would provide an adequate return on capital employed. In addition to the freight rates, the occasional shift in the Government policy in the allocation of coal cargo led to the withdrawal of some ships from coastal employment. It would only be fair to the coastal operators that such element of uncertainty was eliminated so that they could plan for the carriage of freights over a certain period. As regards the Konkan services, Mr. Khatau indicated that the State Government had promised to pay a specific amount in respect of subsidy in lieu of 8 per cent increase in fares as well as the repair cost in excess of the Rau Committee estimate for the years 1961-62 and 1962-63, which it did not honour. The Company, therefore, did not resume the Konkan services from September 1, 1963. It was only after the intervention of the Central Government that the Maharashtra Government paid "on account" an amount of Rs. 4 lakhs and the company resumed its services from October 11, 1963. This wastage of time could definitely have been avoided if the Government paid sufficient attention towards such essential services.

MYSORE KIRLOSKAR

Mr. M. D. Shivananjappa, Chairman, the Mysore Kirloskar Ltd., informed shareholders at the annual general meeting, held recently, of the steps that were being taken to accelerate the activities of the company to meet the growing demand for machine tools. The construction work on various schemes was progressing well — the building for the foundry was expected to be completed by the end of March and plans for the construction of the machine shop at the Hubli branch were well advanced. Orders had been placed for the import of machinery. The company proposed to diversify its activities by adding one or two new lines of machine tools for which it was negotiating foreign collaboration. The record for the year ended June 30, 1963, also confirmed this trend: Net sales approached nearly Rs. 2.23 crores, 23 per cent more than the last year's figure of Rs. 1.81 crores.

At a time when the demand for machine tools in the country was increasing rapidly and the company was trying hard to meet it by continued efforts at expansion, various handicaps, Mr. Shivananjappa pointed out, were hampering its progress. For instance, sufficient foundry grade pig iron was not available in adequate quantities. He expressed satisfaction over the proposal for the establishment of a steel plant of one million ton capacity in Goa-Hospet region. He made one or two interesting suggestions in respect of income tax deductions from profits. He pointed out, for instance, that depreciation allowance which was provided under the Income Tax Act met only the original cost of machinery and did not provide for the rise in the cost of machinery at the time of replacement. This, indeed, was quite illogical because the depreciation provision should be able to cover the cost of replacement of machinery. Secondly, he suggested that the tax holiday given for a period of eight years to new units should also be extended to expansion schemes. This could be particularly helpful to capital-intensive industries such as machine tools.

J. K. STEEL

Mr Lakshmipat Singhania, Chairman, J.K. Steel Ltd., reviewed the working of the company during the last decade, while addressing the annual general meeting held recently. During these ten years its gross block increased from Rs. 12 lakhs to Rs. 98 lakhs and its sale proceeds went up from Rs. 30 lakhs to Rs 176 lakhs. It has increased the variety of manufactures too. Starting with jute bating-hoops, it now manufactures cold rolled strips, box strappings and steel wire ropes in addition to the proposed manufacture of electric hoists and chain pulley blocks. The plant for the manufacture of electric hoists and chain pulley blocks has already been installed but the production could not be started because of some official delays. It was, indeed, unfortunate that such a scheme of pioneering nature had taken more than five years for completion on account of avoidable delays in the issue of industrial licences, approval of collaboration agreements, issue of import licences for capital goods, raw materials and components. The company's project to double the capacity of steel wire ropes plant was also delayed for similar reasons. It had obtained industrial licences for doubling the capacity of the plant for the manufacture of cold rolled strips and the manufacture of electric overhead travelling cranes.

Mr Lakshmipat Singhania, recounted in detail the difficulties faced on account of raw material shortages. The supply of billets for the manufacture of jute baling hoops continued to be inadequate. The actual average monthly receipt of billets during the year was nearly 62 per cent of the "entitlement" fixed by the Iron and Steel Controller, which, in other words, meant nearly 37 per cent of the original quota. Even this inadequate quantity was received at irregular intervals. In fact, the company had to shut down the operations for nearly a month and a half on account of the shortages of billets. Similarly, the supply of hot rolled strip continued to be insufficient and was of the order of 25 per cent of the requirements. The problem was further accentuated on account of the inability of the Rourkela Plant to supply hot rolled strip of particular quality and specifications. It was certainly a compliment to the company that in spite of these problems, it recorded peak sales of the order of Rs. 1.76 crores during the year ended June 30, 1963, as against the

previous year's figure of Rs. 1.14 crores. The profits also were higher and the directors recommended a higher dividend of 15 per cent.

MYSORE SUGAR

The sugar industry in India has witnessed a crisis of production during the last three years and it still lingers on. The output declined to 21.6 lakh tonnes during 1962-63 against last year's production of 27.3 lakh tonnes and 30 lakh tonnes during 1960-61. This poor performance was apparently due to inadequate supply of sugarcane to the factories. One would agree with Mr V. Venugopal Naidu, Chairman and Managing Director of the Mysore Sugar Company, who addressed the annual general meeting held recently, that this crisis assumed more unfortunate dimensions for two reasons; firstly the internal consumption increased from about 21 lakhs to 26 lakhs and, secondly, there was a good demand for export, in view of the world price for sugar having reached the phenomenal heights. One reason why sufficient cane supply did not reach the sugar mills was the attractive price, the cane growers got by converting cane into jaggery or by supplying cane to jaggery manufacturers. The Government tried to induce the growers to supply their cane to factories at higher prices. Mr Venugopal Naidu hoped that the Central Government would take this increase in cane price into consideration while fixing the ex-factory price of sugar. So far as sugar factories in the South were concerned, no adequate sugar price had been given to counter this increase.

The Chairman outlined the efforts of the company to expand its capacity at a time when the Government had decided to license additional capacity of 5 lakh tonnes. He expected that the company's demand for an expansion licence to increase its crushing capacity from 1,400 tons to 3,000 tonnes per day would be considered favourably. In fact, the company had obtained permission from the Sugar Directorate to effect some additions and alterations to the factory which it hoped to carry out during this off-season. The remaining additions and alterations would be effected after the licences for expansion were received which would increase the annual crushing capacity to six lakh tonnes of cane.

VOLTAS ISSUE

Voltas Ltd. entered the capital market on January 9 with an issue of 10,000 debentures of Rs. 1,000 each (7 per cent, taxable) at par. The subscription list will close on January 15 or earlier but not before January 13. The Company has an authorised capital of Rs. 5 crores and subscribed capital of Rs. 2.55 crores. It proposes to set up in Thana, near Bombay, an up-to-date factory to manufacture a wide range of air-conditioning and refrigeration equipment, mining equipment, materials handling equipment, electrical equipment and a few other allied items for which the company is negotiating for collaboration with leading manufacturers abroad. The issue has been underwritten.

MAHINDRA UGINE

Mahindra Ugine Steel Company Limited will enter the capital market on January 14 with a public issue of Rs. 1.57 crores of which Rs. 1.07 crores will be in equity shares of Rs. 10 each and the balance of Rs. 50 lakhs will be in redeemable 9.3 per cent cumulative preference shares of Rs. 100 each. The subscription list will close on January 24 or earlier but not before January 17. The entire issue has been underwritten. It will produce alloy steels of a wide range using chromium, nickel, manganese, molybdenum and vanadium as alloys. The capital cost of the project is estimated at Rs. 6.5 crores and the foreign exchange component is expected to be of the order of Rs. 2.8 crores. This will be met from the loan-cum-investment of Rs. 1.50 crores from the International Finance Corporation, and from the loan of Rs. 65 lakhs in foreign exchange from the I.C.I.C.I. It has secured a rupee loan of Rs. 1.50 crores from the Industrial Finance Corporation of India. The promoters — Mahindra and Mahindra Ltd., and Ugine, a French company — have agreed to subscribe Rs. 40 lakhs to the equity capital of the company. The International Finance Corporation have agreed to take up, in terms of their investment agreement, Rs. 40 lakhs of equity shares. Nearly Rs. 20 lakhs of equity shares have been reserved for allotment to shareholders of Mahindra and Mahindra and staff of that company and of its associated companies.

CHEMICALS AND FIBRES

The subscription list of Chemicals and Fibres of India Ltd. for the public issue of shares worth Rs 62.50 lakhs will open on January 20, and will close on January 25 or earlier but not before January 22. The company has an authorised capital of Rs. 10 crores and the present issue is for Rs. 3 crores out of which 1,500,000 equity shares of Rs. 10 each have been agreed to be subscribed by Imperial Chemical Industries Ltd., London, 125,000 equity shares of Rs. 10 each by the Life Insurance Corporation of India and nearly 300,000 shares by the directors and employees of Chemicals and Fibres of India Ltd. and the directors, employees and distributors of companies associated with it. Equity shares of Rs. 10 each, numbering 625,000, are offered for public subscription. The issue has been underwritten. The company will manufacture polyester staple fibre and has entered into a technical collaboration agreement with Imperial Chemical Industries Ltd., U.K. The unit, to be located near Thana in Maharashtra State, will cost nearly Rs 5.85 crores and will commence production in 1965. Imperial Chemical Industries has consented to pay in sterling for the shares to be allotted to it against which plant and machinery can be imported from the U.K.

A.P.V. ENGINEERING

The A.P.V. Engineering Company Limited will enter the capital market on January 13, with an issue of 170,000 equity shares of Rs. 10 each out of which A.P.V. Holdings Limited will be allotted 35,000 equity shares, Port Engineering Works Ltd., Calcutta, 40,000 equity shares and the directors of the company and their friends, 2,500 equity shares. 92,500 equity shares of Rs. 10 each are offered at par to the public. The subscription list will close on January 22 or earlier at the discretion of the directors but not before January 15. It has entered into collaboration with A.P.V. Company Limited of U.K., William Gardner & Sons (Gloucester) Limited, U.K. and Thomas The Sabroe & Company Limited of Denmark.

AHMEDABAD ELECTRICITY

The Ahmedabad Electricity Company Limited proposes to raise Rs. two crores by the issue of 20,000 seven per cent debentures of Rs. 1,000 each at par, in the first instance to the present debenture holders. Each debenture-holder will be entitled to two 7 per cent debentures in respect of every existing three 5-1/2 per cent debentures held. The whole issue is underwritten. This amount is to be utilized to finance partly the company's expansion plans including the installation of a second 30 MW set at Sabarmati project. Applications for these debentures have to be made before January 20.

FIRTH STERLING

The subscription list of the public issue of Firth Sterling Steel Company of India Limited for Rs. 27 lakhs in equity shares of Rs. 10 each will open on January 15, and close on Januray 25 or earlier, but not before January 17. It has an

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(Incorporated in Great Britain)

Calcutta Bombay Madras New Delhi

authorised capital of Rs. 1 crore and an issued and subscribed capital of Rs. 11.43 lakhs. The present issue is for Rs. 38.57 lakhs out of which a sum of Rs. 11.57 lakhs has been reserved for the technical collaborators—Firth Sterling Inc. of the USA. It proposes to manufacture high speed steels and high alloy constructional steels at its factory near Thana, in three stages and the first stage is expected to go into production during the third quarter of this year. The cost of the unit by the end of 1966, when the third stage will be completed, will be Rs. 101.50 lakhs.

MAFATLAL FINE SPINNING

Mafatlal Fine Spinning and Manufacturing Company Limited proposes to enter the capital market shortly with an issue of Rs. 108.75 lakhs made up of 29,000 equity shares of Rs. 100 each at a premium of Rs. 275 per share. The proceeds of this issue are to be utilized to finance partly Navin Flourine Industries, promoted by the company, which will manufacture flourine chemicals. The project is estimated to cost nearly Rs. 280 lakhs. Of the proposed 29,000 equity shares, 14,500 shares will be offered at the same price to the existing shareholders of the company as rights in the ratio of one new share for every four shares held and the remaining 14,500 shares will be offered for public subscription. The company is negotiating with the Gujarat Mineral Development Corporation for securing the basic raw material—acid grade flourspar—for its factory which will be located in Surat district and is expected to commence production by the end of 1965. It proposes to enter into technical collaboration with Buss Limited, Basle, Switzerland and Eisenbau Wyhlen A.G. West Germany.

GUJARAT MACHINERY

Gujarat Machinery Manufacturers Limited will enter the capital market shortly with a public issue of Rs. 25 lakhs to finance its machinery manufacturing project. The authorised capital of the company is Rs. one crore divided into 100,000 equity shares of Rs. 100 each of which shares of the value of Rs. 8.63 lakhs have already been subscribed and fully paid-up. It now proposes to issue shares of the value of Rs. 30 lakhs of which shares worth Rs. 5 lakhs will be taken up by directors, their friends and relatives. The company has been licensed to manufacture 4,800 tons of structural steel work including tanks, chimneys, ductings, etc. It also proposes to manufacture glass lined chemical vessels and printing machinery for which its application is being considered by the Government. It proposes to secure the collaboration of a Hungarian company. The total financial outlay on the project will be nearly Rs. 87.57 lakhs, a part of which will be met through borrowings.

JEEVANLAL LIMITED

Jeevanlal (1929) Limited proposes to enter the capital market next month with a public offer of Rs. 78 lakhs—Rs. 48 lakhs in equity shares of Rs. 10 each and Rs. 30 lakhs in 9-1/2 per cent cumulative redeemable preference shares of Rs. 100 each. It has an authorised capital of Rs two crores and issued and subscribed capital of Rs. 72 lakhs. It proposes to set up a full-fledged modern rolling mill at Tiruvottiyur and to supplement the needs of raw metal supplies, namely, aluminium steels and circles, of the company's existing plants. The technical collaborators are Aluminium Laboratories, Canada.

CHEMICALS AND PLASTICS

Chemicals and Plastics (Chemplast) of India Ltd., has received an Export-Import Bank credit of $3.1 million (Rs. 1.5 crores) to purchase United States machinery, equipment and technical services for the construction of a polyvinyl chloride plastics resin plant and a plastics products plant. The resin unit will be located at Mettur Dam where raw material and power are available and the plastics products plant will be located in Bombay. The B.F. Goodrich Company of Akron, Ohio, will design the plans and supervise the construction. A U.S. engineering firm for construction will be selected on a competitive basis and will work with Indian engineers and technicians. The total cost of the two projects will be Rs. 3.2 crores.

PREMIER AUTOMOBILES

During the year ended June 30, 1963, the Premier Automobiles Ltd. has recorded a net profit of Rs. 22.43 lakhs, subject to bonus for 1959-60, as against last year's figure of Rs. 39.53 lakhs. A sum of Rs. 19.15 lakhs has been provided for taxation, Rs 13.75 lakhs for development rebate reserve and Rs. 63.47 lakhs for depreciation. Another sum of Rs. 15 lakhs has been allocated to general reserve. The directors propose to pass over the dividend for the year because there was a fall in net profits. The company had to reopen with a drop in the production of Fiat cars as a sequel to a cut in foreign exchange allocation. It also had to face the rising cost of materials and components, especially indigenous items, overheads and interest charges. The company's turnover was lower at Rs 20.11 crores as against Rs. 21.47 crores last year. Nearly 4,350 cars and 5,712 trucks were sold against 7,193 cars and 5,324 trucks sold last year. The shift was partly dictated by the state of emergency. It was revealed that as soon as the sheet metal plant starts its operation—which might be towards the middle of this year—the Indian content in the car will reach 85 to 90 per cent and it will be possible to produce more cars.

ASHOK LEYLAND

Ashok Leyland is proceeding with its programme of expansion and it was recently announced by the directors of this company that additional capital will be raised by the issue of new equity shares at par in the proportion of one share for every nine shares held. The foreign exchange provided by the British collaborators would be useful. It has been emphasised, however, that, on account of the difficulty in securing foreign exchange for importing components and parts, production cannot be stepped up appreciably. With the new loan granted by the Government, the position is expected to improve to some extent.

In spite of various difficulties (such as the suspension of production for 58 days due to delays in the issue by the Government of import licences for raw materials), the company has done fairly well during the year ended September 30, 1963. Even though the dividend on equity capital has been reduced to seven per cent from eight per cent taxable for the previous year, the shareholders will actually benefit on account of a larger capital ranking for dividend purposes. The amount required was actually higher at Rs. 32.07 lakhs against Rs. 29.39 lakhs in 1961-62. There was a small decline in net profit before taxation and after depreciation in 1962-63 to Rs. 72.96 lakhs from Rs. 76.82 lakhs in the previous accounting period. This provision for development rebate is Rs. 14 lakhs against Rs. 16.42 lakhs formerly and taxation Rs. 21.45 lakhs against Rs. 22 lakhs. It has not been possible to transfer any sum to general reserve against Rs. 5.41 lakhs previously.

RENAULT ENGINEERING

Mr. P. Zins, Chief Engineer of Renault Engineering, who is also in charge of project work and Mr. M. Telinge, Export Manager, were in New Delhi recently in connection with some of the projects which are under implementation and some others for which project reports are being prepared. Renault Engineering is a subsidiary of Regie

Renault, which is a French Government undertaking and is known throughout the world for manufacturing of automobiles. In this country, it is currently enagaged in the execution of a number of projects covering an extensive range of fields. No less than five contracts have already been signed between Renault Engineering and Indian firms for different products. For Republic Forge, Hyderabad, a 9,000 tons per year forge plant is being erected. For Orissa Industrial Development Corporation, Bhubaneswar, a cable plant for 3,600 tons per year is under construction. In Punjab, a tools and dies plant is under erection for Messrs. Tools and Electricals (India) Limited. Two forge plants are being erected in Calcutta, one with a capacity of 9,000 tons per year for Mr. C. R. Das Gupta and another with a capacity of 3,600 tons per year for Eastern Engineering, Calcutta. Project reports are being prepared for malleable casting plant, steel casting plant, fly wheel gear plant, straw board panel plant and valve spring plant.

International Equipment Corporation Private Limited with offices at Bombay, New Delhi, Calcutta, Madras and Secunderabad undertake all services, on behalf of the French principals, relating to designing, engineering and supply of plant; they also arrange supply of machinery on credit terms, technical assistance and training of personnel for the various projects. The industries covered are automobiles forges and foundries, special and transfer machine tools, agricultural equipment and all kinds of mass production techniques.

SYNDICATE BANK

The Canara Industrial and Banking Syndicate Ltd., more commonly known as the Syndicate Bank, has made substantial progress during the last decade, when its deposits increased from Rs. 4.72 crores in 1953 to a substantial figure of Rs. 32.65 crores by the end of 1962. The advances have also moved ahead from Rs. 3.08 crores to Rs. 18.27 crores during the same period. The bank has been able to record this brilliant performance through various imaginative measures carried out by its network of over 180 branches, mostly located in six States of Mysore, Kerala, Maharashtra, Madras, Andhra Pradesh and Gujarat. It has been a pioneer in the region in pooling the savings of low income groups through schemes like 'pigmy deposits' and has made itself popular by opening 'ladies branches' exclusively staffed by women as also by providing finance to students going abroad for advanced studies or pursuing technical education within the country. During the last few years the expansion has been more marked when gross operating earnings have increased from Rs. 1.34 crores in 1960 to Rs. 1.99 crores in 1962. During these three years, the number of deposit accounts have also increased by more than 100,000 from 260,323 to 382,295. Exploring various centres where banking facilities were not available, the Syndicate Bank has grown into one of the 12 biggest banks in the country.

CAPITAL ISSUES

The following 82 companies were authorised to raise capital by the Controller of Capital Issues. In all cases, the consent is valid for 12 months.

The Great Eastern Shipping Company Limited, Bombay, is issuing three lakhs fully paid-up bonus shares of Rs. 10 each to be issued to the existing shareholders after the existing partly paid shares have been paid up fully on capitalisation of some of the company's free reserves.

The Modi Sugar Mills Limited, Modinagar, U.P., is to issue further capital of Rs. 36,69,480 divided into 3,66,948 equity shares of Rs. 10 each for cash at par. The shares will first be offered to the company's existing shareholders on pro-rata basis and only the shares not so taken up will be offered to the public. The proceeds will be utilised to install electric furnace, re-rolling mill and wire drawing plant of Modinagar for the manufacture of billets, rounds and wires.

Tools and Electricals India Limited, Calcutta, is issuing capital of Rs. 50 lakhs being Rs. 40 lakhs in equity shares and Rs. 10 lakhs in 9 per cent cumulative non-redeemable preference shares. The capital is required for manufacture of tools and dies and moulds etc. for which a factory will be established at Faridabad. The total capital cost is Rs. 102 lakhs.

Shardlow India Limited, Madras, is to issue capital of Rs. 40 lakhs in equity shares of Rs. 10 each for cash at par. Of this, shares of the value of Rs. 13,33,330 will be offered to Ambrose Shardlow and Company Ltd., U.K. against supply of capital equipment of equivalent value. The proceeds of the issue will be utilised for the manufacture of forgings and stamping for automobile, industrial marine and aircraft engines.

Chemicals & Fibres of India Limited, Bombay, is to issue capital of Rs. 250 lakhs of which 60 per cent will be allotted to the Imperial Chemical Industries Ltd., London. The capital is required for the establishment of a factory near Thana, Maharashtra, for the manufacture of polyester staple fibres. The total capital cost of the scheme is estimated at Rs. 535 lakhs which will be met by issue of capital of Rs. 250 lakhs and by loans from the Life Insurance Corporation of India and banks for the rest.

Vitamins India Limited, Bombay, a new company, will issue capital of Rs. 15 lakhs consisting of Rs. 12 lakhs in equity shares of Rs. 10 each, and Rs. 3 lakhs in 30,000 9.5 per cent. cumulative redemable preference shares of Rs. 10 each. Of this, equity shares of the value of Rs. 3 lakhs will be issued to Vitamins Limited, London. The capital will be utilised for the manufacture of vitamealo concentrates and animal compound feeds.

Union Carbide Ltd., Calcutta, has been granted consent to the issue of 340,000 equity shares of Rs. 4 per share. The shares will be issued to the existing shareholders in the ratio of three new shares for every ten held. The capital is required for the expansion of the company's factory at Bombay.

The Travancore-Cochin Chemicals Ltd., Alwaye, Kerala, is raising capital of Rs. 90 lakhs divided into 900,000 equity shares of Rs. 10 each for cash at par. The capital is needed for financing the expansion scheme of the company to increase the manufacturing capacity of its caustic soda plant and hydro-sulphite plant, in addition to the manufacture of new chemicals.

Telepole Manufacturing Co. Ltd., a company incorporated in Delhi, is to issue capital of Rs. 20 lakhs divided into 16,000 equity shares of Rs. 100 each. Out of this 6,400 equity shares will be offered to Josef Stainbichle of West Germany against supply of plant and machinery and the balance shares (including 2,053 shares already subscribed and paid up) for cash at par and 4,000 9.5% cumulative redeemable preference shares of Rs. 100 each for cash at par. The money will be used for the construction of a factory for the manufacture of telephone poles, etc.

Karnatak Bank Ltd., Mangalore (Mysore), is raising further capital of Rs. 10,00,000 divided into 50,000 equity (designated as 'A' shares) shares of Rs. 20 each for cash at par. Out of these, 25,000 shares of Rs. 20 each would be offered to the existing shareholders in the proportion of one share for every two shares held by them. The balance of 25,000 shares would be offered to the public.

Vardhman Spg. and General Mills Ltd., Ludhiana, is issuing capital of Rs. 30 lakhs divided into 100,000 equity shares of Rs. 25 each and 5,000 9.3% cumulative redeemable preference shares of Rs. 100 each for cash at par. The proceeds would be utilized for the construction of a factory for the manufacture of cotton yarn. The entire capital will be subscribed privately by the directors and their friends.

Coromandel Fertilizers Private Ltd., is to issue capital

of Rs. 8.49 crores in equity shares of Rs. 100 each at par, partly for cash and partly for consideration other than cash for the establishment of a fertilizer factory at Visakhapatnam. The total cost of the scheme is estimated at Rs 32.47 crores. A consortium of American companies and E.I.D.-Parry Ltd. are the promoters of the company. The details of the proposed capital issue are indicated below.

	For Cash	For consideration other than cash
1. California Chemicals Co., USA	Rs. 1,53,42,500	58,17,700
2. International Minerals and Chemicals Corps., USA	Rs. 1,36,05,700	51,59,100
3. E.I.D.-Parry Ltd., Madras	Rs. 43,11,300	6,35,400
4. Public Offer	Rs. 4,00,75,200	Nil
Total:	Rs. 7,33,34,700	1,16,12,200

Tata Power Company Ltd., Bombay, have been granted permission to the issue of debenture stock of the value of Rs. 110 lakhs in units of Rs. 1,000 each. The proceeds will be utilized in meeting a portion of the local expenditure on the project for installing a fourth unit of 125 m.w. at Trombay.

Andhra Valley Power Supply Company Ltd. Bombay is to issue Rs. 110 lakhs debenture stock in units of Rs. 1,000 each. The proceeds will be utilized in meeting a portion of the local expenditure on the project for instaling a fourth unit of 125 m.w. at Trombay.

Indo-French Forges Ltd., Calcutta (proposed) will raise capital of Rs. 100 lakhs divided into 750,000 equity shares of Rs. 10 each and 25,000 cumulative redeemable preference shares of Rs. 100 each. The capital is required for the establishment of a factory in Purulia district for forgings and heavy structurals the total capital cost of which is estimated at Rs. 350 lakhs.

Indo-French Suedes Ltd., Bombay, is issuing capital of Rs. 25 lakhs divided into 25,000 equity shares of Rs. 100 each at par. Of this such number of shares as would enable the company's shares to be listed on recognized Stock Exchanges will be offered for public subscription for cash at par and the balance will be subscribed privately. The money will be used to establish a new undertaking for manufacture of suedes.

Karamchand Premchand Private Ltd., will issue Rs. 50 lakhs value of debentures in units of Rs. 1,000 each carrying interest at the rate not exceeding 6½% (taxable) per annum. The debentures will be pledged with a bank, banks and/or issued for cash at par. The proceeds will be utilized to finance the expansion of its production activities.

Indraprastha Steel Industries Ltd., Delhi is to issue capital of Rs. 25 lakhs, divided into 170,000 equity shares of Rs. 10 each, for cash at par and 8,000 9.5% cumulative redeemable preference shares of Rs. 100 each for cash at par, free of company's tax but subject to deduction of taxes at source at the prescribed rate. Out of the above, equity shares of the value of Rs. 8.4 lakhs and the entire preference shares will be offered to the public by prospectus. The proceeds would be utilized for the construction of a factory at Sonepat for steel castings and forgings.

Lloyd Insulations (India) Ltd., Delhi, is issuing Rs. 15 lakhs in equity shares of Rs. 10 each. Shares of the value of Rs. 3 lakhs—Rs. 1.5 lakhs free shares for technical know-how and Rs. 1.5 lakhs for cash at par and to utilize in the import of plant and machinery—will be allotted to John Manville International Corporation, USA.

Jaya Shree Textiles and Industries Ltd., Calcutta, is raising capital of Rs. 71.18 lakhs divided into equity shares and preference shares of Rs. 24.95 lakhs each and Rs. 22 lakhs in 7% debentures of Rs. 1,000 each. The capital is required for manufacture of insulators at the Rishra factory and for the establishment of a spinning mill at Midnapur with 12,000 spindles.

National Rubber Manufacturers Ltd., Calcutta, is to issue capital of Rs. 50 lakhs in 500,000 equity shares of Rs. 10 each for cash at par. The shares are proposed to be issued to the existing shareholders in the ratio of one new share for every share held. The capital is required for expansion in the manufacture of industrial V and fan belts, bicycle tyres, etc.

Mysore Sugar Company Ltd., Bangalore, is issuing further capital of Rs. 32,68,920 divided into 217,928 equity shares of Rs. 10 each to be issued on rights basis for cash at a premium of Rs. 2 per share and therefore 108,964 equity shares of Rs. 10 each on capitalisation of the share premium money of Rs. 4.36 lakhs available after making the above rights issue and the balance of Rs. 6.54 lakhs from the company's general reserves. The bonus shares will be issued in the ratio of 1 : 4. The money will be utilized to finance the programme of rehabilitation, modernization and expansion of the existing sugar factory.

Vijay Spinning Mills Ltd., Vijayawada, has been granted revised consent to issue capital of Rs. 25 lakhs divided into 170,000 equity shares of Rs. 10 each and 8,000 preference shares of Rs. 100 each (instead of 200,000 equity shares and 5,000 preference shares respectively, consented to earlier) to be issued for cash at par. Of these such number of shares as would enable the company's shares to be listed on recognized Stock Exchanges will be offered for public subscription by prospectus. The proceeds would be utilized to set up a spinning mill with an installed capacity of 12,000 spindles in Krishna district.

Ramakrishna Electrodes Ltd., a new company to be incorporated in Kerala, is to issue capital of Rs. 15,00,000 divided into 120,000 equity shares of Rs. 10 each and 30,000 preference shares of Rs. 10 each to be issude for cash at par. Of this such number of shares as would enable the company's shares to be listed on recognized Stock Exchanges will be offered for public subscription by prospectus. The proceeds will be utilized for setting up a new industrial undertaking for manufacturing welding electrodes.

Cooper Precision Industries Private Ltd., a company proposed to be incorporated in Maharashtra, is raising capital of Rs. 12 lakhs divided into 12,000 equity shares of Rs. 100 each to be subscribed privately. The money will be used for setting up a tool room in Bombay for the manufacture of jigs, fixtures, gauges, preso, tools, etc.

Ideal Jawa (India) Private Ltd., Mysore, will issue capital of Rs. 15 lakhs divided into 15,000 equity shares of Rs. 100 each to be subscribed privately. The proceeds will be utilized to increase the working capital consequent to the expansion programme undertaken by the company.

In supersession of the consent for a capital issue of Rs. 18 lakhs **Penguin Textiles Ltd., Madras** has been granted a revised consent to issue capital of Rs. 30 lakhs (including Rs. 10 lakhs worth of equity shares, already issued by the company) divided into 24,000 equity shares of Rs. 100 each and 6,000 9.5% preference shares of Rs. 100 each for cash at par. Out of this, such number of shares as would enable the shares to be listed on recognized Stock Exchanges will be offered for public subscription by prospectus. The proceeds will be used for the establishment of a textile mill near Hyderabad.

Rock Mount Tea Estates Ltd., a new company incorporated in Madras, is to issue capital of Rs. 20,00,000 divided

into 14,000 equity shares of Rs. 10 each and 6,000 preference shares of Rs 10 each. Out of this, equity shares worth Rs. 5 lakhs would be alloted at par to the vendors of the tea estate and the tea factory for consideration other than cash and the remaining shares issued for cash at par. The proceeds will be utilized for tea cultivation, tea manufacture, etc.

American Universal Electric (India) Limited, Punjab, has been granted consent to the issue of Rs. 20 lakhs capital divided into 20,000 equity shares of Rs. 100 each for cash at par. Of this, 50 per cent will be subscribed by Universal Electric Company, Owosso, U.S.A., their friends and associates and the proceeds utilised in the import of machinery. The balance will be subscribed privately in India. The proceeds will be used for the manufacture of fractional horse power electric motors.

Maharashtra Small-Scale Industries Development Corporation Limited, a Maharashtra Government undertaking, is to issue capital of Rs. 10 lakhs divided into 10,000 equity shares of Rs. 100 each for cash at par to be subscribed privately. The capital will be used for promoting small-scale industries in the State.

Structural Ceramics Limited, Bombay, is raising capital of Rs. 20 lakhs in equity shares of Rs. 10 each to be issued for cash at par. The money will be used for the manufacture of clay building products like roofing, tiles, bricks, hollow blocks etc.

Madhya Pradesh Laghu Udyog Nigam Limited, Indore, a Government company, is to issue capital of Rs. 20 lakhs (including Rs. 10 lakhs issued already) divided into 20,000 equity shares of Rs. 100 each, to be subscribed privately, for cash at par. The proceeds will be used for the promotion of small-scale industries in the State of Madhya Pradesh.

Punjab Export Corporation Limited, Punjab, will issue capital of Rs. 25 lakhs divided into 25,000 equity shares of Rs. 100 each for cash at par. Eighty per cent of the shares will be subscribed by the Punjab State Government and 20 per cent by the public. The proceeds will be utilised for organising and effecting export of goods manufactured in the State of Punjab.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the period of four weeks ending December 28, 1963. The list contains the names and addresses of the licensees, the articles of manufacture and annual installed capacity.

(During the week ending December 7, 1963)

IRON AND STEEL

Cooper Engineering Ltd., Chinchwad (Satara Road, Maharashtra) — Meehanite High Duty Iron, Castings 12,600 tons per annum, Change of location from Chichwad to Satara Road, Maharashtra (Shifting).

COAL

The Perfect Pottery Co. Ltd., Hanuman Tal, Jabalpur, Proposed name: "Hindustan Lalpeth Colliery" (Maharashtra) — Coal capacity after expansion: 1963 1,32,000 tonnes, 1964 1,44,000 tonnes, 1965 1,80,000 tonnes, 1966 1,80,000 tonnes. Western Bengal Coalfields Ltd., 15, India Exchange Place, Calcutta-1 (West Bengal) — Coal capacity after expansion: 1963-63 3,96,000 tonnes, 1963-64 3,96,000 tonnes, 1964-65 3,96,000 tonnes, 1965-66 4,75,000 tonnes, 1966-67 4,75,000 tonnes. Western Bengal Coalfields Ltd., 15, India Exchange Place, Calcutta-1 (West Bengal)—Coal capacity after expansion: 1962-63 2.97 lakh tonnes, 1963-64 3.21 lakh tonnes, 1964-65 3.72 lakh tonnes, 1965-66 3.72 lakh tonnes, 1966-67 3.72 lakh tonnes. Shri Gobind Prasad, At & P.O. Mahagama, Distt. Santhal Parganas, Proposed name: "Laimalia Colliery" (Mouza Rongamatia, Distt. Santhal Parganas Bihar) — Coal capacity: 1st year 8,000 tonnes, 2nd year 10,000 tonnes, 3rd year 12,000 tonnes, 4th year 14,000 tonnes, 5th year 15,000 tonnes. J.A. Trivedi Brothers, West Barkuni Colliery Balaghat (Madhya Pradesh) — Coal capacity after expansion: 1963 45,000 tonnes, 1964 60,000 tonnes, 1965 120,000 tonnes, 1966 1,20,000 tonnes. Amiyabala Ghosh and Sons, New South Baraboni Colliery, P.O. Baraboni, Distt. Burdwan (West Bengal) — Coal 6,000 tonnes per annum.

TEXTILE MACHINERY

Pearl Mechanical Engg. & Foundry Work: (P) Ltd., G.T. Road, Pearl Building Ludhiana (Ludhiana, Punjab) — Woollen and worsted spinning machinery, annual capacity after expansion: Spindles 8000 Nos., High speed Gill Box with auto eveners 8 Nos., High Speed Gill Box with 2 heads and 2 bobbins 8 Nos., Combine Bobbiners 8 Nos., Ring Frames 20 (400 spindles each), Twisting Machines 16 (300 spindles each).

INORGANIC HEAVY CHEMICALS

The Phosphate Co. Ltd., 14, Netaji Subhas Road, Calcutta-1 (Rishra, Hooghly, West Bengal) — 1. Synthetic cryolite 540 tonnes, 2. Sodium Aluminate 1800 tonnes.

DRUGS AND PHARMACEUTICALS

Hind Chemicals Ltd., M/336, Rail Bazar, Post Box No. 227, Kanpur (Uttar Pradesh) — Di-amino-di-phenyl-sulphone 12 tonnes. British Drug Houses (India) Private Ltd., Imperial Chemical House, Graham Road, P.O. Box No. 1341, Bombay-1 (Maharashtra) — Ethinyl Oestradiol B.P. 3.6 kgs. Synbiotics Ltd., Post Box No. 28, Ahmedabad (Gujarat) — Carbetopentane 240 kgs. Smith & Nephew (India) Ltd., Contractor Building, Nicol Road, Ballard Estate, Bombay-1 (Maharashtra) — 'Jelone' brand Paraffin Gauze Dressing 24,000 tins each containing 24, 10 cmex 10 cm. dressing. Johnson and Johnson of India Ltd., 30, Forjett Street, Post Box No. 6531, Bombay-26 (Maharashtra) — Biosorb powder 60,000 kgs.

COTTON TEXTILES

Niranjanlal Dalmia, 163-165, Sheikh Memon St., Bombay-2, Proposed name: "New Bombay Dyeing & Bleaching Mills" (Maharashtra) — Processing (excluding printing) of cotton textiles 120 lakh meters. Capital Cloth & General Mills Co., 22-E, Bungalow Road, Delhi-6, Proposed name: "Capital Cloth and General Mills Co." (Muradnagar, U.P.) — 1200 spindles for the manufacture of cotton waste yarn. Amitabh Textile Mills Ltd., Premnagar, Dehradun (Lucknow, U.P.) — 11,536 spindles for the manufacture of cotton yarn. Swadeshi Cotton Mills Co. Ltd., Kanpur (Uttar Pradesh) — 6,160 spindles for the manufacture of cotton yarn. U.P. Co-operative Spinning Mills Ltd., Handloom Section, Directorate of Industries, Uttar Pradesh, G.T. Road, Kanpur (Etawah, Uttar Pradesh) — 12,680 spindles for the manufacture of cotton yarn.

PULP

Titaghur Paper Mills Co. Ltd., Chartered Bank Buildings, Calcutta-1 (Choudwar, Orissa) — Pulp 16,000 tonnes.

(During the week ending December 14, 1963)

ENGINEERING PRODUCTS

Indo-Flex Private Ltd., 1, Tilak Marg, Jaipur (Rajasthan): Existing activity: (1) flexible tubes metallic 10.8 lakhs meters per annum; (2) specialise precision rivets for railways and aircraft, 240 tons per annum; (3) pressure die casting for automobile ancillary 600 tons per annum; (4) precision type metallic press work for automobile industry and machine tool industry — 300 tons per annum. New articles: (1) braided type hydraulic hoses and tubes 1.2 lakh meters per annum; automobile components — (1) fuel pumps 10,000 nos. per annum; (2) water pumps 30,000 nos. per annum; (3) carburettors 22,000 nos. per annum.

Guest Keen, Williams, 41, Chowringhee Road, Calcutta, (16 Shalimar, Howrah, West Bengal): rolling of bars and rods 37,656 tonnes per annum.

Universal Radiators, Coimbatore (Madras): sheet metal (change of location from Coimbatore to Madras) shifting.

Gandhi Manufacturers Syndicate, Kansarawada Chakla Kapadwanj (Gujarat industrial estate) (Ahmedabad, Gujarat): battery-operated platform trucks — 300 nos. per annum.

COAL

Selected Kajora Jambad Coal Co., 135, Canning Street, Calcutta 1, (Mouza Bahula Chak Dasdiha Purnia Dist. Burdwan, West Bengal) — coal 1963 — 85,000 tonnes 1964 — 1,00,000 tonnes 1965 — 1,20,000 tonnes.

TEXTILE MACHINERY

Tex-well (P) Ltd., 28 B.T. Road Calcutta (West Bengal): (1) broad looms 45 nos.; (2) warpstop motions 1,000 sets; (3) automatic cop./changes 1,350 pieces; (4) silver can accessories 63,000 sets; (5) shuttle covers 630 gross; (6) swell and box end spring 45,000 pieces; (7) spring clips nine lakh pieces.

MACHINE TOOLS

Harbanslal Malhotra and Sons (P) Ltd., 18, Netaji Subhas Road, Calcutta 1, (Belgheria, 24 Parganas West Bengal): tool bits, wood cutting handsaws, web saws, pit saws, hack saw frames, metal slitting saws.

Mr. Girdharilal Mukhandlal Pittie, 5 R.B. Motilal Rd., Poona (proposed name: Pittie Raymond (Engineers) India Ltd.): Heavy press tools, jigs and fixtures, boulds of heavy and medium type, special purpose machines worth Rs. 36 lakhs per annum.

FOOD PRODUCTS

Mr. P. I. Alamanla, Ramaka Bldg., Ahmedabad (Bulsar, Surat Dist. Gujarat): instant foods from banana, lime, mango, tomato and milk 1,000 metric tons per annum.

Indian Foods and Aldoses, Nanabhoy Lane, Fort Bombay 1 (Perumbavoor, Ernakulam Dist., Kerala): (1) amylo malt 1,200 tonnes per annum; (2) dextrine B.P. 600 tonnes per annum; (3) amylum food 300 tonnes per annum; (4) infant food (other than whole milk infant food) 300 tonnes per annum; (5) manioc meal 1,200 tonnes per annum.

VEGETABLE OILS

Mr. Ratan Lall Marurka, 4 Cullon Road, Alleppey (Kerala): vegetable oil from coconut oilcake by solvent extraction process 30,000 to 34,500 tons in terms of oil cakes per annum.

(During the week ending December 21, 1963)

IRON & STEEL

Gorakhpur Steel Industries, Hindi Bazar, Chaudry Niwas, Gorakhpur (Ghaziabad, Uttar Pradesh) — Cast iron castings (change of location from Gorakhpur to Ghaziabad). Hindustan Forge Ltd., 16, Durga Bhavan, Rashtrapathi Road, Secunderabad (Warangal, Andhra Pradesh) — Steel forgings 9,000 tons. Indian Hume Pipe Co. Ltd., Construction House, Ballard Estate, Bombay-1 (Antop Hill, Wadala, Bombay, Maharashtra) — Welding electrodes 360 tonnes.

ELECTRICAL EQUIPMENT

Beni Ltd., 1, Crooked Lane, Calcutta-1 (West Bengal) — Turbo Generators for Railway locomotives 720 Nos.

MIXERS AND REACTORS

Britannia Engineering Co. Ltd., 3, Netaji Subhas Road, Calcutta-1 (Titaghur, West Bengal) — Mixing Rolls Vulcanising Presses, Reduction Gears, Extruding Machines, Spreading Machines Rs. 16.14 lakhs.

SPEED REDUCTION UNITS

Vulcan Trading Co. (P) Ltd., Indian Mercantile Chambers, Nicol Road, Ballard Estate, Bombay-1 (Bombay-Poona Road, Near Pimpri Poona, Maharashtra) — Spur and Helical, Gears of Dia 10-666 mm. and Module 0.5-6, Ground Gears of Dia 30-315 mm, Module 1.5-6 600 Nos. (worth approximaetly Rs. 6 lakhs).

MACHINE TOOLS

Partap Steel Rolling Mills, Partap Estates, Chheharta (Punjab) — Rolling Mills 10 Nos. per annum, Rolling Machines 26 Nos. per annum, Ancillary Machines Rs. 8.5 lakhs worth. Textool Co. Ltd., Ganapathy Post, Coimbatore-6 (Madras) — Hot Blast Cupolas 6 Nos.

DRUGS AND PHARMACEUTICALS

Oriental Pharmaceutical Industries Ltd., 64/66, Tulsi Pipe Road, Mahim, Bombay-16 (Maharashtra) — Streptophenical syrup 18,000 litres, Streptophenical Capsules 24,00,000 Nos.

PAPER BOARD AND STRAW BOARD

The Yamuna Syndicate Ltd., Yamuna Nagar, Railway Station, Jegadhari (Yamuna Nagar, Punjab) — Straw boards 2,000 tonnes, Pulp 3,000 tonnes.

FIRE BRICKS

Shri Rajinder Kumar Bhalla, C/o M/s. Boogee Corporation Private Ltd., Factory Area, Patiala (Punjab) — Bricks and tiles 6,00,00,000 Nos.

(During the week ending December 28, 1963)

NON-FERROUS METALS

The Hindustan Aluminium Corporation Ltd., UCO Bank Building, Parliament Street, New Delhi-1 (Renukoot, Mirzapur Distt., Uttar Pradesh) — (i) Aluminium conductor rod-draw rods 6,000 metric tons, (ii) Aluminium rolled products of various thicknesses, widths and lengths 13,000 metric tons, (iii) Aluminium extrusions 3,000 metric tons. Southern Industrial Corporation Ltd., No. 6, Armenian St., P.B. No. 113, Madras-1 (Madras) — Brass/copper close tolerance strips 3,000 metric tons.

COAL

Shri Thakur Rama Autar Singh, Baramessia Colliery, P.O. Tundoo, Distt. Dhanbad (Bihar) — Coal 12,000 tons. Shri Guljhari Lal Agarwalla, M/s. Mahabir Coal Co., Amalapara, P.O. Jharia, Distt. Dhanbad, Proposed name: South Marma Colliery (P.O. Mugma, Distt. Dhanbad, Bihar) — Coal 36,000 tonnes.

INTERNAL COMBUSTION ENGINES

Sak Industries, 15/1, Parliament Street, New Delhi (Gurgaon, Punjab) — Engine valves, change of location from Delhi to Gurgaon (Punjab) (Shifting).

ELECTRICAL LAMPS

Tungsten of India Ltd., United Bank of India Building (2nd Floor), Sir P.M. Road, Fort, Bombay-1 (Poona, Maharashtra — Tungsten wires and filaments 60 Million Meters per annum.

ORGANIC HEAVY CHEMICALS

Atul Products Ltd., Atul Post, Via Bulsar (W. Rly.) Distt. Surat (Gujarat) — Dichloroacetic Acid 75 tonnes per annum, Dichloroacetic Acid Methyl, Ester 60 tonnes per annum.

FINE CHEMICALS

Biochemical and Synthetic Products Ltd., Sanat Nagar, Hyderabad (Andhra Pradesh) — Para Hydroxy Benzoic Acid and its derivatives — 30 tonnes.

COTTON TEXTILES

Mahavir Cotton Mills Industrial Area, Azambad, Hyderabad (Azambad, Andhra Pradesh) — Cotton yarn 18,000 spindles.

ART SILK

Kapal Dyeing and Bleaching Works, 40, New Silk Market, Bombay-2 (Maharashtra) — Art silk power looms 56 Nos.

FLOUR

Shri J. Doongursee, 'Sham Bhuvan', 22, Bund Road, Poona-1 (Kutch, Gujarat) — Wheat products 7,500 tonnes (in terms of wheat).

COSMESTICS

Martin & Harris (P) Ltd., Merchantile Buildings, 4th

Bazar, Calcutta-1 (West Bengal) — Oatine Shampoo 2,400 litres.

REFRACTORIES

The Managing Director, U.P. State Industrial Corporation Ltd., P.B. No. 413, Kanpur (Bageshwar, U.P.) — Dead Burnt Magnesite 36,000 tonnes.

CHANGE IN NAMES (Owners or Undertakings)

(This information refers to particular licences)

(During the four weeks ending December 28, 1963)

From M/s. Himco (India) Private Ltd., Bombay to M/s. G.M.C. Himco Industries Ltd., Delhi. From Shri V.A. Muthu Manickam, Madras to M/s. Prabhuram Mills (P) Ltd., Madras.

Mr. I. M. Pai, Bombay, Messrs. Speed Tools Private Ltd., Bombay; M|s Indian Air Products, Kanpur, M|s Indian Air Gases Ltd., Kanpur.

From Shri N. B. Prasad, Secunderabad to M/s. Southern Electrodes Private Ltd., Secunderabad. From M/s. M.G. Brothers, Bellary to M/s. M.G. Automobiles, Bellary. From M/s. Dominion Plastic Industries, Bombay to M/s. Garwar Plastics Private Ltd., Bombay. From International Franchises Private Ltd., Bombay to M/s. Crookes Interfran Ltd., Bombay. From Shri B. P. Poddar, Calcutta to M/s. Poddar Projects Ltd., Calcutta.

LICENCES REVOKED OR SURRENDERED

(During the four weeks ending December 28, 1963)

(The information pertains to particular licences only)

Mr. L. Dwarka Das Gupta, Calcutta steel forgings.

M/s. Steel Linkers and Fabricators, Delhi: transmission lines, towers, poles, sub-station structural.

Mr. N. J. Nair Trivandrum (name of licensee) name of undertaking: M/s. Hitachi Transformers and Electricals Pvt. Ltd., Trivandrum: transformers.

M s. Premier Automobiles Lt., Bombay: spanners.

M/s. Valia Brothers, Bombay — Sodium Carboxy Methyl Cellulose. M/s. Rajasthan Ceramic Industries, Bombay — Sanitary ware and porecelain electric components.

M/s. Malabar Fisheries Co., Chatiyam P.O. Via Feroke, Kerala State — Tin containers. M/s. Bharat Steel Corporation, Bombay — High Tensile bolts and nuts. M/s. Harbanslal Malhotra and Sons (P) Ltd., Calcutta—Tin cutters.

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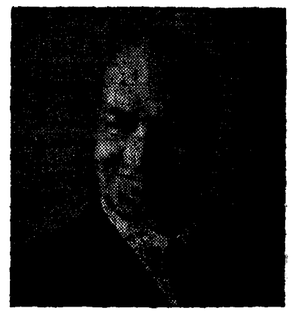
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COMPANY MEETING

CHAIRMAN'S SPEECH

J. K. STEEL LIMITED DOES WELL

Shri Lakshmipat Singhania's Review



Gentlemen,

I have great pleasure in welcoming you to the Tenth Annual General Meeting of the Company. The Annual Report and Accounts for the year ended 30th June, 1963 have already been circulated and the Directors, in their report to the Shareholders, have dealt with the salient features of the Company's working during the year.

WORKING OF THE YEAR

The Sales during this year reached a peak of Rs. 1.76 crores as compared to last year's figure of Rs. 1.14 crores. The profits are also higher in this year and the Directors have recommended an increased dividend of 15 per cent. The year under review has been a very difficult one for India, overshadowed by the Chinese Aggression, which brought in more strain on our foreign exchange resources, necessitating further curbs on available foreign exchange to the Industry in general. Your Company also suffered on this account with shortage of imported raw materials, stores and spares. Super Profit Tax was introduced and Emergency Risk Insurance was levied. Further, during the year Calcutta area suffered from a serious shortage of power, necessitating restriction in and staggering of power supply as well as frequent load sheddings, with the result that some of the day shifts of your factory had to be transferred to work during night. The cost of material, labour and services also increased substantially during this period. All these resulted in loss of production and increased costs. Viewed in this background, the results of this year should be considered as satisfactory. The profits could have been still better had the Government fixed the Retention Price of Jute Baling Hoops for the year under review for which the Company has claimed an increase.

THE COMPANY COMPLETES 10 YEARS

The Company has completed 10 years of working. During this decade, there has been gratifying increase in the size and activities of the Company. The gross block, which stood at about Rs. 12 lakhs at the beginning of the decade, stands at Rs. 98 lakhs at the end of this year. Sales have risen approximately by Rs. 30 lakhs to Rs. 176 lakhs. When the Company commenced production, it employed about 175 persons and today it is employing more than 725. Apart from providing such substantial employment opportunities in the State, the Company employed and trained over 650 East Bengal Refugees, a good number of whom are still in our employ, while others, after their training, have engaged themselves in other gainful employments. The total employment potential, thus created, is appreciable taking into account the fact that for every direct employment there are 9 indirect employments. The average earning of an employee has reached Rs. 2,200 per annum.

The Company, which started with the manufacture of Jute Baling Hoops only, now also manufactures cold rolled strips, box strappings and steel wire ropes. In addition, the manufacture of Electric Hoists and Chain Pulley Blocks is to commence very shortly, factory for which is already complete. All of these new lines of production, adopted by the Company, are of pioneering nature. These items, which are very much needed for the Country's requirement, were imported at the cost of enormous foreign exchange. We can derive satisfaction from the fact that manufacture of these new items by us has so far saved for the country approximately Rs. 2 crores worth of foreign exchange. Apart from these new items, the Company's initial product, namely Jute Baling Hoops, which is an important ancillary to the Jute Industry, being used for packing the entire jute goods production in the country, has continued to serve the country well by earning foreign exchange through exports. It may be added that in spite of very high increase in cost of materials, labour and taxation, there has been comparatively very little increase in Selling Price of the hoops and the Company has been working at low margins of profit in order to make available these hoops to the Jute Industry at prices which are comparatively very much lower than those of other similar rolled products.

The total earnings of the Company, during the last 10 years, have been distributed as follows:

62.41 %	.. on materials and stores.
8.57 %	.. to employees
7.63 %	.. to Government Taxes and Duties
9.94 %	.. on Depreciation, Administrative expenses and interest on borrowings
6.77 %	.. for funds ploughed back in the industry itself
2.89 %	.. as dividends
1.79 %	.. to Management

It will be seen that the shareholders only received 2.89 per cent of the earning of the Company. The total taxes and excise duty paid directly by the Company during these years amounted to Rs. 74 lakhs and the Company ploughed back as much as Rs. 66 lakhs for expansion of the Company's activities and for the manufacture of new articles.

It will be clear from the above that an Industry of this kind is a National Institution providing greater employment, creating and contributing to the wealth of national economy and making the country self-sufficient in respect of essential manufactured goods for which the Nation had to depend on imports from other countries.

EXPANSION

The Company is going ahead with its various expansion programmes, though the progress was very much affected on account of various handicaps. The plant for the manufacture of electric hoists and chain pulley blocks has been installed, but the production could not be started as yet on account of non-availability of import licences for essential raw materials

and components, though these represented a very small percentage. It is unfortunate that this scheme, which is once again of pioneering nature, has taken more than 5 years for completion on account of unnecessary, wasteful and avoidable delays in the Government machinery in respect of Industrial Licensing, approval of Collaboration Agreement, Issue of Import Licences for capital goods and raw materials and components, etc. If this plant could have started even two years before, the country would have saved foreign exchange to the tune of Rs. 1 crore by now. It is high time that definite steps are taken to remove these impediments in the speedy growth of the Industry in the country.

Our project for doubling up the capacity of Steel Wire Ropes Plant was similarly delayed. On account of non-availability of foreign exchange the Company had to go to the Industrial Credit and Investment Corporation of India Ltd. for a foreign exchange loan. I am happy to report that the I.C.I.C.I. Ltd. have agreed to sanction the necessary foreign exchange loan. Orders for the machinery have already been placed and it is now expected that the expansion shall come into effect in a year's time.

Other schemes of the Company are also receiving the Company's full attention. Meanwhile, the Company has obtained Industrial Licences for (1) doubling the capacity of the plant for the manufacture of Cold Rolled Strips and (2) manufacture of Electric Overhead Travelling Cranes.

RAW MATERIALS

Last year I had dealt with in detail the difficulties that we had been facing in regard to raw material supply. I regret to inform that the problem continued without showing any sign of improvement this year also. Supply of billets for the manufacture of Jute Baling Hoops — which is directly linked with the export of Jute Goods — continues to be far from satisfactory. The actual average monthly receipts of billets during the year were 750 tons or 62 per cent of the so-called "entitlement" fixed by the Iron & Steel Control — a figure supposed to represent the minimum supply that can be realistically made in a situation of short supply of billets in the country. It will be recalled that this figure of "entitlement" in itself is 60 per cent of our original quota of 2,000 tons to which we were entitled during 1960-61. Thus the actual receipts are nearly 37 per cent of our original quota and a process of progressive reduction in raw material supply seems to be in operation. Even this inadequate quantity was received by us in a most irregular manner and in many months the actual receipts were not more than 25 per cent of the "entitlement", due to which we had to encounter many a time slowing down of production and threats of imminent closure of the works. In fact, we had to shut down the operations for nearly 1½ months during October/November, 1962, on account of shortage of billets. This naturally resulted in short supply of Jute Baling Hoops to the Jute Industry. The fact that this industry is supposed to enjoy a certain amount of priority in regard to supply of billets further raises the question of efficacy of control of production and distribution of steel.

Similarly the position in regard to the supply of Hot Rolled Strip, which is the raw material for the manufacture of Cold Rolled Strips and Box Strappings, did not show any sign of improvement — rather deteriorated during the year. Ever since the plant has been set up, it has been starving for raw material, supply of which has been of the order of 25 per cent. The indigenous supply of Hot Rolled Strip was very much inadequate to meet the requirements and the position was further accentuated on account of the inability of the Rourkela Plant to supply Hot Rolled Strips in slit widths, which it was supposed to do two years back. Import of raw materials was not allowed, whereas import of Cold Rolled Strips continued in one form or other. The Company is capble of manufacturing various types of Cold Rolled Strips and Box Strappings, but the country has been deprived of savings in foreign exchange of nearly Rs. 1½ crores because of the failure on the part of Government to supply raw materials to such an important plant and utilise its capacity. One wonders at the advisability of creating capacity for production without adequate planning for supply of essential raw materials for the same.

The Minister for Steel, Mines and Heavy Engineering has himself acknowledged that there is a great shortage in the country of flat steel products and the shortage is likely to continue for some time to come. The flat products, which include strips, serve as basic raw material for many engineering industries and it is therefore necessary that, till indigenous production of such flat products comes up, arrangements should be made to import hot rolled strips and sheets rather than cold rolled strips or other finished products.

PERSONNEL AND PRODUCTIVITY

Under the existing conditions of industrial development in the country every effort should be directed towards increased production. Taking into account that we have to export more and more with a view to earning foreign exchange, it will also be necessary to modernise our productive methods and reduce costs. Unfortunately, the tendency on the part of the labour leaders is not to enthuse into the workers this sense of emergency. During the year under review, even though there had been no conflict with the labour in general, yet the tendency of slow down and indiscipline had been manifest. In spite of the fact that a number of channels have been devised, through which the demands of the workmen could be settled, the general tendency has been to by-pass these channels and take the law in hand. This attitude has only resulted in a lower productivity, which is a great loss to the country.

On account of the rapid industrial development taking place in the country, a vacuum has been created for technical and administrative hands. Unfortunately imparting training in specialised jobs has become more difficult on account of frequent changes that such personnel now make in this situation of shortage of their supply over demand. I think, it is in the national interest to ensure that we not only educate more technical hands, but also train specialists in specified jobs. It should be recognised that specialisation can only be acquired by continuity of experience in a particular line. It is also necessary that the educational system is moulded to suit the pattern of new employment opportunities that exist or are being created.

EXPORT

Another point which I may touch is in regard to making available raw materials for export of finished goods. We have been endeavouring for some time past to export Jute Baling Hoops. However, it has not been possible for us to do on, so account of two factors: (1) non-availability of raw material, i.e. billets and (2) non-availability of any export incentive either in the shape of concessional price of raw materials or otherwise. We have been pleading with the Government to help us in establishing this export line, but we have not been successful so far. We are, however, continuing in our attempts.

RAJ COMMITTEE REPORT

As you are all aware, the Government of India constituted a Committee to enquire into the system of planning and distribution of steel. This Committee known as the Raj Committee has submitted its report in October, 1963. The Committee has made far-reaching recommendations some of which can be called bold inasmuch as they favour decontrol to a large extent. While basically I am always in favour of decontrol, the problem connected with decontrol in times of extreme shortage in the availability of steel against demand, both as raw material and finished product, has to be reckoned with. I hope Government will take suitable action on the Report in due course, after taking into consideration all the pros and cons of the subject.

CONCLUSION

Gentlemen, any industrial undertaking in India today is no longer a concern only of the shareholders, Management or of the Labour directly engaged in the undertaking. It subserves the overall economy of the country trying to expand as fast as possible. The economy, no doubt, has grown over the past decade of planning, but during the first two years and even in the current year of the Third Plan, the rate of growth has slowed down. Those of us in business have been pointing to this stagnation for some time past and I am happy that the Government is also getting more and more cognisant of the realities.

One thing that I would like to stress is that economic well being can be achieved really only by greater production. Therefore to my mind the question 'who does it faster and better' is more important today than 'who should do it'. After all economic success is more important than anything else and this should not be affected by policies based on doctrinaire considerations. Economic policies would have to be such as to promote initiative and capital formation.

Further a greater stress is to be laid on increased efficiency and hard work by everyone. It is only through greater productivity and higher efficiency that we can really hope to achieve our aims.

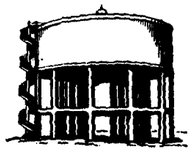
Gentlemen, on your behalf I must express my appreciation of the good work done by all sections of the employees. Our thanks are also due to the Managing Agents for their very valuable services and to our esteemed customers for their continued co-operation.

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

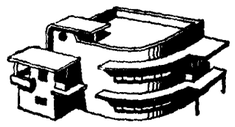
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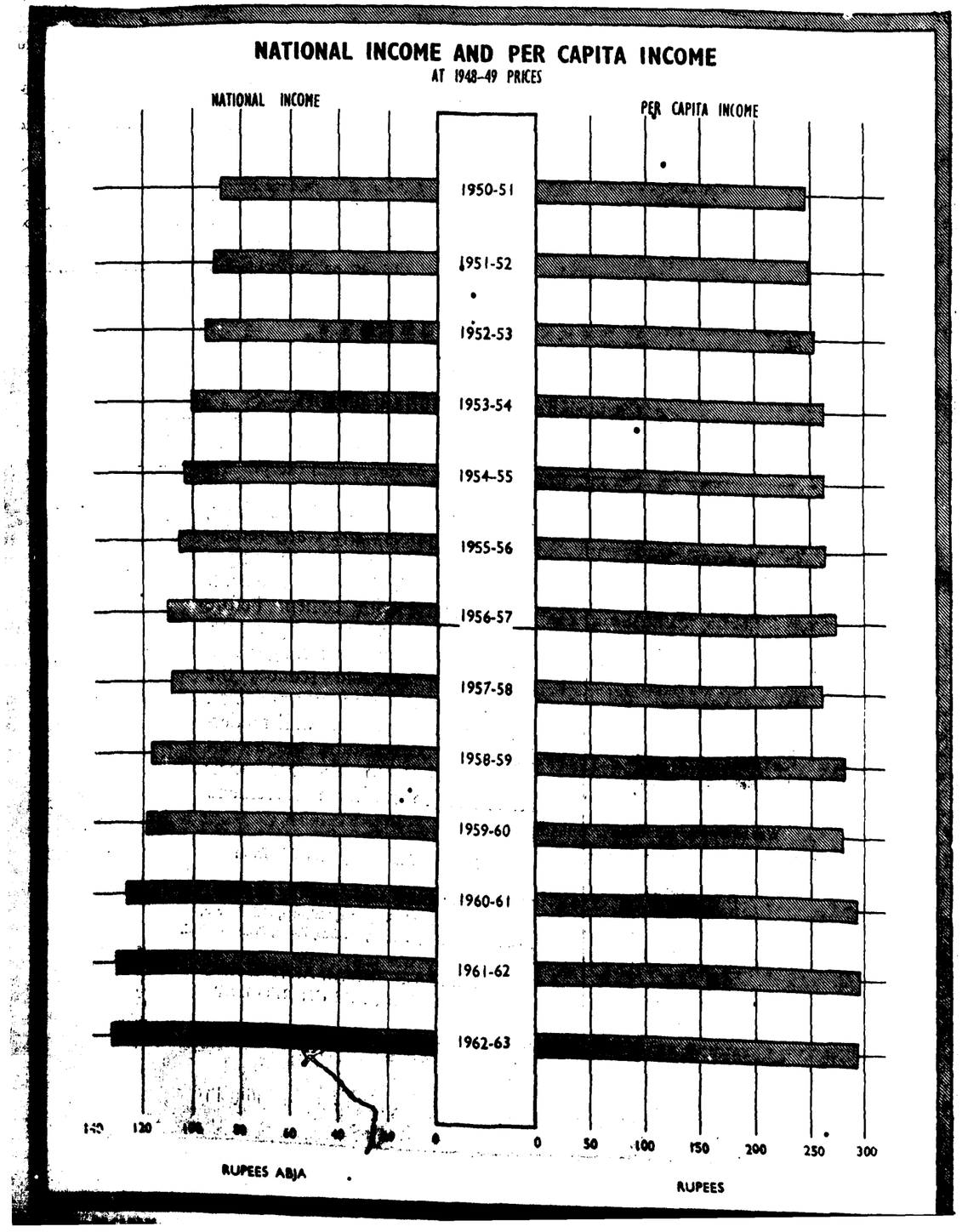
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EASTERN ECONOMIST

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The Prime Minister

THE NATION is naturally cheered as its anxiety has been relieved by the reassuring medical reports on the Prime Minister's health. Mr. Nehru is dear to his people who certainly pray as one man for his early and complete recovery. At the same time, a heavy responsibility is cast on those who are personally and politically close to him to face certain hard facts and in the light of those facts guide him properly in the larger interest of the India which he loves so well. Mr. Nehru is now in his 75th year and this is the second occasion of serious illness that he has had to endure since he crossed 70. In the light of such information as is available to the public regarding medical opinion on his physical condition, it appears that there is nothing against his being able to lead a life which is normal to people of his age — provided, of course, he submits himself to the necessary discipline of the "seventies". From this point of view there is certainly sense in the advice which is being given to him in the Press and elsewhere that he should avoid unnecessary mental and physical exertions, eschew merely ceremonial activities and otherwise adjust the tempo of his living to his physical state.

But at the same time, it must be realized that, even if he abides by the advice and practises the utmost economy of mental or physical effort, it would still be true that the essential responsibility that he must carry, if he were to continue as Prime Minister, could still be excessive for a man of his age who no longer enjoys the physical fitness that was his until recently. It is, therefore, only proper that the question of his retirement from the Prime Ministership should be considered in a calm and mature manner. In our view it would be best to leave the decision to Mr. Nehru himself. He is an exceedingly conscientious person and the nation may rest assured that he will not continue to be Prime Minister a moment longer than he considers himself to be physically and mentally fit to discharge the obligations of that vital office. Our appeal then is really to those around him who might have influence with him. We suggest to them that they should not use their influence with him to persuade him to follow any course of action which is contrary to his own judgment. We consider this appeal to be necessary for a number of reasons. The country has learnt to think that Mr. Nehru is indispensable and this is a view which those who are close to him are naturally apt to hold very strongly. While it is, perhaps, possible to harbour such faith in respect of a Nehru who is in normal health and is mentally and physically capable of discharging the duties of Prime Ministership without undue strain, it would surely be nothing more than sloppy sentimentality to maintain that even an ailing Nehru of 75 years could or ought to carry on indefinitely as Prime Minister. A proposition of that kind would clearly be unfair to him and unfair to the country.

It is a disagreeable fact of public life that vested interests of all kinds tend to cling and cluster to the man in power — and Mr. Nehru has been in power for some 17 years now. It would be but human nature for those who, in varying degrees, are personally or politically dependent on him or his position, to hesitate to contemplate the consequences of his retirement. It follows that to such people it might become easy to transform — perhaps, unconsciously — their inarticulate personal considerations to a highly vocal expression of public needs in an attempt to plead that Mr. Nehru should continue. It, therefore, becomes the duty of those who can take a more detached view to plead that those who, in the fateful days or weeks to follow, could influence Mr. Nehru's sentiments or judgment,

for good or ill, should make a great effort to be dispassionate and objective.

It is clearly necessary that the important issue of an orderly transition to a successor leadership should now be considered calmly and sensibly. Here, Mr. Nehru himself could do the country a service which will be no less important than any that he has rendered so far. Just as Mr. Harold Macmillan, in not dissimilar circumstances, succeeded recently in the United Kingdom in handing over the leadership of the Conservative Government to a successor who, in his judgment, was in the best possible position to ensure both unity and strength for the party and good government to the country, Mr. Nehru, once he has recovered from his present illness, may well address himself to the series of steps that may have to be taken, starting from now, to effect a smooth handing over of party and government leadership. In the wake of his illness, his functions in the Government are being shared by two of his ablest colleagues. This, in the circumstances, is certainly the most practicable arrangement, but it cannot obviously be a prolonged one. It has been suggested in some quarters that Mr. Lal Bahadur Shastri may be invited to re-join the Central Government. We would say that not only Mr. Lal Bahadur Shastri but some of the other senior Congress leaders, who had left the Central Government in accordance with the Kamraj plan, will have to be brought back to strengthen the Central Government in the event of Mr. Nehru's retirement. We are confident that they and their colleagues, acting individually or together, would conduct themselves in a manner which would enhance the prestige of the Government, protect the solidarity of the Congress Party and serve the best interests of our people. We have faith in their patriotism and we have no doubt that, when the occasion arises, there will be found among them not one Rab Butler but many who, whatever their personal views or feelings may be, would nobly agree to subordinate their claims or aspirations to the interests of their party and the country.

Prescribing for Parkinson's Disease

AFTER THE recent sojourn of its leaders in the rarefied atmosphere of Gopabandhunagar, the Government seems to have come down to solid earth again. A political holiday can only be an occasional diversion from the hard and humdrum task of administration and it is good to find the Government being aware of it as is indicated by the workmanlike decisions taken by the Ministry of Industry on the extremely helpful Interim Report submitted by the Swaminathan Committee on the simplification of industrial licensing procedures. It is not often that the Government or a Committee set up by it functions as quickly as has been the case on this occasion and it is incredible but true that it was only as recently as in September, 1963 that the Ministry of Industry had appointed a Committee of 10 — five officials, including the Chairman and five representatives of the business community — under Mr. T. Swaminathan to review the operation of controls applicable to the establishment of additional industrial capacity under the Industries (Development and Regulation) Act, the import of capital goods, the issue of capital, foreign investment and collaboration and to suggest such modifications as would reduce delays in decision. Three months and three days after it was set up, the Committee was able to submit an Interim Report and even more encouragingly, the Government has been able to announce its decisions on the Report within a period which is actually four days short of one month. And as if there is to be no end to miracles in the New Year, the Government has been able to accept, in principle, the interim recommendations of the Committee and announce that appropriate steps are being taken to implement them.

The text of the Interim Report is published in the "Records and Statistics" section of this issue. In this Report, the Committee has made two important recommendations. The first relates to a speedy procedure for according clearance in principle, to the establishment of additional industrial capacity, that is, the issue of a "letter of intent", as this is commonly referred to. The second recommendation relates to a special procedure for the speedy processing of all applications relating to specified "key" industries.

Explaining its recommendation relating to the issue of "letters of intent", the Committee points out that it is a matter of the utmost importance that the applicant should know as early as possible whether the Government would be prepared to consider favourably the proposal put forward by him, as it will be difficult otherwise for the entrepreneur to negotiate with foreign collaborators or suppliers of machinery. In the course of its study of eight cases selected at random, the Committee found that the time taken ranged from 61 to 396 days and in six out of eight cases, the period involved was more than 150 days. The Committee believes that this situation has to be (and can be) changed radically so that a "letter of intent" is issued within a month or so of the date of receipt of the application. In its view this can be done by reducing consultation on files to the minimum and taking decisions within a prescribed number of days of the receipt of applications at meetings consisting of representatives of the Ministries primarily concerned.

The Committee, therefore, proposes that only "letters of intent" should first be issued except in cases where licences under the Industries (Development and Regulation) Act can be issued straightaway. A small, separate section will have to be set up in the Ministry of Industry to deal exclusively with such applications and while the applications are to be processed by the administrative Ministry concerned, they will be considered by a Sub-Committee of the Licensing Committee consisting of the Secretary to the Government of India in the Ministry of Industry as Chairman, the Secretaries to the administrative Ministries concerned or their representatives, the Secretary, Department of Economic Affairs or his representative, the Secretary, Department of Technical Development or his representative, a representative from the Company Law Division of the Ministry of Finance and a representative of the Planning Commission. This is the key recommendation of the Swaminathan Committee and in agreeing to the setting up of such a Sub-Committee the Government has said that the other members of the Licensing Committee stationed at Delhi may also be associated with the work of the Sub-Committee, without causing any undue delay on this account.

The "letter of intent" is required to indicate broadly the conditions subject to which the Government would be prepared to accord a licence and should also indicate that, within a specified period, varying, say, from six to 12 months — depending on the nature of the industry — the party should come up with definite proposals regarding (a) terms of foreign collaboration, if envisaged, (b) import of capital equipment, if involved, and (c) issue of capital, if involved. An interesting recommendation in the Interim Report is that the "letter of intent" should make it clear that if, within the prescribed period, the applicant does not submit all the remaining applications for the various clearances, the "letter of intent" shall automatically be deemed to have become inoperative. In its view this provision for automatic cancellation would eliminate the delays and difficulties at present being experienced by the Government in weeding out infructuous licences.

The second main recommendation of the Swaminathan Committee is in favour of a special procedure for "key" industries. In the case of industries thus designated, it is advised that once a "letter of intent" has been issued the Sub-Committee of the Licensing Committee should itself consider simultaneously applications for all other clearances involved, such as approval of the foreign collaboration terms, approval to the issue of capital and issue of import licences. So that all these clearances could be dealt with at one meeting by the Licensing Sub-Committee, it has also been proposed that the Chief Controller of Imports and Exports, and when necessary, the Controller of Capital Issues should be co-opted as additional members. At the time of considering applications for the "letter of intent", the Sub-Committee, it is recommended, might, in the case of key industries, give wherever possible an indication of the source from which foreign exchange is likely to be available. Subsequently, in considering the various clearances required, appropriate priority may be given to the key industries in respect of foreign exchange and domestic capital issues.

The Swaminathan Committee has given a list of 22 industries which it considers to be key industries for the purposes of the special licensing procedure. Included in this list are: Pig Iron, Alloy Steel, Industrial Machinery, Machine Tools, Fertilizers, Pesticides, Petro-Chemicals, Paper and Paper Board, Cement and Pulp, among other industries. The list has been compiled in the light of the need for making up for the shortfalls in the effective establishment of capacities for the attainment of Plan targets and the need for speedily establishing additional capacity in certain industries which are important for the promotion of self-sustaining industrial growth. The Committee acknowledges that the list compiled by it is not exhaustive and that it should be reviewed from time to time, say, every six months. It also promises that in its final Report it may suggest additions, if any. While it might generally be advisable to make this list as liberal as possible it may also have to be taken into account that if the list becomes too large from the administrative point of view, the benefit of the special procedure will become nominal. The logic of a selective list is that it should remain selective.

At the same time, it will no doubt be possible for some useful suggestions to be made from within the business community as well as the Government for consideration in the final Report. There seems to be need, for instance, to treat captive power generation as a key industry and encourage industrialists to put up their own power-generating plants to the utmost extent possible. In fact, it might even be recommended that wherever proposals are made for captive power gene-

Eastern Economist 20 Years Ago

JANUARY 21, 1944

When the control of capital issues was promulgated in May last, the Government categorically stated that it was not intended to handicap the legitimate industrial expansion of the country or to hold up the promotion of companies leading to war effort or civilian production. While we were prepared to take this assurance at its face value, we expressed the fear that there might be long and unconscionable delay in granting permission and that Government might have no rational or acceptable criteria by which to regulate the new issues. We further pressed for constituting a machinery of consultation composed of the representatives of industry, commerce and banking. Seven months of working of the order have confirmed our fears and strengthened our demand. Often long delays occur and months pass without any action being taken ..... Sensible post-war planning calls even now for the formation of companies which can place orders for plant and machinery to be delivered after the armistice. The Viceroy recognized this in recommending Indian industrialists to visit Britain. How can these men place orders for plant for starting new industries, unless the first step, viz., the formation of companies is permitted to be taken?

ration, along with applications for additional industrial capacity, the Government should be disposed to view them favourably and deal with them simultaneously. The Interim Report has done well in including industrial machinery in the list of key industries. There is certainly great need for stimulating the manufacture of industrial equipment of all kinds within the country and while the Government's policy in this respect is to be welcomed, it has also been noticed that expansion in certain industries, such as cement, has been restricted to some extent because entrepreneurs proposing to put up cement plants have not found it possible to satisfy the condition that they should go in for indigenous machinery. There is not at present enough capacity in the country for orders for cement machinery or certain other categories of industrial machinery to be executed on a sufficient scale and within the required time. Hence, it is certainly important that the Government should pay special attention to avoiding procedural delays in creating additional capacity in such essential industries. It seems, however, to be a serious omission that the list does not include heavy electrical machinery. We are aware that the manufacture of this equipment is now being undertaken in the public sector and that there are plans for expanding output in that sector. But it ought to be clear to all concerned that the public sector alone cannot develop this industry as fast as emerging needs for heavy electrical equipment would demand. It is possible that the question of permitting the private sector to undertake the manufacture of heavy electrical equipment or set up captive power plants freely is a policy question which the Swaminathan Committee may not consider itself competent to go into. But so far as we are aware there is nothing in the Industrial Policy Resolution or any other similar declaration of the Government to keep the private sector out in these cases. We would therefore suggest that the Swaminathan Committee in its final Report should consider whether these lines of industrial activity may not also be included in its list of key industries.

The Interim Report recognizes that the success of the speeding up procedures advocated by it would depend in the last resort on the prescribed time-limits being kept at the relevant levels in the Government machinery. Although its scheme aims at reducing file-pushing among different Departments or Ministries, there must still remain a hard core of Secretariat routine which could conceivably provide lazy or incompetent officials with adequate alibi. The human material, therefore, is very important and an obvious implication of the Interim Report is that it must be accepted as the responsibility of those who would be working the new procedures recommended, to watch for the human blocks and bottlenecks and remove them. From this point of view it is good that the Interim Report prescribes very specifically that the proposed Licensing Sub-Committee should itself go into every application on which action has been delayed beyond six weeks. This should serve to create an atmosphere and create the context in which the individual officials concerned at various points will have to function and discharge their responsibilities properly in the matter of cutting out red tape. This perhaps may not be the least important of the contributions which the Swaminathan Committee may ultimately have been found to have made to the pruning of Parkinsonian maladies in the Government.

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His blood has saved many lives

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Highlights of the Week

NANDA TO THE FORE

THE PRIME Minister returned to the Capital on Sunday. The subsequent medical bulletins have been reassuring, but it is conceded that he cannot be expected to get back to work except perhaps after a sufficiently long period of rest, recovery and recuperation. Meanwhile, temporary arrangements have been made for his portfolio. All subjects dealt with by the Prime Minister, except External Affairs, are being handled by the Union Home Minister, Mr Gulzarilal Nanda. Files from the Ministry of External Affairs are being sent to the Finance Minister, Mr. T. T. Krishnamachari, for disposal.

Mr. Nanda has been having no easy time these days. The communal disturbances in Calcutta, for instance, had to be firmly dealt with. Accompanied by the Union Law Minister, Mr. Asoke Sen, the Home Minister went to Calcutta on January 12 and stayed there while a military administration took charge of the disturbed areas and succeeded in restoring law and order.

Mr. Nanda returned to Delhi on January 14. Next day the Secretary to the Ministry of Home Affairs, Mr. V. Viswanathan, came back from Srinagar. But it may be premature to conclude that either Hazratbal or Calcutta has ceased to be political dynamite. Mr. Nanda certainly argued with great force in Calcutta that the Government's first duty was to restore law and order and protect the lives and properties of threatened citizens. Now that this has been accomplished, the political task of restoring confidence among the Hindus of West Bengal and convincing them that their co-religionists in East Pakistan would not continue to be persecuted remains to be attempted. The Nehru-Liaqat Pact, which provides for joint tours of the disturbed areas on either side of the border by representatives of the two countries, has been invoked by our Deputy High Commissioner in Dacca, who has asked to tour Khulna. This step may perhaps be the minimum necessary to discourage scare mongering and wild rumours and dissuade frightened communities from panic flight across the border. This is one of the many urgent issues which the Emergency Committee of the Cabinet, which meets frequently these days under the chairmanship of the Home Minister, will have to deal with.

AID AIMS

THE UNION Government is understood to have tentatively decided to make a request to the Aid-India Consortium for approximately $1,050 million assistance during the fourth year of the current Plan. Final decision in this regard, however, is likely to be taken soon after the detailed assessment currently being made of the foreign exchange requirements of the 1964-65 and 1965-66 Plan programmes is over.

The tentative decision is said to have been arrived at in the light of the discussions that the Union Ministry of Finance and the Planning Commission have been having with Mr. B. K. Nehru, India's Ambassador in the United States.

Mr. Peter Wright has also arrived in New Delhi to make an assessment, on behalf of the World Bank, of India's foreign exchange requirements in the next year and also of the current state of the Indian economy. As in the past, his report will form the basis of the Consortium deliberations scheduled to start in Paris on March 10, 1964.

The fears expressed in some circles that the U.S. interest in India's economic development has been waning of late as a sequel to the none-too-happy performance on the development front during the first two years of the third Plan, are being discounted by knowledgeable circles. Not only President Johnson's assurance of all possible help for India's economic development, soon after his ascendency to the U.S. Presidency after the assassination of President Kennedy, is being recalled in this connection, but a good deal of significance is also being attached to the proposed visit in the middle of next month, of Mr. Harc Lindon, the President of the U.S. Export-Import Bank. It hoped that as a result of Mr. Lindon's visit, more funds w be available for India's development from the U.S. Expo Import Bank.

There is stated to be growing appreciation among the mer bers of the Aid-India Club of the case for extending assistan in the form of untied loans. India is likely to plead that at lea half of the $1,050 million aid to be sought from the Consortiu for 1965-66 should be in the untied class. Another heartenin development is stated to be that the U.S.A. is not now likel to insist on the other members of the Consortium togethe matching its contribution with theirs.

The Government of India, of course, is said to be keen tha the Consortium at its next meeting should also indicate th assistance that may be expected from it during the termina year of the current Plan. But this plea is not likely to be pressec in view of the difficulties that some members of the Consortium have indicated recently. Discussion of the foreign exchange requirements of India in 1965-66 and the first half of the fourth Plan, however, is not ruled out in the light of the advance action that has been initiated on various crucial fourth Plan projects.

COUP IN ZANZIBAR

IT IS a nervous habit that was once fashionable—and still is in some parts of the world—to see red in every coup. On January 12, a Sunday, a coup was effected swiftly if not bloodlessly, in Zanzibar to which the British had granted freedom recently. The Sultan, who, with his personal staff, later sought and obtained asylum in Tanganyika, and Mohammed Shamte Hammadi, the head of the Government and leader of the Pemba People's Party, were both deposed. Writing on June 14, the 'Times of India' correspondent in London was perhaps only voicing British fears when he saw the hand of the Communists in the Zanzibar coup—for London still remains the most reliable centre for the evaluation of sudden African news. It is true that Abdulla Hanga, the new Prime Minister, was educated at Moscow and Mohammed Babu, the foreign Minister, had Chinese affiliations, but the coup was more the outcome of dissatisfaction with the results of the 1962 elections, which, thanks to some gerrymandering reform earlier, did not adequately represent the relative electoral strengths of the national groups in Zanzibar.

Principally, the country consists of the two main islands of Unguga and Pemba, and its population of 3,00,000 people includes an overwhelming majority (about 70 per cent) of Africans. Many of them are of mixed stock and the African Shirazis claim descent from Persian invaders. The Arabs constitute only 15 per cent. of the population and the Indians about six per cent. The issues in both the 1959 and 1962 elections were racial and territorial. The Arab-dominated Nationalist Party, which was overthrown, wanted the Arab traditions of Zanzibar to continue while the Afro-Shirazi party wants closer ties with the countries of mainland Africa. Although, in 1959, the Afro-Shirazi Party won six out of the eight elected seats, it was unable to form a Government as the ruling Nationalist Party nominated twelve official members. In the 1962 elections, held after the constituencies had been re-formed, the Nationalist Party won 18 out of the 31 seats with the help of the Pamba People's Party, which represented local interests, in spite of the fact that the Afro-Shirazi Party had won 54 per cent. of the votes. The immediate reason for the coup appears to have been the banning, on January 4, of the left-wing Umma party which enjoys the support of the Afro-Shirazis. News agency reports became less alarmist after January 14, when the British High Commission informed London that the new revolutionary regime wanted British help and also that the 400 British citizens in the country were safe.

WINDOW ON THE WORLD

The Common Market in 1964

From Our Special Correspondent

PARIS:

"BEFORE I DIE", Konard Adenauer once said, "I should like to cross and tangle the threads between the Six so tightly that the Devil himself could not undo the knot". Looking back across the Christmas agreement on a common agricultural policy, one realises that the stage wished for by the former Chancellor must have been reached some time ago — and that is why the Six were condemned to succeed in an enterprise where failure not only seemed possible but was widely feared. At all events, it is certainly reached by now, for no ties are so binding as farm policies and common practices in growing and commercialising crops. (That is why agriculture is the most intricate, intractable, contradictory and irrational part of any Western nation's economy). Having decided at last that, in principle, Europeans should feed Europeans, that, at the very least, European consumers should give a preference to food grown inside the Common Market, the Six become so many eggs in the one omelette.

Some may ask, remembering the stormy events of 1963, if this means that one party (e.g. de Gaulle) can henceforth have his way by delivering an ultimatum (like those Paris launched last year, on Britain's exclusion and on farm policy) which the others will have to accept because the alternative, disruption of the Community, has become impossible. The answer is negative, for three reasons. First, the inextricable imbrication of interests has gone so far that no ultimatum, of which the sanction was unilateral withdrawal from the Community, can any longer be credible. Bluff cannot work when the bluffer is quite unable to implement his threat. Second, the number of issues on which national governments have a veto will dwindle as the second stage of the Rome Treaty is applied, as it now can be. More questions will be settled by a qualified majority, which permits any one nation (even West Germany or France) to be outvoted.

Unified Market

Third and most important, the occasion for spectacular opposition by one party disappears with the appearance of a genuine unified market that covers both agriculture and industry. French truculence was necessary to ensure that the Common Market did not pursue its one-sided development into a free-trade area in manufactures, from which farm produce would be excluded. Farming interests, and governments in which such interests are influential, had to stop that at any price, and this was the origin of the two crises in the Common Market in 1963. In the first, industrial interests, and governments obedient to them, were trying to hand over the Continental food market to Britain's food-producing allies and dependents; in the second, to the US food exporters. Determined opposition, accompanied by the still credible threat to break up the union rather than permit such a perversion of the Treaty, was needful to prevent that. The foundations of a generalised Common Market having now been laid, there is no reason to expect repetition of similar crises.

Of course, this does not mean that disagreement, often acute, will not arise, just as it does within nation-states, whose unity is not thereby called in question. We must expect to see such disagreement in coming months as the Christmas accord is translated into reality, for in some respect it is both vague and contradictory. The vagueness will not disappear until precise regulations are framed, between now and the end of March, putting black on white the terms of the recent agreement, and until the prices at which Continental food crops are to be supported have been settled. As for the contradictions, they are glaring. The Germans won the "victory" in Brussels of having attached to every present and future regulation on trade in farm produce a simultaneous reference to Article 39 and 110 of the Rome Treaty, which happen to say almost opposite things. The former says the Six must guarantee "an equitable standard of living" to their farmers, and the latter recalls their desire to develop world trade by suppressing tariff barriers. On many particular issues, e.g. trade in wheat, these two objectives are incompatible.

However, any written Constitution is both vague and contradictory (as you may verify by looking up the articles on civil rights and national security), but that does not detract from the importance of a decision to adopt and live by one. Last month's agreement in Brussels is tantamount to such a decision, and that is why it will rank in historic importance with the other landmarks in the progress of European unity. For all its importance, it remains a mere landmark, a point in a continuous process, the "perpetual invention" of Europe, so one may look ahead and see what the next stages in that process are likely to be. The new year, indeed, brings objectives that, when their hour strikes, will seem as epoch-making as the great crises of 1963.

Restrictive 'Liberalism'

The first, obviously, (once last month's agreement has been framed in detailed regulations) will be the test of the tariff-cutting negotiations with the USA, scheduled for the month of May. For these talks, the ECM Commission has been given a mandate that is rather more vague and general than is suggested by British newspapers, who have jumped wishfully to the conclusion that the Brussels pact marked the "triumph" of free-trading German doctrines. On the contrary, the Six, while agreeing to make the GATT negotiations a success, have firmly indicated their will to remove the discrepancies between American and European tariffs that would persist if both were simply halved; they have said that where their tariffs are lower by far than American, then the US duties must be cut more heavily; and they have not committed themselves to securing a 50 per cent reduction of most or many tariffs — 50 per cent remains a mere "working hypothesis" of ideal objective. In other words, while consenting to be "liberal", the Six leave it open to adopt fairly restrictive interpretations of "liberalism" wherever their own industrial or agricultural interests would be jeopardised by too great generosity toward the Americans.

The Kennedy Round, in any case, is not an objective the Six set themselves but results from American initiative. The tasks for 1964 that flow from their own project of unity concern monetary co-operation, economic programming for the whole region, the merger of the three executives and the powers of the European Parliament. All of these will be in the news during 1964, so we may briefly indicate what is involved. The first was outlined in a scheme put up by the ECM Commission in 1963 and commented upon here at some length. The first goal for 1964 or 1965 will be to freeze exchange rates between the six currencies of the Common Market, so that their parities could not vary between themselves but could still vary simultaneously in relation to gold or the dollar. Though it may not be immediately apparent, this amounts to introducing a single European money, of which marks, francs, florins and liras are just coins differing only in value the way a 10-pfenning piece does from a 50-pfenning piece. Just for that reason, it is a very ambitious

project and its implementation would mark another epoch in European unity.

The merger of the three executives will probably be the first task taken up, now that French objections have diminished. This means that the three supernational administrations — the Common Market Commission, the Coal and Steel Pool, and Euratom — will be fused into one organism, responsible to the Council of Ministers. In practice the Common Market Commission would swallow the other two, not only because it is bigger and more important but because it has worked brilliantly while they have run into serious difficulties. The gain to European unity from such a merger is evident: the six nations would then have the embryo of a supernational government in the shape of a single administration answerable to a single cabinet of ministers. The difficulties, though real enough, are not prohibitive. Luxemburg is host to the Coal and Steel Pool and does not want to lose the benefits, both material and political, of this location by having that body transferred to Brussels — or wherever the Six elect to have their capital. For the merger will re-awaken the dispute about selection of a capital city in a fairly acute form. A matter of more substance is that the three treaties setting up these executives are to a different extent supernational: e.g. there are more surrenders of national sovereignty in Euratom than in the Common Market. In being merged, they will have to be harmonised on this point.

Finally, the powers of the European Parliament become a live issue just because of the success of last month's negotiations. For a start, the final agreement creates a fund worth hundreds of millions of dollars to be used to support and modernise agriculture, and this princely sum will have to be administered under some sort of democratic control. For that matter, the whole course of last month's critical bargaining revealed the immense importance and influence of the ECM Commission, whose role is now at least as substantial as that of Paris or Bonn — yet it is a nominated bureaucracy that is not controlled by any one elected assembly. The case for converting the rump parliament in Strasburg into a genuine democratic house chosen by the people of the region becomes more convincing as Europe progresses in unity. Here again, opposition is not wanting, and it can invoke quite respectable principles, so the upshot is far from assured. That is true of all the tasks for 1964 that confront the Common Market, but the direction of the union's evolution is clear.

East and West Pulls on Britain

PAUL BAREAU

LONDON:

BRITISH ECONOMIC policy is being affected by influences pulling it towards Western Europe, others towards the United States and others still towards the bloc of communist countries. This susceptibility to divergent and often conflicting influences is in part the result of Britain's exclusion from the Common Market, which was announced with such devastating finality about a year ago. This event, which was at the time generally regarded as a disaster, both in Britain and in many countries of Europe, may well have proved a blessing in disguise — at least on short run considerations. Apart from preserving a position of independence and of flexibility from which considerable political and economic advantages may yet be secured, it has also insulated Britain from some at least of the inflationary influences that have been operating in Common Market countries during the past 12 months. One has only to look at the extraordinary expansion in British exports to those countries to realise how far relative cost and price changes have moved in favour of British industry and have enabled it to overcome with ease the tariff differentials that have begun to obtain as between trade within the Common Market and its imports from other countries.

This, however, is only a temporary phenomenon. As time passes the discrimination which will be applied by Common Market countries against the outside world will increase and Britain will be made more painfully aware of the results of exclusion from the European Community which at the moment still represents the most rapidly expanding market for British manufactures. The pull of that Community for Britain is likely to increase. The fears (or in some breasts the hopes) that the Common Market might collapse at the end of 1963 by reason of the inability of its member countries to reach agreement on a common agricultural policy, were wildly unrealistic. General de Gaulle had, admittedly, set a time limit to the agricultural negotiations in Brussels but this was no more than a tactical move and he showed his readiness for conciliation when he accepted the mere chapter headings to an agreement. These were all that the experts in Brussels were able to secure before 1963 passed into 1964. The detailed chapters of the agreement have yet to be written but it is already evident that once again France has won the victory. It is now certain that European agriculture will remain highly protected.

From this fact Britain can derive one major reassurance: this will tend to maintain a high level of food prices within Europe, while British industry will continue to have the advantage of cheap imported food. Agricultural protection in Europe will also drive Britain and the United States closer together. In spite of the new German Chancellor's visit to President Johnson in his home state of Texas, it looks as though we shall hear a great deal more in the coming year about "chicken war" and all that appertains to it. The United States and other food producing countries will find themselves increasingly hampered in their exports to Western Europe and this fact will have not merely economic but major political consequences. It will certainly tend to drive United States and Britain into one another's arms.

The opportunity for this reinforcement of what we may call the Anglo-Saxon bloc, will occur with the tariff negotiations under the aegis of GATT, which it is to be hoped will still carry the name of "Kennedy" round. This will be the real test of the economic philosophy of the Common Market. It will show whether the agricultural agreement between the six countries which has yet to be filled out in all its details, permanently stamps the European Economic Community as a liberal or an inward looking entity. However the doubts on this score may be resolved, it seems certain that in these tariff negotiations Britain and the United States will be fighting on the same side. Here lies the major westward pull on British economic policy.

Another pull which is taking British commerce and finance eastward is in the development of trade with the communist bloc. This trade is growing by leaps and bounds. Britain itself has done little to satisfy the vast Russian needs for cereals, save that the London bullion market has absorbed almost all the sales of Russian gold and thus provided the cash with which the wheat and other cereals are being paid. But Britain enters the ambitious campaign for building chemical and fertiliser plants which owes its origin to the succession of disastrous harvests in Soviet bloc countries. British firms have been approached to provide the equipment and also to extend long term credit facilities in financing these costly projects.

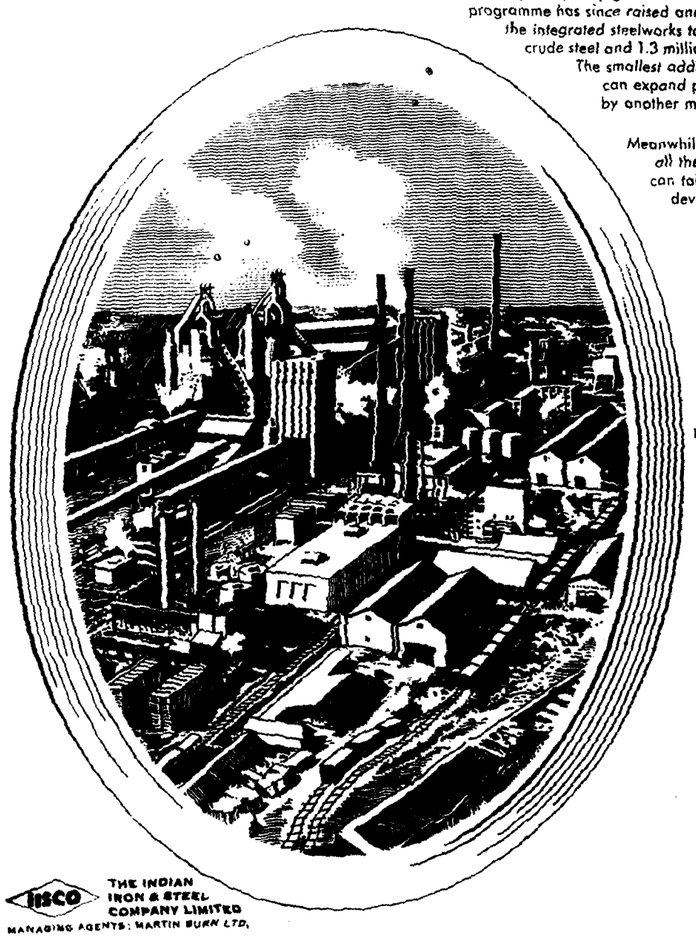
This is an issue on which an unmistakable clash of opinion has taken place between the United States and Britain. State Department officials have recently been in Europe to

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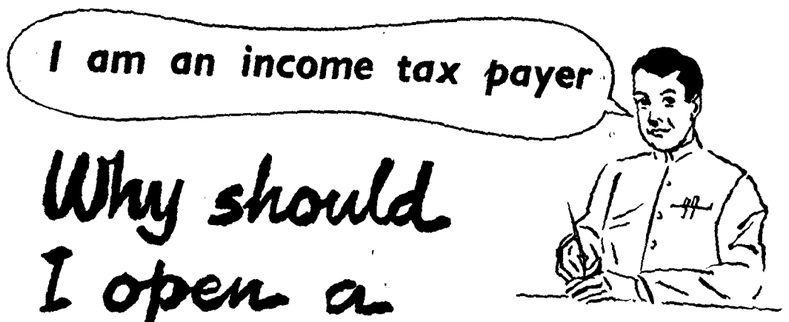
Yet less than ten years ago, the rated annual capacity at Burnpur was about half a million tons of crude steel and a similar quantity of pig iron. A two-step expansion programme has since raised annual production at the integrated steelworks to 1 million tons of crude steel and 1.3 million tons of pig iron. The smallest additional capital cost can expand production further, by another million tons of steel if need be.

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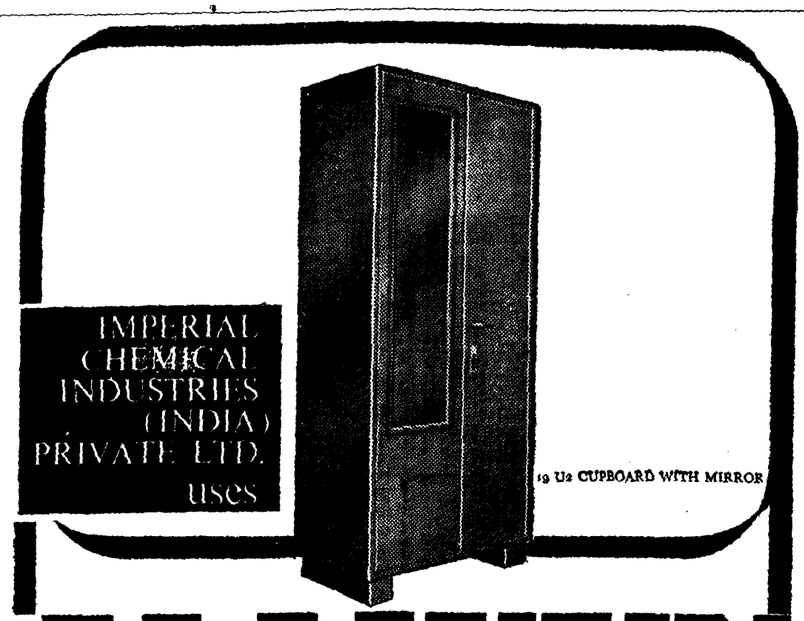
NATIONAL SAVINGS ORGANIZATION

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organise a united front against the extension of long term credit facilities to the USSR and other communist countries. They have met with little success in Britain, and British trade with the communist bloc is likely to stride ahead in the months to come.

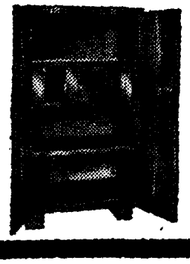
What emerges from this conflict of contending influences? The Atlantic Alliance will certainly endure but with the gradual easing of political tension between East and West, the Alliance will tend to lose the essentially military and political inspiration which gave it birth and which has sustained it so far. It will become more economic in character. One of its objectives will be greater assistance to the industrially emergent countries. The Alliance as a whole, comprising as it does the richest and industrially most developed countries in the world, will be called upon to step into shoes which until now have been too exclusively filled by the United States.

Another objective must be greater freedom of world trade. Here we have within the Alliance opposing tendencies: the philosophy of European self-sufficiency which is represented by the policy of General de Gaulle and which appeals to some vested interests in Germany; and against this the more outward looking attitude which will be upheld in the coming year of tariff negotiations by the United States and Britain and which will have its supporters among such members of the Common Market as the Netherlands. This cause of commercial liberalism would be helped if Britain joined the European Economic Community. It is probably in this way that the contending forces pulling on British economic policy could best be reconciled.



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Disciplining the Public Sector

By Our Special Correspondent

NEW DELHI :

THE UNION Finance Ministry contends to exercise stricter control over the financing of industries in the public sector. It has been found that many State undertakings use Government loans given for capital purposes to finance their working expenses. Public sector undertakings are therefore being told that this practice must cease and that they should secure their working capital in the normal way by going to the State Bank or other banks for advances on the usual commercial terms.

It appears that similar principles of financial discipline will also be adopted should any State Government seek to set up public sector undertakings in the field of medium industry as has been suggested in the Congress Resolution on Democracy and Socialism. The procedure prescribed for the State Governments will require them to raise capital by approaching the Industrial Finance Corporation of India or the proposed Development Bank which may be set up in the course of this year. The point is that State Governments cannot expect to obtain industrial capital in the form of direct loans from the Centre.

★★

Mr. T. T. Krishnamachari's recent visit to the Heavy Electricals plant at Bhopal seems to have been related, at least partly, to the feeling that the British collaborators could and should improve their performance. It is interesting that the Finance Minister was accompanied by the U.K. High Commissioner, Sir Paul Gore-Booth. The highlight of the Minister's one-day visit to the Bhopal plant was the friendly reception he was given by the workers of this factory which has had a troubled labour history.

Mr. Krishnamachari's study of the Bhopal plant may also have provided him with information relevant to the forward planning of the manufacture of heavy electrical equipment in this country. It appears that current official projections of demand of heavy electrical equipment in the fourth Plan period might be unduly conservative. It is likely that two more plants for the manufacture of certain categories of heavy electrical equipment may be needed in addition to the two projects which are being set up at Ramachandrapuram near Hyderabad and Ranipur near Harwdar. It is understood that certain US firms have shown interest in these proposals.

★★

The Oil and Natural Gas Commission is believed to have expressed misgivings over the availability of private loans from abroad for building up petro-chemical industries in India on the basis of the Union Government's present terms for such loans. It is understood to be of the view that very few private loans can be negotiated on the stipulations that no payment should be made on signing of a contract or the starting up of an industrial unit established with foreign private financial collaboration and that repayment of the foreign credits should start only after at least ten years from the commissioning of the plant and be completed in three or four instalments spread over two or three years.

Even if loans on these terms are available, the ONGC feels that the Indian erection costs of petro-chemical units will become prohibitive, exceeding West European or US construction costs by as much as 200 per cent. This will make production of petro-chemicals impossible at a price anywhere near 130 per cent of real domestic prices prevailing in advanced countries, as suggested by Dr. Henry of the French Institute of Petroleum. As possible alternatives, the Commission is understood to have suggested the relaxation of repayment terms for foreign capital so that the plant cost differential is not higher than 140 per cent or allocation of foreign exchange to the petro-chemical industries from the credits available to the Government. The latter course, it is thought, will help in reducing the cost differential to even below 140 per cent. But steps in this case will have to be taken to see that such loans are negotiated expeditiously. In support of the relaxation of repayment terms, the Commission is said to have pointed out that foreign exchange is more freely available for petro-chemicals and to an extent not available to other industries and that the savings resulting from the local manufacture of petro-chemicals are extremely attractive: in the case of a number of important petro-chemicals, such as synthetic rubber or synthetic fibre, a net foreign exchange saving can be effected in a period of about two years, after taking into account all possible exchange remittances on account of royalties, technical know-how, start-up expenses, catalyst imports, spare parts, etc.

In regard to the payment of royalties, the Commission is believed to favour outright purchase of a particular process if it is certain to be adopted in more than one unit that might be set up, and then licensing it out to the intending parties. Further investigations, however, have been suggested in this respect in view of the limited knowledge available at present and the diverse practices prevalent in other countries.

Scheme Endorsed

By and large, the Commission is understood to have endorsed the scheme of petro-chemical complexes suggested by Dr. Henry. But it is said to be of the view that Dr. Henry's scheme should be taken as a guide and not as a firm, inviolable programme. In view of the likelihood of larger supplies of naphtha being available from the Trombay refineries of Burmah-Shell and ESSO and of associated gas from Ankleshwar and Kalol than assumed by Dr. Henry, the Commission feels that some modifications may have to be made in the production programmes recommended by the FIP expert. It may be possible, for instance, to manufacture at Bombay polyisoprene synthetic rubber from the propylene which may be available from the Mafatlals' 200,000-tonne naphtha cracker. Changes in the manufacturing programme of the Bombay complex have repercussions on the exact plans of utilization of Olefins from the steam cracker in Gujerat. There may well have to be further changes of this sort in the complexes proposed for South and East India.

In the interest of reducing production costs, the Commission favours setting up of as big plants as possible (plants should be generally of the same size as those foreign competitors will have when the Indian plants go on stream), avoidance of prejudicial interference between productions from various plants and complexes and ready utilization of the intermediates produced.

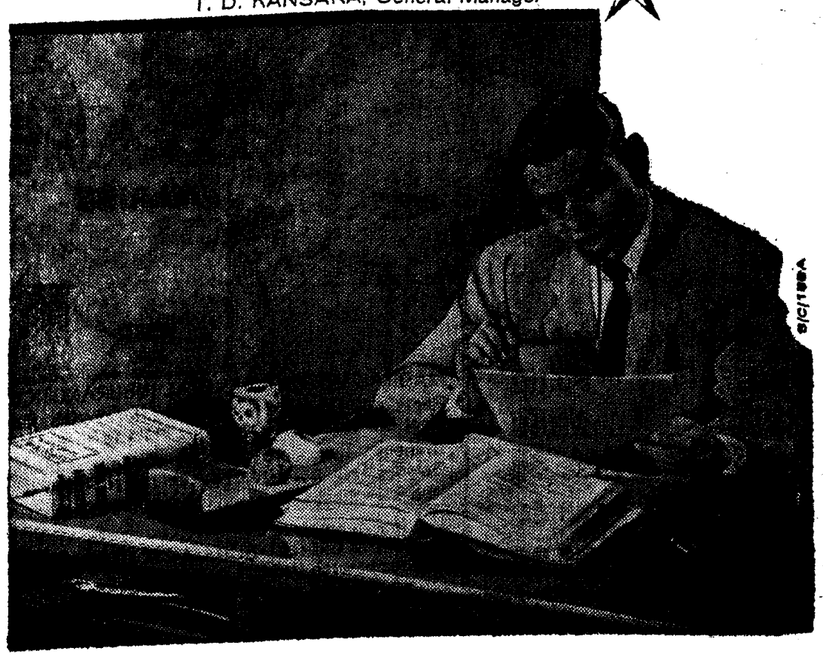
The Commission accepts as basically correct Dr. Henry's conclusions that there should be no export stipulation in respect of petro-chemical units and that these should be set up for replacing imports and for adding an impetus to internal economic growth. Exports of intermediates at world prices will entail an unduly high burden on the domestic consumer industries, thus hampering the exports of finished products. But it is believed to be of the opinion that when the plants begin to approach 90 per cent of their rated capacity, the Government

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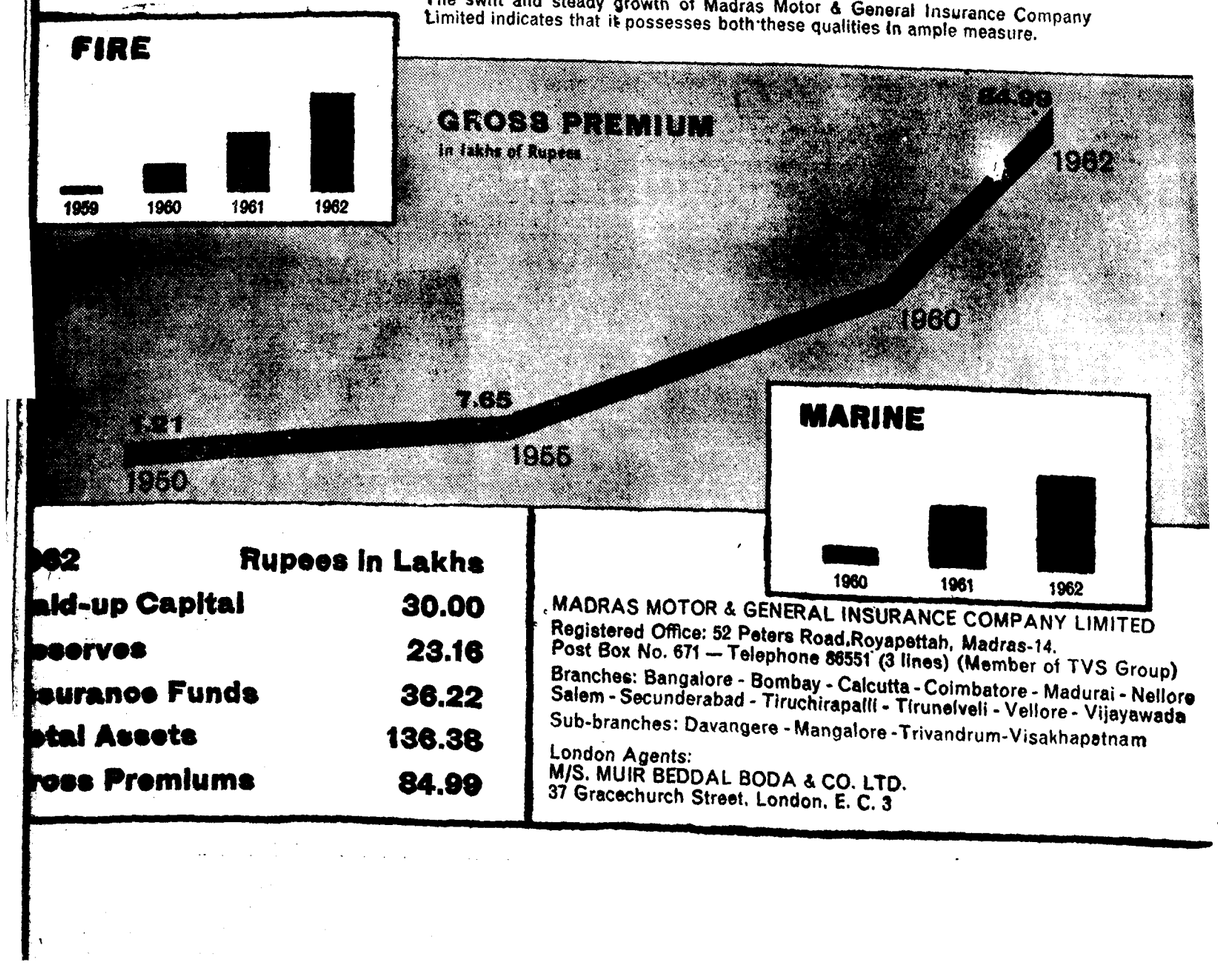


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may examine the impact of setting export quotas on internal selling prices. Expansion of plants beyond their rated capacity, the Commission feels, may, of course, be made dependent on substantial exports being made.

As against Dr. Henry's recommendation of setting up, by 1966-67, petro-chemical units in Bombay and Gujarat costing Rs. 80 crores, with a foreign exchange component of Rs. 60 crores, the Commission is understood to be in favour of a plan for establishing complexes costing Rs. 100 crores, with a foreign exchange component of Rs. 70 crores. The output pattern suggested is: Benzene 32,700 tonnes; Oxylene 10,350 tonnes; P-Xylene 8,050 tonnes; Polythylene 15,000 tonnes; PVC/PVA 6,000 tonnes; Ethylene Oxide 8,000 tonnes; Acetaldehyde 20,000 tonnes; Propylene 36,000 tonnes; and Polybutadiene, Polyisoprene and Butyl 80,000/90,000 tonnes. The corresponding product-pattern recommended by Dr. Henry was: Benzene 80,000 tonnes; Oxylene 10,000 tonnes; Polyethylene 8,000 tonnes; PVC/PVA 10,000 tonnes; Polyethylene Oxide 5,000 tonnes; Propylene 18,000 tonnes and Polybutadiene, Polyisoprene and Butyl 40,000/50,000 tonnes.

On the basis of the product-pattern recommended by the ONGC, the complex being built around the Union Carbide's 60,000 tonne high severity naphtha cracker will produce 17,500 tonnes of Ethylene, 5,950 tonnes of Propylene and 5,850 tonnes of Benzene. The complex proposed to be built around the 200,000 tonne medium severity naphtha cracker of Mafatlals will turn out 15,000 tonnes of low-pressure Polyethylene, 20,000 tonnes of Acetaldehyde, 8,000 tonnes of Ethylene Oxide; 6,000 tonnes of PVC, 15/16,000 tonnes of Polyisoprene and 30/40,000 tonnes of Butadiene. The product-pattern of the Gujarat (Koyali) complex is to be as follows. Benzene 32,700 tonnes; O-xylene 10,350 tonnes; P-xylene 8,050 tonnes; Polyisoprene 40,000 tonnes and Methanol 4,500 tonnes.

The sale value of the products of the two complexes being built at Bombay and that proposed to be set up in Gujarat, when working to full capacity by 1968-69, is estimated at Rs. 43/46 crores.

The decisions on setting up petro-chemical complexes in southern and eastern India and about the expansion of the Gujarat complex, it has been recommended, should be taken by the end of 1964 so that these schemes may yield results by 1970-71.

★★

After high-level confabulations early this week, a decision is said to have been taken to fix the fourth Plan oil refining capacity target around 30 million tonnes, as against 26/27 million tonnes talked about last month. The Union Government now appears to be veering round to the view that in the case of such vital industries as petroleum, there is need to aim at self-sufficiency or even marginal surpluses than to depend on imports to wipe out the deficits in the crucial products — kerosene/AFT and diesels. The demand for petroleum products in 1970-71, it is felt, is likely to be of the order of 27/28 million tonnes a year.

The decision on how to raise the refining capacity beyond 22/23 million tonnes (for which plans have already been prepared), however, has been deferred till the time fairly firm estimates are available of the likely fourth Plan demand pattern for various products.

Esso's proposals for the Madras Refinery, it is understood, envisage setting up of a four-unit petroleum complex instead of establishment of only an oil refinery. The complex will consist of (i) a 2.62 million tonnes per annum throughput refinery; (ii) a 100,000 tonnes capacity lubricants plant; (iii) a 100,000 tonnes capacity ammonia plant; and (iv) a 120,000 tonnes capacity asphalt unit. The total cost of building this complex, within 30 months of the formation of a new company to handle it, is estimated at Rs. 20 crores, of which foreign exchange expenditure will be of the order of about Rs. 13 crores.

The new company will be a partnership between the Union Government and Esso. The former will have 51 per cent share in it and the latter 49 per cent. No participation from the Indian public is envisaged. All the foreign exchange required for the project will be supplied by Esso, partly in the form of its share in equity capital of the undertaking and partly in the form of loans. The rupee finance will have to be provided by the Government of India.

The refining unit is proposed to be specially designed to meet the petroleum products requirements of the Madras area where the demand for middle distillates predominates. This implies that efforts will be made to keep the production of gasoline at the minimum. It is presumed that after meeting the requirements of the Madras area and those of the ammonia plant, there will not remain any surplus gasoline for export. The cost of setting up the refining unit alone will be about 40 per cent lower than that of any refinery in operation or being built in the country at present. This should suggest that it will be slightly over Rs. 10. crores.

Crude supplies are to be of Esso's choice and from its own sources for a period of 15 years. The management also has to be in Esso's hands; for this purpose a management contract is proposed. No guarantees about refining margin are being sought. The products will be sold in the Indian market at competitive prices.

Submarine Pipeline

Since the Madras port cannot take large-size tankers, it is proposed to lay an under-water pipeline to bring crude from off-shore. The cost of laying this pipeline, of course, is included in the overall cost of the complex.

Two other projects have also been suggested outside the complex. These are an 80,000 tonnes capacity complex fertilizers plant and a 100-MW. thermal generating station. Esso has offered all technical assistance for these two projects right upto their commissioning stage on no-profit basis. The fertilizer plant is estimated to cost Rs. 11/12 crores. It will receive its feedstock from the ammonia plant.

If Esso's proposals are accepted, it is suggested that the foreign exchange savings on petroleum products alone will be of the order of Rs. 10.8 crores per annum over a period of 15 years. The Exchequer will gain to the tune of Rs. 7 crores per annum by virtue of its share in the profits of the complex and income from taxes. An additional foreign exchange saving of approximately Rs. 4.3 crores a year should accrue from the fertilizer plant.

In all, seventeen proposals are said to have been received by the Government for setting up the Madras Refinery. The two notable additions recently have been the proposals from Caltex and Mobiloil of the United States.

The Kuwait Government is also stated to have indicated that it is interested in making investments in the Indian oil industry. The funds proposed to be made available for this purpose will come out of the proceeds of the sales of petroleum products which Kuwait may supply if the negotiations now being carried on by a three-member Kuwaiti delegation, led by Mr. Ashraf Lutfi, bear fruit. The Kuwait Government is stated to have offered to supply India petroleum products at considerably cheaper prices than the country pays at present. According to some sources the Kuwaiti products may be available even at discounts comparable to those offered by the Soviet Union. The India-Kuwait talks have a special significance at the present

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juncture. They are likely to have a great bearing on the further development of the public sector in the Indian oil industry.

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Canada's loans to India are now running at the rate of $12.5 million a year. The loans granted upto 1963 end totalled to $37.5 million. Among the loan agreements signed recently, one is for $8 million for a hydro-electric project at Ranapratap Sagar; another for $7.7 million for the supply of 37 diesel electric locomotives; and a third for $1 million to cover the extension of the aluminium smelter at Indian Aluminium Company Limited in Alwaye (Kerala). Three more agreements are in the negotiation stage. These pertain to: (i) $8 million for a hydro-electric project at Kotah; (ii) $3.5 million for a wind-tunnel at Bangalore; (iii) $1.6 million for a zinc smelter project in Kerala and for a smelting furnace for the Hindustan Furnace Steel Project. Canada has also recently signed agreements to the value of $37 million in regard to the atomic power project at Ranapratap Sagar. Some other projects are also in view. All the loan arrangements signed provide credits on long-term basis, the period of repayment extending from 15 to 25 years, including a grace period of three to five years. The interest to be charged is 6 per cent per annum.

Canada is also supplying aid to India under the Colombo Plan. During 1963-64, this aid totals $19.5 million. Under it Canada is to help in the setting up of a major hydro-electric project somewhere in South Kerala. The aid will also be utilized for supplying the much needed industrial materials such as non-ferrous metals. Canada has undertaken to supply component parts of machinery to the value of $2.25 million.

It has been further announced by Canada's Ministry of External Affairs that in addition to the three grants under the Colombo Plan and the present long-term arrangements, the Canadian Government will introduce new, "softer" long-term loans for under-developed countries. In what quantities and at what terms such funds will be allocated to India is not, however, as yet clear. One thing, of course, is certain that by this means, Canada is achieving a degree of flexibility and range in her external assistance which will be highly acceptable to this country.

Meanwhile, indicative of this country's growing interest in trade and economic relations with Canada is the decision of the Government of India to participate in the forthcoming British Columbia International Trade Fair to be held at Vancouver (Canada) from the 13th to the 24th May, 1964. This Fair will offer an opportunity to Indian exporters to publicise their goods not only in British Columbia but also in the entire region of West Canada. Recently the Government of Canada removed surcharges on import duties on a large variety of goods and this should be of welcome interest to many countries, including ours which would be participating in the Vancouver Fair.

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The Union Ministry of Finance is understood to have veered round to the fact that the Central assistance for the 1964-65 State Plans will have to be stepped up substantially beyond the Rs. 500 crores agreed to by the former Finance Minister, Mr. Morarji Desai. An indication, it is learnt, has already been given to the Planning Commission that it could depend upon the Centre contributing to the next year's State Plans to the tune Rs. 550 crores.

The Rs. 50 crores step-up in the Central assistance, however, is not considered enough in knowledgeable circles. The total outlay suggested in the 1964-65 State Plans is stated to be of the order of slightly over Rs. 1,000 crores. According to the assessment made by the Planning Commission, following its discussions with the State Governments last month, the States may be able to raise funds from their own sources to the tune of about Rs. 325/350 crores. In spite of the increased Central assistance, there will thus remain a gap of nearly Rs. 100/125 crores to be filled if the proposed State outlays are not reduced. Among the problem-States are stated to be Assam, Madhya Pradesh, Mysore and Rajasthan;

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the gaps between their Plans and resources are said to be wide.

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The Elta Enterprise of Transformers and Traction Apparatus in Lodz, Poland, represented by the Elecktim Foreign Trade Agency, has been granted a contract for supplying 24 medium and high power transformers to India in 1964. Some of the machines will be delivered in the next few months. Funicular railways, one of the installations of a coal processing plant under construction in the South Karanpura coal basin, have been supplied by Poland. The funicular railways are fully mechanised and automated.

It may be interesting to note that the output of heavy industry in 1963 in comparison with the last year in Poland was 8.6 per cent higher. The increase was about 3 per cent in the iron and steel industry and over 12 per cent in the engineering industry. The heavy industry produced among other products about eight million tons of steel, i.e. over 300,000 tons more than 1962, about 5.5 million tons of rolled products, 12.7 million tons of coke, 17,340 metal-cutting machine tools, over 24,000 lorries, nearly 17,000 tractors, over 500 passenger railway wagons and about 14,500 goods wagons, 3,350 buses, 40 electric railway engines and 225 diesel railway engines. Hard coal mines reported that they had executed ahead of schedule the increased extraction tasks for 1963, supplying 112.5 million tons of coal.

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The Department of Mines and Metals, in the Union Ministry of Steel, Mines and Heavy Engineering, is understood to be re-examining the possibilities of setting up, during the fourth Plan period, some Low Temperature Carbonisation Plants for the production of domestic coke. Establishment of three such plants was thought of early during the current Plan also, but none of these proposals could be implemented due to lack of financial resources. Interest has again revived in this programme in view of the urgency to save the forest wealth of the country and for sparing animal-dung for manureal purposes.

Apart from domestic coke, the Low Temperature Carbonisation Plants will produce many useful by-products such as Benzene, Toluene, Xylene, Naphthalene, Phenol, etc.

Cement: A New Peak in Capacity Utilization

From Our Correspondent

BOMBAY:

THE CEMENT MANUFACTURERS' ASSOCIATION has released production figures of 19 member-companies for 1963 as compared to 1962. The total output of cement at 8.78 million tonnes in 1963 was higher than 1962 by 0.66 million tonnes. In 1962, the number of reporting companies was 18 as compared to 19 reporting companies in 1963. If the estimated output of the two public sector units — one at Churk in Uttar Pradesh and the other at Bhadravati in Mysore — is taken into account along with the output of the Mysore Cements Ltd., Bangalore, which, though a private sector unit, is not a member of the Association as yet, the production total will rise to about 9.3 million tonnes, which is, no doubt, encouraging but hardly sufficient to meet the demand.

An interesting feature of the industry's performance is that no less than 11 companies, out of 19, registered output above the installed capacity. Madras Cement Ltd. recorded a rise of 19.3 per cent in production above its installed capacity. The overall utilisation of capacity of all the members taken together was 97 per cent — indicating a sizable improvement over the capacity utilisation in 1962 at 93.6 per cent. The increase in production can partly be explained in terms of the increase in the selling price of cement allowed by the Government in November, 1961. Even though it did not meet the full demand of the industry, it did provide incentive enough to raise output to the best possible limits under the present working conditions. Another praiseworthy decision taken last year was the sanction of foreign exchange allocations in regard to some of the licencees because it was felt that the indigenous manufacturers were not in a position to deliver all the units which were needed for the country to meet the rising demand.

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In August, 1963, the Government of Maharashtra referred the dispute about the computation of the Bombay cost of living index to a special committee headed by Prof. D. T. Lakadawala. The labour organizations had been agitating for a revision of the old series based on a family budget enquiry conducted in 1934. The committee has now submitted its report to the Maharashtra Government indicating that the price indices of four items, namely, ghee, ready-made tea, house rent and clothing group, required adjustment. The committee has estimated that the overall impact of the provision in the indices of all these four items will be to raise the average general index figure for 1960, which was at 420, by 29 points to 449. The new series may be linked with the current series at 1960 by a simple ratio linking, the factor used being 4.49. The State Labour Minister, Mr. N. M. Tidke, will have discussions with organisations of both employers and trade unions before taking a decision on the report. The findings of the Committee are, however, extremely disturbing from the point of view of the employers. A rise of 29 points or 7 per cent in cost of living, if translated immediately into a rise in the dearness allowance of labour, will increase the wage bill of the textile mills. There are no less than 400,000 industrial workers in Greater Bombay who are likely to benefit from an upward revision. Indian cotton textiles have already been slowly losing ground in the international markets; any fresh burden is likely to raise not only the prices of indigenous cotton textiles, but will have an unhealthy impact on India's exports. A cautious policy needs to be adopted in this case, because it is likely to have very wide repercussions. It is feared that agitation for revision in the cost of living indices in other cities will also gather momentum.

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Proposals for licensing additional sugar capacity during the remainder of the third Plan and probably during the fourth Plan are being viewed favourably in Maharashtra. The Centre is believed to have decided on a four-fold criterion for future licensing of sugar mills. These are recovery percentage, absence of gur competition, condition of cane development and preference for the co-operative sector. The fourth Plan target is likely to be 45 to 50 lakh tons and by and large, Maharashtra and Southern States are likely to get the lion's share. The co-operative sugar factories, in contrast to some of the private sector units, are up-to-date in payment to cane growers. Several of them have been able to pay cane prices much above the statutory minimum by virtue of high recovery from sugar cane. Since Maharashtra is one of the pioneering States in the field of co-operative sugar factories, the prospects of further location of sugar capacity in the State seem bright.

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An overseas selling agents' conference — the first of its kind to be held in the country — which was convened by the Raymond Woollen Mills, Bombay, was attended by delegates from the United States, the Continent and the Middle East Addressing the gathering, the Textile Commissioner, Mr. R. Doraiswamy, pointed out that the export of woollen textiles from India had not yet reached the stage which would cause disruption of markets in their (delegates') countries. The wages of the woollen industry in India compared very favourably with those obtaining in advanced countries and as such the charge of 'sweated labour' could no longer hold good. While the industrially advanced countries could go in for the production of sophisticated items, importers of Indian woollen goods should take into account the kind of goods that India could produce at the present stage of industry's development. Modernisation could make it possible for the Indian industry to produce more sophisticated items. The selling agents from different countries rightly stressed the need for maintaining quality at a high level and supplying goods in time and at an attractive price in keeping with the changes in consumer preferences.

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The Reserve Bank of India has published the preliminary results of a survey conducted into rural debt and investment. The survey was spread over all the States covering 2,057 villages during the period July 1961 to June 1962. Nearly 62 per cent of the rural households had outstanding loans in cash at the end of June 1962. The average debt per rural household was about Rs. 654, Rs. 719 for cultivator households and Rs. 429 for non-cultivator households. The survey has also shown that the average value of recorded assets for household worked out to Rs. 5,358, with the Punjab and Assam accounting for the highest (Rs. 10,482) and the lowest (Rs. 3,115) respectively. The average level of assets (all-India) for cultivators was Rs. 6,696 as against Rs. 1,678 for non-cultivators. Fixed capital formation was estimated at about Rs. 50 per household. Nearly 50 per cent of the rural households had borrowings during the period, the proportion being low in Assam and Orissa (20 per cent) and high in Rajasthan (over 70 per cent). The average amount borrowed for every rural household during the year was Rs. 180. Repayments averaged about Rs. 90 [illegible] — half the amount borrowed.

Violence: Point Counterpoint

From Our Correspondent

CALCUTTA:

THE GHOSTS of a pestilential past had been crowding upon the minds and moods of the people of this State for the past few days. For some days preceding January 10, public opinion was being excited and inflamed by reports of widespread and continuing disturbances in Khulna and Jessore districts of East Pakistan, where the Hindu population had been subjected to violence to property and person. The communal aggression in East Pakistan had followed the exploitation, for political purposes, by the Press, politicians and even Government leaders in Pakistan of the theft of the Prophet's hair from the Hazratbal Shrine in Kashmir and its subsequent restoration.

On January 9, the External Affairs Ministry in New Delhi impressed on the Pakistan High Commissioner the need for urgent action to end quickly the disturbances in East Pakistan and afford protection to the minority community. On the same day, the West Bengal Government sent a strong note to the East Pakistan Government expressing its apprehensions that if effective steps were not taken to stop immediately the violence which was being committed against Hindus in Khulna and Jessore districts, there might be repercussions in West Bengal. This fear, unfortunately, was borne out the next day when hooliganism broke out in the form of arson and rioting in some places in the south eastern part of West Bengal. The police had to fire on several occasions in the 24 Parganas and a dusk-to-dawn curfew had to be imposed in many places. The trouble had spread to the eastern areas of Calcutta itself by Saturday when troops had to be called out to assist the civil authorities in maintaining law and order. Curfew had also to be imposed. On January 12, military authorities took over the administration of five Thana areas of Calcutta at the request of the Chief Minister. On the same day the Union Home Minister, Mr. Nanda, arrived from Delhi to affirm the Central presence in the troubled city and assume direct Central responsibility for the protection of life and property of all citizens and the early restoration of law and order. The stern measures taken to quell the disturbances had their effect and by Monday of this week the situation had been brought under control. The curfew could be relaxed in all the areas on the following day although the military administration had to be extended to some more areas. Overall, there was improvement to the point of permitting the Home Minister to return to the Capital on Tuesday evening. According to official figures, 52 had been killed in Calcutta and 57 in the surrounding districts in the incidents till Monday evening. During the same period 325 were injured in Calcutta and 126 in the districts. In addition, 36 persons were killed by police action in Calcutta and five in the districts, while 103 sustained injuries. Most of the casualties in the disturbances were among members of the minority community while casualties resulting from police action were mostly among members of the majority community. The Home Minister disclosed that over 7,000 persons had been arrested and of them 4,000 had been rounded up in Calcutta City.

Firm Handling

Although the problems of physical and emotional rehabilitation of the persons who suffered in the disturbances remain to be dealt with, it would now appear that the worst is over—thanks to the total firmness displayed by the authorities from the very start. While it is true that the induction of the military administration and the presence of the Central Home Minister played a decisive role in quelling the disturbances early, it must be said to the credit of the State Government that it was not remiss at any time in the discharge of its own responsibilities. Unfortunately, it had to reckon with two serious limitations. One was that, although the actual indulgence in violence against the minority community was confined to hooligan elements, mob activities were often backed by mass sympathy. It may be true that there was no overt resort to large-scale violence by the majority community as a whole, but that, thanks to the reaction to events in East Pakistan, the Hindus in the disturbed areas of Calcutta and other parts of West Bengal were, in large numbers, disposed to countenance retaliation cannot be gainsaid. Secondly, a high proportion of the police force consists of Hindus from East Bengal and this certainly did not make it any the easier for the West Bengal Government to enforce law and order.

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Mr. A. S. Bam, Chairman of the Tea Board, stated on January 9, 1964, that a new record in tea exports was attained in 1963; the total value of tea exports was Rs. 132 crores while the total volume of tea exported was 491 million lbs.—highest since 1959 both quantitatively and from the point of view of foreign exchange earnings. The new peak in exports was achieved despite the fact that the production of tea in 1963 had not exceeded that of 1962. Mr. Bam, however, was sceptical that the third Plan target of 900 million lbs. would be

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attained. He said that knowledgeable people in the tea industry felt that a more realistic target would be 820 million lbs. In order to fix a realistic target of exports for the fourth and the fifth Plans, the Planning Commission had set up a Working Group which had held its first meeting in New Delhi in December, 1963. The second meeting will be held in Calcutta in the current month. The Tea Board has launched a two-pronged programme about export promotion. One aspect of the export promotion scheme relates to the propagation of the image of tea as a beverage through tea councils in different countries; the other is a publicity campaign through "tea centres" in world capitals and commercial centres. Because India and Ceylon together produced 80 per cent of tea in the world, the two countries were jointly undertaking tea promotion in several European countries.

**

At the third annual general meeting of the West Bengal Hosiery Association on January 4, 1964, Mr. A. K. Choudhuri, President of the Association, said that there was need for taking effective measures for export promotion of Indian hosiery goods by way of necesary simplification of elaborate foreign exchange controls and regulations, manning Indian Trade Commissions and Consulates with experienced hands with adequate commercial background and zeal for doing useful work, and ensuring availability of adequate raw materials and cheaper machineries for effecting reduction of cost structure of the industry. The increasing domestic demand for superior class of hosiery goods and the mounting demand for quality goods in overseas market could be met only with adequate and regular supply of finer counts of cotton yarn, synthetic woollen yarn etc. to the industry. If any restraint on home consumption was desired, it could be so designed as to ensure export of quality goods in larger volume to augment foreign exchange earnings of the country. Mr. Choudhuri also suggested that the code of conduct already introduced for exporters should be extended to the home market to successfully eliminate any chance of conflict between business interests and general interests of the consuming public.

The implementation of the recommendations of the Study Group, Mr. Choudhuri observed, will enable the hosiery industry to get rid of its basic problems. Much more welcome were the decisions of the West Bengal Government in removing the hurdles of Sales-tax on hosiery goods and of the Central Government in recently announcing to decontrol yarn.

A Good Record in Industrial Finance

From Our Correspondent

MADRAS :

THE MADRAS Industrial Development Corporation Limited is the largest and, possibly, the most successful among similar financial institutions in this country. In the 14 years of its working it has steadily increased its assistance to industrial borrowers with the result that the cumulative total of loans disbursed by it had reached Rs. 9.78 crores at the end of June, 1963 as against the cumulative total of loans sanctioned at Rs. 11.66 crores. The Corporation has been specially helpful in the floatation of new enterprises by underwriting or participating in the equity capital of company floatations. This has certainly been a source of strength for new industries in the State which may not otherwise have been able to get a good financial start.

Here it is relevant to note that, side by side with taking a bold interest in new industries, the Corporation has also stuck to sound principles of industrial finance with the result that it has an excellent record of recoveries in respect of loan capital or interest charges, which, incidentally, also reflects credit on the Corporation's customers, many of whom are relatively small or new entrepreneurs. Apart from cash loans, the Corporation has also been issuing guarantees to machinery suppliers in respect of deferred payment for machinery sold to its constituents. It has also been giving guarantees to commercial banks with whom its customers have arranged for loans. These activities have been greatly facilitated by the Madras Government having decided to back these guarantees to the extent of Rs. 5 crores, in the first instance.

An important source of finance for the Corporation is secured from the public in the form of fixed and call deposits and cash certificates. The cumulative total of such receipts stood at Rs. 3.04 crores at the end of June, 1963. With the business community in the State making increasing demands on the Corporation's services, it is clearly necessary that its resources should be strengthened. Hence the view is strongly expressed in the speech of the Corporation's Chairman (which is due to be delivered at the annual general meeting next week and is now being circulated to shareholders) that the powers recently given to the Reserve Bank to regulate the receipt of deposits by financial institutions, such as the Madras Industrial Investment Corporation, should not be so used as to create difficulties in the way of its attracting deposits from the public. It is also pleaded that the Central Government should review its policy towards the State Finance Corporations and assume a measure of positive responsibility for strengthening the finances by placing with them generous amounts from PL-480 funds or advising the Life Insurance Corporation to divert to them some of its investment funds.

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The failure of the south-west monsoon last year has created a problem for Kerala and it has now been indicated that, notwithstanding the commissioning of the first set having a capacity of 15,000 kW in the Panniar Project, it would be necessary to impose a cut of 40 per cent from the middle of this month. The level of storage in the various hydel reservoirs is unsatisfactory and the position is not expected to improve to any great extent until the Sabarigiri project takes shape. Even so, the dependence on hydel power will create problems during the summer months and it has been emphasized that planning for power generation during 1966-71 should be carried out on an integrated basis. The supply of power by the Madras Electricity Board of 20,000 kW during nights to Kerala has, under the circumstances, been greatly appreciated though it is felt that this power availability could be increased in the coming weeks and that the Madras Government should adopt a more helpful attitude.

There are at present three units generating up to 150,000 kW of power at the Neyveli thermal station, one unit being shut down for annual overhaul and repairs. As the steam turbines have to be continuously operated, the Neyveli thermal station is now serving as a base load station and it is expected that the fifth set, which is being erected, will be commissioned in time for use in the summer months. The first unit which has been shut down for overhaul will also be started again as early as possible so that power from this source will be available to the maximum extent in the critical months between April and July. As the demand for power during nights is not large, the Madras Government is now using the hydro-electric stations for meeting the demand during peak periods and only irrigational discharges are being regularly harnessed. The level of storage in the Nilgiri reservoirs, Mettur and Papanasam is considered satisfactory though at Periyar it is not so as compared to the level at this time last year. But it is hoped if there is no undue delay in the onset of south-west monsoon, a cut in power supply could be averted by the Madras State Electricity Board. With the commissioning of additional units in the Periyar, Kunda and Mettur Tunnel schemes in the next two years and the completion of the first stage of construction of the Neyveli thermal plant, there may not be any serious difficulty in meeting the additional demand for power though it is pointed out that future planning may present some difficulties and greater thought will have to be given to the drawing up of schemes by the Madras Government.

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With available water power resources mostly harnessed, the State Government can think of adding to installed hydel generating capacity only in a small way as, besides the Kodiar scheme in Kanyakumari District, the potentialities of other small falls are being examined. It is, therefore, felt that the Madras State Electricity Board would like to concentrate its attention on the generation of additional thermal power and firm up the grid system specially as the surplus hydel power from Mysore and Kerala, after sometime, might prove to be helpful. The prospects of working the Hogenigal Project on a joint basis between Mysore and Madras have of course improved and it has latterly been suggested that this project should be even handled as a central undertaking. The Mysore Government has a feeling that much larger quantities of power can be generated if the scheme as prepared by the Madras Government was altered and the dam was located even on Mysore territory. How this proposal will ultimately take shape is difficult to anticipate at this stage.

But in Neyveli there would seem to be a confident feeling that the capacity can be increased to one million kW without difficulty and if the Madras Government's proposal for a large-sized unit at Ennore also fructifies, there could be an exchange of power between Kerala and Mysore particularly as, apart from larger availability, the cost also can be kept down, hydel power in Kerala and Mysore being generated much more cheaply. There is no doubt that the find of lignite in Neyveli has been a great boon as export of power has been in very large quantities during the first nine months of 1962-63 and it is estimated that in 1964-65 the supply could be raised by a further 25 per cent in spite of an increase in consumption by the integrated project at Neyveli itself.

Increasing Tempo

After the initial difficulties and unjustifiable delays there is now evidence of an increasing tempo of construction work in this new industrial complex. It is now anticipated that the sixth set having a capacity of 50,000 kW will be got ready early next year while the seventh set of 100 mW is scheduled to be completed in the first quarter of 1966. The fertilizer project, which was given Cinderella treatment till recently, has taken good shape and there is a possibility that at least one of the two streams will be commissioned before the end of this year and the production of urea on a commercial scale will begin by the middle of 1965. There is every prospect of the briquetting unit starting operations in sections by the end of this year as it is not necessary to complete the whole project, as in the case of the fertilizer scheme, in order to produce briquettes. The possibilities for further development during the next Plan are being exploited and it will not be surprising if the capacity of the Neyveli thermal plant is expanded beyond 600 mW while the fertilizer project may be expanded to produce additionally 50,000 tons of urea. In any case, the Neyveli Project has earned for itself a very prominent place in the regional economy and can be operated on an economic basis if the full potentialities are intelligently exploited.

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The successful firing of the second two-stage rocket to study outer space at the Thumba rocket site, near Trivandrum, a few days back has created a feeling of great confidence in the scientists and technicians working on this project. The capability of Indian personnel has been greatly appreciated and it is now felt that this rocket fire range might be utilised more effectively for getting a better idea of the temperature of region of the earth atmosphere above 40 kilometres. The rocket weighed 1,600 lbs and carried a pay load of 62.5 lbs of sodium vapour, like the first one fired on November 21, last year. It reached an altitude of 116 miles and developed a maximum velocity of 2,400 miles per hour. The weather was ideal and all the camera stations situated at Kanyakumari, Palayamkottai, Kottayam and Kodaikanal reported satisfactory observation conditions for photographing the sodium vapour clouds. In view of the successful experiments and the ability of the Indian personnel, there is every likelihood of this site being designated as the first international space facility under U.N. sponsorship.

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The declaration of higher dividends by the major banks has greatly encouraged investors. Excepting one or two banks all others which have published their working results for 1963 have raised dividends in equity capital. While the higher dividend recommendations in the case of United Bank of India, Devkaran Nanjee Banking Company, Bank of Baroda and Bank of India have been welcome, so far as this part of the country is concerned, the State Bank of Travancore has raised its distribution for 1963 to 6 per cent, taxable, from 5 per cent taxable for the previous year. Bank of Mysore, however, will be only maintaining the dividend at 10 per cent, taxable while Indian Bank Limited has announced that the cut in the dividend effected last year would be restored. Accordingly, a total dividend of 15 per cent, taxable, is to be paid against 14 per cent, taxable, previously. The Bank has made impressive progress and in the last two years has added to its deposits by more than Rs. 10 crores. At the end of 1963, total deposits stood at Rs. 49.83 crores against Rs. 44.04 crores in 1962. There was an increase in the net profit for the last year, after taxation and all adjustments, to Rs. 17 lakhs from Rs. 15.25 lakhs in 1962. The transfer to reserve was only slightly higher at Rs. 3.40 lakhs (Rs. 3.10 lakhs). The Indian Overseas Bank also has made good progress, there being an increase in its deposits during the same year by about Rs. 4 crores to around Rs. 40 crores. The big new building of this institution was inaugurated on Monday and the chairman and directors of the Bank were justifiably proud of the progress made in recent years.

**

Several new issues are coming on the market. Lakshmi Machine Works Limited is expected to offer to the public Rs. 1 crore in equity shares, the balance of Rs. 1.5 crores out of the issued capital being taken up by the promoters and Swiss collaborators. This project is estimated to cost Rs. 6 crores and will be one of the largest producers of textile machinery in this country. Andhra Sugars also has a big programme of expansion. It has already successfully diversified its lines of production having a sugar factory, a distillery, a sulphuric acid and superphosphate plant and acetic acid and acetic anhydride units. The last two units were commissioned sometime back. It is now proposed by the directors of this company, to erect a caustic soda-chlorine plant and a hydrochloric acid plant in Andhra Pradesh near the existing sugar factory. This scheme is estimated to cost a little over Rs. 2 crores. But it has been proposed to raise only Rs. 13 lakhs by issuing equity shares at a premium of Rs. 3 per share. The balance will be found to the extent of Rs. 1.40 crores from the Industrial Finance Corporation and from internal sources and suppliers' credit. As the earning capacity has been increasing and during the current account period it is expected that larger profits could be made the distribution on increased equity capital can be easily maintained.

The moving finger writes

IN THE wake of the Prime Minister's illness three men have come to occupy the centre of the national stage. The first is Mr. Lal Bahadur, who seemed to take charge effectively and effortlessly at Gopabandhunagar. To say this is not to detract from the quality of the new Congress President's leadership. Mr. Kamraj's forte, however, is personal or small group discussions. This apart, his linguistic limitations have to be allowed for in large multi-lingual gatherings. In the circumstances, the large political role which Mr. Lal Bahadur played in Gopabandhunagar was natural and legitimate. It must, however, be pointed out that both Mr. Kamraj and Mr. Lal Bahadur were greatly helped by the constructive co-operation they received from the delegates. Much has been written about the Congress Session in various sections of the Press in serious criticism or facetious fault-finding. But it would be churlish not to acknowlege the restraint and sense of responsibility which the nation's principal political parties showed under the shadow of Mr. Nehru's illness. I have heard it suggested that one of the most encouraging factors in these uncertain days is the capacity shown by the Congress Party at the recent session to pull itself together under stress. I am inclined to agree.

**

Next to Mr. Lal Bahadur, Mr. Nanda has risen in public estimation. Even before the Prime Minister's illness, he has shown with regard to the Hazratbal episode that he could discharge his responsibilities as Home Minister as well as a senior leader of the ruling party with both firmness and dispatch. After Mr. Nehru's illness had thrown more responsibilities on him, he demonstrated even more convincingly that he could function in a decisive manner when the occasion called for it. It is no exaggeration to say that his handling of the Calcutta disturbances has shown that there is enough mature material in the Congress leadership for the country to rely on in circumstances of stress and strain.

**

The third man on whom the nation's spotlight has been turned is Mr. T. T. Krishnamachari. He shares with Mr. Nanda the onerous responsibilities of the ailing Prime Minister. To those who have been disposed to regard Mr. Krishnamachari only as an economic technician, it may perhaps have come as a surprise that he has been chosen almost automatically to discharge much wider functions in the Government. The fact, however, is that the Finance Minister is a very versatile person. His potentialities as a policy-maker or administrator need not be regarded as being restricted to any limited sphere of government. It is well-known in political circles that Mr. Nanda and Mr. Krishnamachari have lately come together a great deal and that they have found it advantageous to function in mutual trust and increasing co-operation. Their sharing of new responsibilities should further strengthen this partnership.

**

In the last few days, there has naturally been much speculation about the political consequences of the Prime Minister's illness. Mr. Lal Bahadur has been most talked of as the person to whom much of the Prime Minister's responsibilities and most of his political status must shift whether as an interim arrangement or on a more permanent basis. At the same time, other possibilities are not to be lightly discounted. I for one do not see how Mr. Morarji Desai can be ignored. In any strong or stable leadership which is to be organised to take the place of Mr. Nehru in the Congress Party or in the Government, Mr. Desai is bound to play a big part. Mr. Nanda is another person whom it would be unwise to disregard in speculations of this kind. I have enough faith in the patriotism of these leaders to believe that a decorous and dignified understanding is possible among them. Mr. Nehru, of course, will have a larger say in these matters, as also the Congress President; but due weight must also be given to the influential role which the Chief Ministers of various States would be able to play. It is even possible that a purposive group of Chief Ministers, acting together, would determine the future leadership of the party.

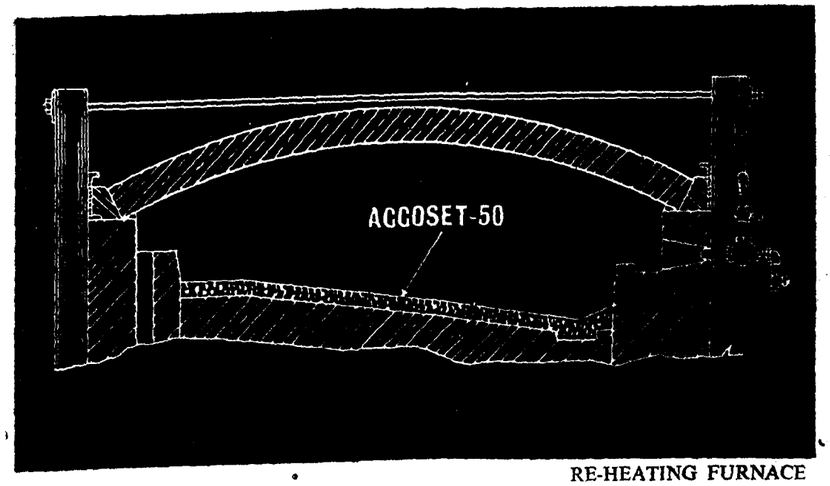
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Mr. K. C. Neogy's resignation from the Chairmanship of the Committee on Transport Policy and Co-ordination in the Planning Commission, cannot have come as a surprise to those who have had some idea of what has been going on behind the scenes. The report of his resignation and its acceptance by the Commission has been released to the Press to the accompaniment of several explanations some of which are obviously inspired. Thus there is no truth in the suggestion that he has resigned on health grounds or for personal reasons. It has also been said that Mr. Neogy was unhappy over insufficient response from State Governments or other concerned organisations which had failed to provide the data needed by his Committee. The truth appears to be that Mr. Neogy has resigned in circumstances of deep policy differences over the scope and nature of his committee's responsibilities. It has been mentioned that he had objected to the terms of reference which were given to the World Bank mission on Coal Transport on the ground that the sphere of work entrusted to his committee was being encroached upon. A full account of his difficulties in the Planning Commission may, however, be available only after some time when he himself decides to take the public into his confidence. Meanwhile, all that may be said is that Mr. Neogy has resigned only after prolonged correspondence with the Prime Minister who, it appears, had at all stages tried to be most helpful and responsive to his representations.

**

On Monday of this week most newspapers carried on the front page a picture of Mr. Nehru driving home from Palam airport on his return from Bhubaneswar the previous day. "The Statesman" had come out with a particularly striking newsphoto which is reproduced on the cover page of this issue by courtesy of "The Statesman". I would also like to share with my readers the following legend which accompanied the picture on its original publication: "'That's enough, and thank you', said Mrs. Indira Gandhi, stretching her hand protectively in front of her father as our photographer waylaid the Prime Minister's Cadillac on its way to the city from Palam airport on Sunday. Mr. Nehru only smiled."

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Trade Winds

RELAXATION IN INDUSTRIAL LICENSING

ACCORDING TO a Government notification, there will now be no need for industrial undertakings with fixed investment up to Rs. 25 lakhs to apply for an industrial licence under the Industrial (Development and Regulation) Act, 1951. This relaxation of the exemption limit will not apply to the few industries (coal, vanaspati, roller flour milling, oil seed crushing, leather, match and powerloom) which, for special reasons, had not been covered even by the old exemption limit of Rs. 10 lakhs. The position will be reviewed from time to time and the Government of India may, if necessary, withdraw the relaxation for any industry. The present relaxation will, however, cover not only new units but also cases of substantial expansion.

This relaxation is intended to give a special fillip to industries which require indigenous plant and equipment as well as indigenous raw materials. Only for statistical reasons, such units will be required to formally register themselves with appropriate authorities.

Where a project involves the import of capital equipment or raw materials, the necessary sanction for the import of capital goods will have to be obtained in the same way as in the past. It will be necessary for all such units to be borne on the books of the appropriate Central Government agency, such as the Director-General of Technical Development, the Iron and Steel Ctntroller, the Textile Commissioner or the Jute Commissioner. In case assistance is needed by the unit in the matter of allocation of scarce indigenous materials, such as steel or cement, it has to approach the authority with whom it is registered.

Since the Licensing Committee will not hereafter have the opportunity of examining the cases of units with fixed assets up to Rs. 25 lakhs, the entrepreneurs of such units are advised, in their own interest, to satisfy themselves about the availability of power, rail transport, water and other facilities at the site where the unit is to be located.

FOREIGN EXCHANGE FOR BUSINESS TOURS

The applications from large business houses for the allocation of foreign exchange required by their representatives to travel abroad in connection with export promotion, will now be considered by the Reserve Bank of India. This facility will, however, be admissible only to those business houses whose annual exports during the past two or three years average at Rs. 20 lakhs or more. The business houses will be required to furnish to the Reserve Bank the estimates of the likely travels abroad of their representatives for a 12-month period. After due scrutiny, the Bank will initially allow only 50 per cent of the amount considered necessary for the first six months period. The balance 50 per cent will be made available a little before the expiry of the first six months. As soon as a journey is completed, the allottee will be required to report to the Reserve Bank the exact purpose for which the journey had to be undertaken and the results achieved by way of additional exports.

PROCESS CONTROL INSTRUMENTS

A contract has been signed for the setting up of another instruments plant (at Palghat in Kerala) in the public sector with Russian technical and economic co-operation, the first one being at Kotah in Rajasthan. It is expected that with the coming up of these two plants, the country's need of process control instruments would be largely met and this will lead to a saving of foreign exchange to the tune of Rs. 20 crores per annum.

The Palghat project will have an annual production capacity of 2,871 tons of mechanical, hydraulic and pneumatic instruments, including pressure, vacuum, flow and level measuring and control instruments, automatic hydraulic regulating units, control desks for automatic controllers and also various other pneumatic devices.

OUR FIRST DIESEL LOCOMOTIVE

The first India-built diesel electric locomotive rolled out of the Diesel Locomotive Works at Varanasi on January 3, 1964. During the third Plan, 83 diesel electric locomotives are expected to be turned out by the Varanasi Works. Equipped for a planned annual production of 150 diesel locomotives to be achieved by 1967-68, the project will effect a saving of about Rs. 20 crores of foreign exchange when the works reach the optimum output. In addition, the benefits to indigenous industry will be in the order of Rs. 10 crores. Provision has been made for further expansion of the production capacity when required. The indigenous components of the diesel locos are expected to go up progressively to 90 per cent when the peak production is achieved. The components will be manufactured in Railway Workshops excepting for the electrical equipments like generators, motors, transmitters etc. which would be obtained from the Heavy Electricals, Bhopal. At the full production stage, the factory will employ nearly 4,000 men, about 3,000 of whom will be directly connected with design, research and production activities. The Rs. 20-crore project has been set up in technical collaboration with one of the foremost manufacturers of diesel electric locomotives, ALCO, of U.S.A., which in addition to providing the know-how is also training up Indian technicians.

NANGAL FERTILIZERS

The rate of fertilizer and heavy water production achieved by the Nangal Fertilizer and Heavy Water Factory of the Fertilizer Corporation of India during the first nine months of the current financial year is ahead of production targets set for 1963-64. With the present rate of production, the factory is expected to exceed the target for 1963-64.

Production of fertilizer (Calcium Ammonium Nitrate) from April to December 1963 was 280,435 tonnes, while that of heavy water was 8,739.55 Kg.

The target for 1963-64 is 370,000 tonnes of fertilizer and 11,500 Kg. of heavy water. The rated annual capacity of the fertilizer factory anticipated (though not guaranteed) by its designers is 380,000 tonnes. Production in 1963-64 is likely to come very near this full rated capacity.

Despatches of fertilizer from the factory touched the highest during these nine months. Fertilizer despatched to the various destinations in the country during the period was 293,562 tonnes.

During the first two years of its working — 1961-62 and 1962-63 — the factory exceeded its production targets. Production of fertilizer during 1961-62 was 200,790 tonnes against the target of 200,000 tonnes and during 1962-63 was 284,322 tonnes against the target of 280,000 tonnes. The production targets in the earlier years had to be kept low as the third hyper-compressor, which was damaged in transit on the high seas, had to be completely replaced. Replacement having been effected in November 1962, the factory has since then been operating at full load.

The heavy water plant, which was commissioned in August 1962, also exceeded its production target during 1962-63. Production of heavy water was 5,249.51 Kg. against the target of 4,000 Kg. The designed capacity of the heavy water plant, assuming most favourable conditions of concentration

of distillate hydrogen is 14,000 Kg. per annum but normally it is expected to yield only about 12,000 Kg. a year.

BAN ON MICA EXPORTS

Export of mica on consignment basis has been banned with effect from February 1, 1964. The export of mica scrap and waste will, however, be allowed by the Chief Controller of Imports and Exports. The following f.o.b. floor prices have been fixed and the exporters of mica are welcome to send their views regarding these prices to the Ministry of International Trade, New Delhi, before January 25, 1964:—

Book Forms Splitting Quality No. 4 @ Rs 17|- per lb; quality No. 5 @ Rs. 13 per lb; quality No. 5½ @ Rs. 8 per lb; and quality No. 6 @ Rs 5 per lb. No. 4 loose splittings dusted and|or undusted @ Rs 11.50 per lb. from Calcutta port and Rs 11 per lb. from Madras Port; No. 5 loose splittings at Rs 8 per lb; No. 5½ loose splittings @ Rs 4 per lb; No. 6 loose splittings at Rs. 0.75 per lb. and No. 6 cheap loose splittings at Rs 0.50 per lb.

PATENTS ON THE INCREASE

According to the latest report of India's Patents Office, 5,813 applications were received for patents in the year 1962 in India. Of these, only 814 originated within the country. West Bengal and Maharashtra accounted for more than 57 per cent of these applications. The inventions forming the subject of patent applications covered almost all fields of industry and technology, chemical industries accounting for the largest number of applications.

The inventions originating in this country related to synthetic drugs, antibiotics, cooked food, treatment of paddy and cane sugar, baby food, etc. Inventions in the field of iron and steel related to the conversion of phosphorus containing pig iron into high grade steel. Other important inventions related to such items as, pressure cookers, oil stoves, agricultural implements, medical instruments, sanitary equipment, cement and bricks, soil testing, rock drilling, typewriters in different Indian scripts, automobiles, power transmission, steam generators, permanent magnets, telephone instruments, radio and transistorised equipment, etc.

For the registration of designs, as many as 4,470 applications were made during the year 1962. Of these, over 80 per cent related to textiles. Applications of foreign origin accounted for even less than 2 per cent of the total applications.

DECLINING EXPORTS OF WOOLLEN CARPETS

Exports of woollen carpets to U.K. have shown continuous downward trend since 1959. The Rs. 2.77 crores export figure of 1958 fell to Rs. 2.66 crores in 1959; Rs. 2.42 crores in 1960-61; Rs. 1.94 crores in 1961-62 and to Rs. 1.78 crores in 1962-63. The main reason for this decline is understood to be the recent production of cheap tufted carpets on large-scale by the British manufacturers. This has ousted, to a great extent, the cheap Indian carpets from the British markets. The exports of Indian carpets may, however, be increased if quality varieties are produced for the purpose. It is also learnt that the British manufacturers of machine made carpets are spending extensively on publicity. This calls for more publicity for Indian carpets in U.K.

REHABILITATION OF GOLDSMITHS

The Government of India have forwarded to all State Governments a comprehensive scheme for the rehabilitation of those unemployed goldsmiths who were mainly dependent on the manufacture of gold ornaments for their livelihood, for a period of at least one year prior to January 10, 1963, when the Gold Control Scheme was promulgated. Priority will be given to displaced goldsmiths in Government services by relaxation of age limit, educational qualifications, etc. Settlement in agriculture is also contemplated by providing land and rehabilitation grants on the pattern of assistance for landless people. Loans will also be sanctioned to displaced goldsmiths, under the State Aid to Industries Act, in order to enable them to enter the field of small-scale industries. The children of certified goldsmiths as well as of employees and outworkers of dealers will be given educational assistance on the same basis as members of backward communities. Technical training facilities will also be provided for the children of goldsmiths as well as goldsmiths themselves who are below the age of 35 years and wish to give up the profession of goldsmithy. The Gold Control Officers at State Headquarters will be the co-ordinating authorities for all these schemes and will invite applications for rehabilitation before 31st March, 1964.

RUBBERISED COIR FIBRE

Coir, which is one of India's export specialities, is now acquiring a new shape as "Rubberised Coir Fibre". A few factories are being set up in Madras and Kerala States for the manufacture of this new item which has immense domestic and export possibilities. The product can be used in the form of mattresses, cushions and sheets. It will also serve as a very good material for upholstery and can be used with advantage by the automobile industry, railways and the furniture manufacturers. Its industrial uses would include packaging as well as thermal and sound insulating material. A special advantage enjoyed by this product is that it is very light and has good compression properties. The product can be moulded into various forms and shapes and it being of airy construction, water flows through it and moisture gets dried up quickly due to the continuous flow of air inside.

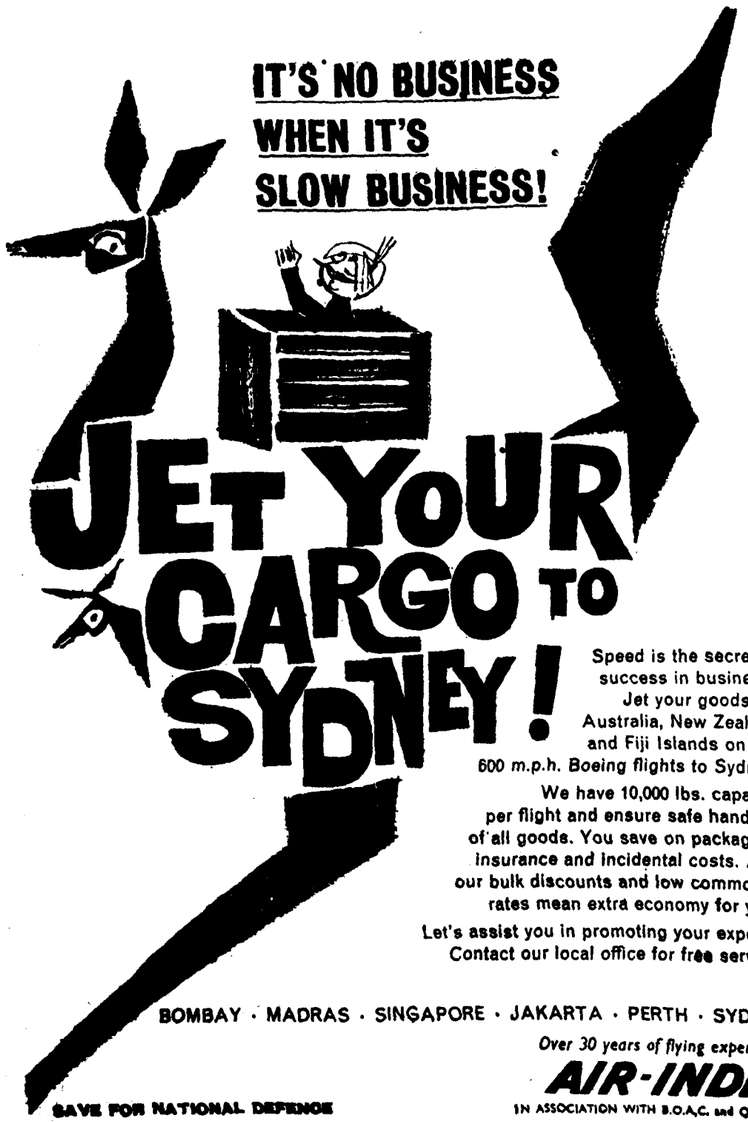
The production of rubberised coir fibre is quite simple. Strong, special quality coconut fibre is curled with the help of machines and on curling the coconut fibre forms into small and noiseless permanent springs of high elasticity. The springs are bound together and coated with a layer of high quality latex film. The finished product is permanently elastic, strong and almost indestructable.

TRAVEL CHEAPER

There will always be cynics in this world, and about Air-India's profit-making performance it has been suggested that there is nothing wonderful about it since Air-India has the twin advantages of Indian costs and American prices. That, of course, is a shallow judgment and can in no way detract from Air-India's impressive announcement of substantial reductions in air fares between India and the United States from April 1, 1964. The present Bombay/New York first class round trip fare will be reduced from $1989.50 to $1856.30 — a reduction of $133.20; and the economy class round trip fare from $1191.30 to $1127.90 — a reduction of $63.40. Mr. B. R. Patel, Vice-Chairman and General Manager, Air-India, has further disclosed that Air-India would wish to bring about, in due course, further reductions in air fares in order to encourage travel between the United States and India. He has also said that Air-India, thanks to its low operating costs and high utilisation of fleet, is well-placed to make available the benefits of lower fares to the public which should result in the expansion of the travel market.

Air-India's fare reductions follow the agreement recently arrived at a meeting of the International Air Transport Association in Montreal, under which international airlines have agreed to cut their prices, particularly in order to encourage larger traffic on the trans-Atlantic routes. It is interesting to note that not only are passenger fares being cut but also cargo rates. Representatives of the member-airlines of the International Air Transport Association, who assembled at Miami in December last, had been able to reach complete agreement on reductions in trans-Atlantic cargo rate structure and levels.





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SAVE FOR NATIONAL DEFENCE

Company Affairs

OIL INDIA'S INTERIM DIVIDEND

OIL INDIA Limited has declared an interim dividend of Rs. 40 per share of Rs. 1,000 each for 1963.

It had declared a dividend at the rate of 9 per cent per annum for the 9 months in respect of the period April 1 to December 31, 1962, which was the equivalent of 6¾ per cent for the accounting year. There were limitations imposed upon actual production and sales of crude oil due to delays in the completion of IRL's Barauni Refinery Project, but otherwise the operations during the year 1963 were considered satisfactory. Sales of crude oil during the year to the Gauhati Refinery and also to the Assam Oil Company Refinery at Digboi were around 750,000 tonnes. During the year, 29 wells were drilled as against the target of 30 wells bringing the total number of wells completed to 171 of which 132 proved successful producers of oil and gas, 22 awaited further testing and 17 proved dry. Its 720 mile long Nahorkatiya — Gauhati — Barauni pipeline was completed throughout its entire length early in 1963. It also undertook exploration and test drilling in its Exploration Licence Area, granted in January 1963, under a Rs. 2 crore programme which will continue in 1964 and 1965.

UNION CARBIDE

The Government have accepted in principle the Union Carbide's proposal for the import of second-hand equipment required for its project for the manufacture of naphtha cracker, polythylene and other organic chemicals at Trombay. The import is expected to save about one million dollars in foreign exchange. It is indicated that the company is facing difficulty in regard to water supply required for the project. The Maharashtra State Government has, however, revealed that the matter is being discussed with the Fertilizer Corporation of India to find out if Union Carbide can share on an ad hoc basis some of the water reserved for its plants by the Bombay Municipal Corporation. Final arrangements for the additional requirements would be met towards the middle or the end of 1967. The Union Carbide India Ltd. is one of the largest affiliated companies of Union Carbide Corporation outside the USA. Mr. Birny Mason Jr., President and Chief Executive Officer of Union Carbide Corporation is now in this country on a two week tour to visit the various factories and offices of Union Carbide.

LAKSHMI MACHINE

Lakshmi Machine Works Limited will enter the capital market on January 27 to offer for subscription 99,000 equity shares of Rs. 100 each. The subscription list will close on February 6 or earlier, but not before January 31. The company proposes to manufacture textile machinery in three stages and expects to commence trial production by the middle of this year and commercial production 18 months later. The capital outlay on the project for the first two stages to be taken up till 1965 will be Rs. 5.22 crores, including foreign exchange requirement of Rs. 1.26 crores. The capital outlay for the third stage to be taken up in 1966 is estimated at Rs. 3.30 crores. The imported machinery will start arriving from March and land has been acquired at Perianaickenpalayam near Coimbatore. It has entered into a technical collaboration agreement with Rieter Machine Works Limited, Switzerland.

BHARAT STEEL TUBES

Bharat Steel Tubes Ltd. will enter the capital market on January 28 with an issue of 1,200,000 equity shares of Rs. 10 each and 30,000 preference shares of Rs. 100 each. Out of this, the American collaborators, Messrs. Abbey Etna Machine Company, Ohio, USA, will subscribe to the equity capital of the value of Rs. 47.40 lakhs. The promoters, their associates and nominees have already taken up equity shares worth Rs. 30 lakhs. The balance of Rs. 429,000 equity shares of Rs. 10 each and 30,000 preference shares of Rs. 100 each will be offered to the public. The company proposes to set up a factory for the manufacture of iron and steel tubes and pipes with an annual installed capacity of 36,000 tons per shift. The project will cost Rs. 3.05 crores.

GAIKWAR INDUSTRIES

Gaikwar Industries Ltd. proposes to undertake a Rs. 3-crores project with an annual capacity to manufacture 6,000 tons of steel castings at Badlapur, near Bombay. It is negotiating for technical collaboration with Mitsubishi Heavy Industries, Tokyo, as well as other European firms. The project is likely to be financed through equity capital to the extent of 60 per cent. The company will have an authorised capital of Rs. 5 crores and issued capital of Rs. 1.75 crores. It proposes to offer equity shares of the value of Rs. 68 lakhs to the public some time in July this year. The foreign collaborators are also expected to participate in the equity capital.

PUNJAB NATIONAL BANK

The Punjab National Bank proposes to pay a final dividend of Re. 1 making a total of Rs. 2 per share or 20 per cent for the year 1963 — the same as paid for the previous year. According to the preliminary figures which are subject to audit, the bank earned during the year ended December 31, 1963, a higher profit of Rs. 126.47 lakhs as against Rs. 113.83 lakhs during the previous year. Together with the sum of Rs. 15.21 lakhs brought forward from the previous year, there is a total of Rs. 141.68 lakhs. Out of this amount a sum of Rs. 20 lakhs has been utilized for payment of interim dividend, and a similar amount will be absorbed for the payment of the proposed final dividend. The directors have proposed to transfer to the reserve fund nearly Rs. 80 lakhs — double the last year's amount. Provision for bonus to staff is higher at Rs 47.50 lakhs as compared to last year's figure of Rs. 40 lakhs.

BANK OF BARODA

The directors of the Bank of Baroda Ltd. have recommended a higher distribution of dividend for the year 1963 by stepping up the final dividend from 8 per cent to 10 per cent making a total of 18 per cent against 16 per cent last year. This higher dividend was on increased capital and has been rendered possible by the substantial improvement in net profit from Rs. 63.19 lakhs in 1962 to Rs. 75 lakhs this year. With a surplus of Rs. 3.47 lakhs brought forward from the previous year, the total distributable amount was Rs. 78.47 lakhs against Rs. 66.22 lakhs last year. Allocation to the reserve fund has been raised to Rs. 15.50 lakhs against Rs. 12.75 lakhs, and a special reserve of Rs. 20 lakhs has been created out of which the final dividend will be paid. The total dividend distribution for the year will absorb Rs. 36 lakhs against Rs. 28 lakhs last year. A sum of Rs. 26.97 lakhs is to be carried forward subject to payment of bonus to staff for which a sum of Rs. 22 lakhs was utilised. The deposits have grown by 22 per cent in the year and the number of branches opened was 33 against 20 in the previous year.

BANK OF INDIA

The Bank of India Ltd. proposes to issue, subject to the sanction of the Controller of Capital Issues, 40,500 fully paid bonus shares of the face value of Rs. 50 each in the proportion of one bonus share for every 20 existing shares. The bank has earned a higher net profit of Rs. 1.25 crores in 1963 against Rs. 1.11 crores in the previous year. Taking into account Rs. 13.09 lakhs brought forward from the previous year, there is a sum of Rs. 1.38 crores available for distribution. A sum of Rs. 25 lakhs has been separated towards the reserve fund. An interim dividend at the rate of 8 per cent on increased capital absorbed Rs. 32.40 lakhs and the directors

now propose to pay the final dividend at the rate of 10 per cent which will make a total of 18 per cent for the year against 20 per cent paid in the previous year. The final dividend will absorb Rs. 40.50 lakhs and a sum of Rs. 40.19 lakhs will be carried forward subject to the payment of bonus to staff.

UNITED BANK OF INDIA

The United Bank of India Ltd. recorded a higher net profit, after payment of bonus to staff and providing for taxation, of Rs. 26.39 lakhs for the year ended December 31, 1963, against Rs. 21.20 lakhs in the preceding year. The directors have proposed to increase the dividend from 6 per cent to 7½ per cent, less tax, which will absorb Rs. 20.20 lakhs. After allocating Rs. 5.30 lakhs to statutory reserve, the balance together with the sum brought forward from the previous year's account, amounts to Rs. 4.15 lakhs, which will be carried forward. Deposits of the bank increased by mtre than Rs. 7 crores during the year to nearly Rs. 72 crores.

DENA BANK

The net profit of the Devkaran Nanjee Banking Company Ltd. for the year ended December 31, 1963, including Rs. 3.19 lakhs brought forward from the previous year, amounts to Rs. 29.78 lakhs, against Rs. 26.59 lakhs in the previous year. The Directors have recommended a final dividend of Rs. 4 a share making in all Rs. 6 for the whole year or 12 per cent less tax. The distribution of dividend absorbs Rs. 12 lakhs. The provision for reserve fund is Rs. 10 lakhs which brings the total reserves to Rs. 1.10 crores. The provision for bonus to staff is Rs. 6 lakhs and the carryover is Rs. 1.78 lakhs.

INDIAN BANK

The net profit of the Indian Bank Ltd. for the year ended December 31, 1963, after making usual provisions, subject to audit, is Rs. 17.00 lakhs as against Rs. 15.25 lakhs last year. An interim dividend at the rate of 5 per cent plus bonus of 2 per cent, subject to deduction of tax, was paid in August, 1963. The directors now propose to recommend the payment of a final dividend of 5 per cent and a bonus of 3 per cent subject to deduction of tax, making a dividend and bonus for the year at 15 per cent as against 14 per cent last year. The transfer to reserve fund is Rs. 3.40 lakhs as aganst Rs. 3.10 lakhs last year. The deposits of the bank improved from Rs. 44.04 crores at the end of the previous year to Rs. 49.83 crores, on December 31, 1963.

AIR FRANCE

It is reported that Air France Caravelle has carried 7,000,000 passengers ever since its operations started in May 1959. This huge figure reflects the suitability of the Caravelle for high density net-works and Air France has the largest Caravelles fleet operation. The 39 Caravelles together have covered over 100 million kilometres and the 7,000,000 passengers carried up to December 11, 1963, show an average of 180,000 passengers flown at 800 kilometres an hour.

CALCUTTA ELECTRIC

Calcutta Electric Supply Corporation Limited has declared an interim dividend of 3¼ per cent for the year ending March 31, 1964. The dividend is subject to tax.

CAPITAL ISSUES

The Controller of Capital Issues has authorised eight companies to raise fresh capital aggregating more than Rs. 8.51 crores. Of these, five are issuing capital exceeding Rs. 1 crore each. The issue of one company is on a rights basis while another is issuing bonus shares. Two are issuing preference shares partly. Three companies involve foreign collaboration and in one a State Government will hold 51 per cent of the share capital. One company is offering part of its new capital to the public thrpugh prospectus. There is a bank issuing equity capital. The consent for all these issues is valid for 12 months.

Bayer (India) Limited, Bombay, will raise capital of Rs. 261 lakhs in equity shares of Rs. 100 each, for cash at par. Out of this, 146,160 shares may be offered to Farben Fabriken Bayer A.G. of West Germany. Of the balance, such number of shares as would qualify the shares to be listed on recognised stock exchanges would be offered to the public by prospectus. The proceeds will be utilised in the manufacture of insecti- issues is valid for 12 months.

Durgapur Chemicals Limited, Calcutta, will raise capital of Rs. 2 crores in 20,00,000 equity shares of Rs. 10 each partly for cash and partly for consideration other than cash. The capital is required for the establishment of a factory at Durgapur for the manufacture of caustic soda, chlorine, phenol and by-products. The total capital cost of the scheme is estimated at Rs. 650 lakhs. The Government of West Bengal would participate in the share capital of the company to the extent of 51 per cent.

The Metal Box Company of India Limited is to issue 16,10,000 equity shares of Rs. 10 each for cash at a premium of Rs. 2.50 per share to be issued to the existing shareholders in the ratio of one right share for every share held. The capital is required for conversion of existing loans of Rs. 124 lakhs obtained from Metal Box Company Overseas Limited, London, into shares, in connection with the company's expansion programme which has already been completed.

Delhi Cloth and General Mills Company Limited, Delhi, will issue Rs. 110 lakhs capital (inclusive of the permium amount of Rs. 10 lakhs) in 200,000 equity shares of Rs. 25 each, for cash at a premium of Rs. 5 per share to be offered to the existing shareholders of the company and 200,000, 9.3 per cent redeemable, cumulative preference shares of Rs. 25 each for cash at par to be offered to the public. The money will be used for meeting the increase in the cost of its two projects for manufacture of P.V.C. and Rayon Tyre Cord.

Saru Engineering Corporation Limited, Uttar Pradesh, is to issue Rs. 1 crore capital. This is divided into 320,000 equity shares of Rs. 25 each, and 20,000 9.5 per cent (free of company's tax but subject to deduction of tax at source at the prescribed rates) redeemable, preference shares of Rs. 100 each. All the shares will be issued for cash at par, except equity shares of the value of Rs. 1 lakh which will be for consideration other than cash. Out of the capital consented, equity shares of the value of Rs. 55 lakhs and the entire preference shares will be offered to the public by prospectus.

Punjab and Sind Bank Limited, Dehra Dun, is raising further capital of Rs. 10 lakhs divided into 20,000 equity shares of Rs. 50 each.

Usha Martin Black (Wire Ropes) Limited, Calcutta, will issue capital of Rs. 5 lakhs in 50,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share to the Commonwealth Development Finance Company Limited, London, towards meeting cost of capital equipments. The company is also obtaining a loan of Rs. 20 lakhs from the C.D.F.C. for the same purpose.

Bajaj Tempo Limited, Bombay, will issue Rs. 486,450 in equity shares of Rs. 10 each to be allotted as bonus shares to the existing shareholders of the company in the ratio of one bonus share for every two equity shares held. The shares will be issued on capitalisation of company's reserves to a like extent.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 during the week ending 4th January, 1964. The list contains the names and addresses of the licensees, the articles of manufacture and annual installed capacity.

COAL

Shri D. K. Samanta, P.O. Pathardih, Distt. Dhanbad, Proposed name: Kumarkhala Colliery (Mouza Kumarkhala, Distt. Burdwan, West Bengal) — Coal 1,20,000 tonnes. West Chunch Coal, P.O. Barakar, Distt. Burdwan, (Dhanbad, Bihar) — Coal 16,000 tonnes.

ELECTRICAL CABLES AND WIRES

Asian Cables Corporation Ltd., Narsari Building, 240, D. Naoroji Road, Fort, Bombay-1 (Maharashtra) — Paper and cotton covered wires and strips 500 tons.

DRY CELLS

Estrella Batteries Ltd., Yusuf Building, Veer Nariman Road, Fort, Bombay-1 (Maharashtra) — Dry Batteries (Layer type) 35 million cells.

REFRIGERATION PLANTS

Voltas Ltd., 19, Graham Road, Ballard Estate, P.B. No. 1198, Bombay-1 (District Thana, Maharashtra) — Refrigeration and air-conditioning equipment (Change of location from Cinchpokli Road Distt. Bombay to Pokhran Road, Distt. Thana) (Shifting).

JUTE MACHINERY

Shalimar Industries (P) Ltd., 25, Ganesh Chandra Avenue, Calcutta-13 (Howrah, West Bengal) — Sliver cans for jute industry 60,000 pieces.

SMALL TOOLS

The Small Tools Manufacturing Co. of India Ltd., 33-1A Upendra Chandra Bonerjee Road, Calcutta-11 (West Bengal) — (I) (Substantial Expansion) 1. Ground Thread taps all types 2,70,000 Nos., 2. Conventry type chasers 36,000 sets. 3. Tangential chasers (Milled thread & Ground thread) 12,000 sets, 4. Milling Cutters 7,800 Nos., (New Articles) 1. Screw plug & ring gauges 500 sets, 2. Plain plug & ring gauges 500 sets, 3. Snap gauges 250 sets per annum, 4. Miscellaneous gauges 100 Nos., 5. Thread Rolling Dies 1,000 sets, 6. Form tools of various sizes 5,000 number. Voltas Ltd., 19, Graham Road, Ballard Estate, Bombay-1, Proposed name: Indian Rock Drills Ltd. (Thana, Maharashtra) — Roller Rock Bits 14,000 Nos., Drag Bits 1,500 Nos., Reconditioned Rock Bits 3,000 Nos.

COTTON TEXTILES

Shri Haridas Mitra, 30, Bentinek Street, Calcutta-1 (Kolaghat, West Bengal) — Cotton yarn 12,500 spindles. Shri D. A. Patil, Chief Promoter, Yeotmal Distt. Co-operative Spinning Mills, Yeotmal (Distt. Yeotmal, Maharashtra) Proposed name: Yeotmal Distt. Co-operative Spinning Mill — Cotton yarn 12,000 spindles.

WOOLLEN TEXTILES

Panipat Woollen and General Mills Co. Ltd., Kharar Near Chandigarh Kurali (Rly. Station) (Kharar, Distt. Ambala, Punjab) — Automatic looms forl the manufacture of woollen fabrics and blankets 24 Nos.

PAPER

Shri V. Devraj, Poriaswam yRoad (West) R.S. Puram, Coimbatore-2 (Palghat, Kerala), Proposed name: Adhi Lakshmi Paper and Boards Ltd. — Paper 3,000 tonnes, Pulp 3,000 tonnes. India Paper Pulp Co. Ltd., 8, Clive Row, Calcutta (Hazinagar, Calcutta, West Bengal) — Paper and Board 4,000 tonnes, Pulp 4,000 tonnes.

CANNED FOOD

Shri G. S. Dugal & Bros., Jeevan Vihar, 4, Parliament Street, New Delhi-1 (Jalgaon, Maharashtra) — Dehydration of Bananas, Mangoes and other fruits, vegetables and milk etc., 4 lakh kgs. per month.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 4th January, 1964

(Information pertains to particular licences only)

From M/s. Ratansi Morarji Private Ltd., Bombay to M/s. Morarji Dorman Smith Ltd., Bombay.

LICENCES REVOKED OR SURRENDERED

During the week ending 4th January, 1964

(Information pertains to particular licences only)

M/s. Swaika Oil Mills, Calcutta — Cottonseed oil. M/s. New Standard Engineering Co. Ltd., Bombay — Air compressors.



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COMPANY MEETING

THE MADRAS INDUSTRIAL INVESTMENT CORPORATION LIMITED

23, Nungambakkam High Road, Madras-34

Extracts from the speech delivered by the Chairman, Mr. A. M. M. Murugappa Chettiar at the Fourteenth Annual General Meeting held on the 14th of December, 1963

During this year our net profit was Rs. 4,51,770 as against Rs. 2,69,834 during the last year. Our investments in the shares of new companies which stood at Rs. 2,15,50,750 on 30-6-1962 rose to Rs. 3,21,07,202 showing an increase of Rs. 1,05,56,452 during the year. But for a negligible amount, our investments in the shares do not give us any yield, as these investments are in the shares of new companies which are setting up their factories and cannot be expected to give any yield in the first few years. But for the massive support given by our Corporation to these new ventures, many of them would not have come into existence at all. In spite of the increase of what is at present unremunerative investment to the tune of more than Rs. one crore, it is gratifying to note that our net profit has actually shown a rise of nearly Rs. two lakhs. This satisfactory result is accounted for by an increase in our business of all departments. The loan outstanding rose from Rs. 4,80,41,773 on 30-6-1962 to Rs. 6,93,45,727 on 30-6-1963. Our guarantees outstanding in respect of our guarantees to machinery suppliers and bankers showed a phenomenal rise from Rs. 28,12,687 on 30-6-1962 to Rs. 2,14,07,648 on 30-6-1963.

It is a matter for gratification that the entire demand of Rs. 57,31,995 for the year ended 30-6-1963 has been collected. Our borrowers, especially those whose units are in the formative stage, are to be congratulated for meeting their commitments in full, thus making our recoveries hundred per cent of our demand.

We continue to receive a number of applications from entrepreneurs wishing to start industries. These applications are for term loans and for underwriting and equity participation. As has been described in the Directors' Report, our own resources are not sufficient to meet all the demands of our industrial borrowers. We have, therefore, devised the method of giving guarantees to commercial banks who give loans to our parties. In view of the magnitude of the guarantees which we are called upon to give, it was considered necessary that our guarantees should be backed by the Government of Madras. We are thankful to the Government of Madras, who have guaranteed our guarantees to the extent of Rs. 5 crores in the first instance. In one case, we agreed to give "pari passu" rights to a commercial bank which advanced part of the loan requirements of one of our borrowers. Loans for smaller amounts and loans for new types of industries are given from our own funds.

The inadequacy of Bank credit and provision of finance by Finance Institutions has been recently well recognised by the Government of India. The Government of India has also recently placed a sum of Rs. 20 crores at the disposal of the two All India Finance Institutions, viz. The Industrial Finance Corporation of India and the Industrial Credit and Investment Corporation of India Limited. I would plead for similar support to other Corporations, such as ours, operating within the geographical limits of a State and functioning nearer home to industrialists of each State, and that we should be provided with more resources either by a liberalisation of refinance facilities (which are now limited to a sum equal to our paid-up capital) or by placing liberal amounts from Life Insurance Corporation funds or P.L. 480 funds.

Reference has been made in the Directors' Report to the fall in the rate of flow of deposits as a result of the Emergency. To counter-act this tendency, we offered quarter per cent over the normal schedule of rates in respect of deposits of Rs. one lakh and more for three years and more. I am glad to say that this evoked substantial response from our depositors. In the context of this successful performance, it is rather unfortunate that the recently introduced Banking Laws (Miscellaneous Provisions) Bill is likely to have the effect of hampering the flow of funds to this institution. I hope and trust that the State Government would make appropriate representations to the Centre with a view to ensuring that the good work of this institution is enabled to be continued without any let or hindrance. I also hope and trust that our knowledgeable Union Finance Minister will appreciate the position with his usual foresight and awareness of Industry's needs in this respect and do the needful in the matter.

The total guarantees given by us in respect of deferred payment purchase of machinery on behalf of our constituents to machinery suppliers and banks amounted to Rs. 1,97,67,030 up to 30-11-1963 as against Rs. 1,61,25,787 up to 20-6-1963. Besides the above guarantees, we have given guarantees to banks for loans sanctioned by them to our customers to the tune of Rs. 1,33,00,000. Our loans on 30-11-1963 stood at Rs. 7,57,87,979 as against Rs. 6,93,45,727 on 30-6-1963.



RECORDS AND STATISTICS

Industries Development Procedures Committee

Interim Report

A COMMITTEE was set up by the Government of India in September last year to recommend measures for simplifying and speeding administrative procedures relating to industrial licensing. The Committee has Mr. T. Swaminathan, currently Secretary, Department of Supply and Technical Development, Ministry of Finance, as Chairman, and 9 other Members of whom four are officials and the remaining are representatives from the business community. The officials are: Mr. N. C. Srivastava, presently Secretary (Mines), Ministry of Steel, Mines and Heavy Engineering, Mr. P. Govindan Nair, Additional Secretary, Department of Economic Affairs, Ministry of Finance, Mr. V. K. Ramaswami, Economic Adviser to the Government of India, and Mr. K. J. George, Deputy Secretary, Ministry of Industry. The Members from the business community are: Mr. Bharat Ram, President, Federation of Indian Chambers of Commerce and Industry, Mr. A. R. Foster, Mr. Lakshmipat Singhania, Mr. A. M. M. Murugappa Chettiar and Mr. P. Chentsal Rao. The Committee has submitted an Interim Report and the Government's decisions on its recommendations were announced by the Ministry of Industry in a Resolution dated January 13, 1964.

The text of the Interim Report of the Swaminathan Committee and the relevant portions of the Resolution of the Ministry of Industry giving the Government's decisions on the Committee's recommendations are reproduced below:

PART I

Introduction

The Government of India in the Ministry of Industry, by their resolution No.4(22)Lic.Pol/63, dated the 24th September, 1963, set up a Committee consisting of the undersigned to review the operation of controls applicable to the establishment of additional industrial capacity under the Industries (Development and Regulation) Act, the import of capital goods, the issue of capital, and foreign investment and collaboration and to suggest such modifications as would reduce delays in decision. The Resolution also provided for the Committee submitting interim reports as and when necessary. This is an interim report which the Committee wishes to submit.

2. The Committee has so far held three meetings in New Delhi and has generally reviewed the existing procedures regarding the issue of licences under the Industries (Development and Regulation) Act, the import of capital goods, the issue of capital, and approval of foreign investment and collaboration. It has also undertaken a few studies of cases selected at random involving these various processes. These studies have disclosed delays at various stages, partly due to the long time taken in the movement of files from one authority to another and partly due to delays inherent in a system involving consultation with multitudinous authorities. The Chairman of the Committee, in his capacity as Secretary to Government, is bringing to the notice of the individual Ministries concerned the reports on the case studies, so that they may independently taken such action as may be considered appropriate to prevent the type of avoidable delays that are taking place.

3. In this interim report the Committee is confining itself to two main recommendations which it considers to be very important and speedy action in respect of which is likely to assist in the expeditious operation of the controls in the fields to which they relate. The first recommendation relates to a speedy procedure for according clearance in principle to the establishment of additional industrial capacity, i.e., the issue of a "letter of intent", as this is commonly referred in. The second recommendation relates to the speedy processing of all applications relating to certain "key" industries which are either important for the promotion of self-sustaining industrial growth or are industries in which we are substantially lagging behind in the achievement of our Plan targets.

4. The Committee has noted in the course of its case studies that all procedures involving frequent movement of files between various offices and at various levels entail delay. Therefore the most expeditious way of ensuring early clearances would be to resort to a procedure which eliminates (sic) consultation on files to the minimum and involves taking decisions, within a prescribed number of days of the receipt of applications, at meetings consisting of representatives of Ministries primarily concerned.

5. Rule 15 of the Registration and Licensing of Industrial Undertakings Rules, 1952, lays down a period of three months within which decisions should be taken on applications for industrial licences. For various reasons, this provision, has in practice, remained inoperative. In fact, in respect of eight cases selected at random for case study, the time taken ranged from 61 to 396 days, and in six out of the eight cases, the period involved was more than 150 days.

PART II

Procedure for 'Letters of Intent'

6. In the Committee's view, it is a matter of the utmost importance that the applicants should know as early as possible whether Government would be prepared to consider favourably the proposal put forward by them. It will be difficult for the entrepreneurs to negotiate with foreign collaborators or suppliers of machinery without such an indication from the Government. The Committee, therefore, favours a speedy procedure under which a "letter of intent" can be issued within a month or so of the date of receipt of the application.

7. The Committee's first recommendation, therefore, is that only "letters of intent" should first be issued except in cases where a licence under the Industries (Development & Regulation) Act, can be issued straightaway. Intending applicants, it is suggested, should be advised through a Press Note regarding the proposal to issue "letters of intent" instead of industrial licences in the first instance. The present form or application for an industrial licence will be the basis on which issue of "letters of intent" will be considered. The applicant should be advised to send the application, in original, with 10 spare copies, to the Ministry of Industry, which will act as the co-ordinating Ministry. The Committee would suggest that there should be a small separate section in the Ministry of Industry which will deal exclusively with the receipt of all such applications, and their subsequent prompt distribution to all authorities concerned.

8. The receiving section in the Ministry of Industry should promptly distribute a copy each of the application to the following authorities:

1. Secretary to the administrative Ministry of the Central

Government concerned.

2. Industries Division of the Planning Commission.
3. Department of Economic Affairs (Ministry of Finance).
4. Company Law Division of the Ministry of Finance.
5. The Directorate General of Technical Development (D.G.T.D.)/Textile Commissioner/Iron & Steel Controller/Technical Advisers concerned.
6. Director of Industries of the State Government concerned.

To facilitate linking up in the various Ministries etc. of the papers relating to a particular case, it is suggested that each application should be serially numbered in the order of receipt in the receiving section of the Ministry of Industry and that the endorsements of copies to other Ministries etc., should bear this Serial No. Each applicant should be informed of the Serial No. allotted to his application for purposes of future reference and all future correspondence on the application, whether from the Ministry of Industry or other Ministries/Departments of Government will indicate this reference number. As, during the course of case studies it has been noticed that undue delays have often taken place in the process of mere physical distribution of applications, the Committee would suggest that it should be ensured that copies of the applications are sent out within three days of their receipt in the special section.

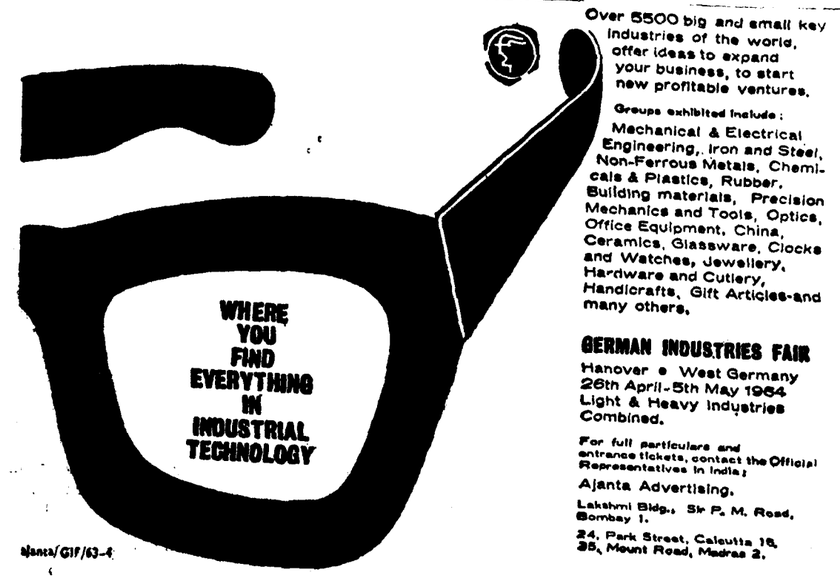
9. The primary responsibility for processing all applications expeditiously will be that of the administrative Ministry concerned. The receipt Section in the Ministry of Industry should, however, immediately on receipt of applications, write to the Director of Industries of the State Government concerned, in a prescribed form, inviting his attention to the application and calling for his comments, if any, to be sent direct to the administrative Ministry concerned, within three weeks from the date of receipt of the application by him. It should be made clear in this letter that if no comments from the State Government are received within this period, it will be presumed that the State Government have no objection to the proposed application and that this will be further processed on this assumption.

10. The Directorate General of Technical Development should initiate action immediately on receipt of their copy, either direct from the applicant (as many applicants do send copies direct to the DGTD) or through the co-ordinating Ministry. It has been noticed during the course of case studies that movement of files from one Directorate to another within the DGTD through the co-ordinating Section of the DGTD and from one Development Officer to another, has been a time-consuming process. The Committee would, therefore, suggest that resort should be had by the DGTD as far as practicable, to the procedure of meetings of all officers concerned, for formulating their views, or for according clearances. The DGTD should finalise their views and communicate them to the administrative Ministry within a period of 3 weeks.

11. The applications for "letters of intent" should be considered by a sub-committee of the Licensing Committee consisting of the Secretary to the Government of India in the Ministry of Industry as Chairman, the Secretaries to the administrative Ministries concerned/or their representatives, the Secretary, Department of Economic Affairs or his representative, Secretary, Department of Technical Development or his representative, a representative from the Company Law Division of the Ministry of Finance, and a representative of the Planning Commission. It will be the responsibility of the administrative Ministry concerned to send, within a period of one month of the receipt of the application, a brief note making appropriate recommendations, incorporating also the technical views of the DGTD, to the Secretary of the Licensing Sub-Committee for placing the case before the Sub-Committee. It will be the duty of the Secretary to the Sub Committee to bring to the notice of the Sub-Committee any cases where applications have been pending for more than 6 weeks without being brought before the Sub-Committee.

12. The notes for the Sub-Committee of the Licensing Committee to consider applications for "letters of intent"/industrial licence should be in a form to be prescribed. The Committee would suggest that the Sub-Committee should meet normally once a fortnight, and more frequently, if this should be necessary.

13. In making the above recommendations regarding the procedure for issue of "letters of intent", the Committee has not provided for a strict scrutiny in each case from the point of view of availability of fuel, power, rail transport and other facilities. The entrepreneurs are required to give information



regarding their requirements in the application form. It would be reasonable to assume that the entrepreneur gives an adequate measure of consideration to these factors before deciding on the project and a particular location. Having regard to the fact that in practice very few applications are even now being turned down on the ground of non-availability of fuel, power, etc. the Committee does not think it would be worthwhile doing a rigorous or time-consuming scrutiny. The Committee would suggest that the Ministry of Industry, as the co-ordinating Ministry, should arrange to send periodically, to the authorities, concerned, consolidated statements giving requirements of fuel, power, etc. in respect of approved schemes, so that these may be taken note of. If the Ministries concerned with the provision of fuel, power, etc., feel at any time that, in any particular area, fresh licensing should not be done because of any anticipated shortages, it would be open to these Ministries to advise the Ministry of Industry accordingly.

14. The "letter of intent" should broadly indicate the conditions subject to which Government will be prepared to consider the grant of a licence and should also indicate that within a specified period, varying, say from 6 to 12 months, — depending on the nature of the industry — the party should come up with definite proposals regarding —

(1) Terms of foreign collaboration, if envisaged;

(2) Import of capital equipment, if involved; and

(3) Issue of capital, if involved.

15. It should be made clear in the "letter of intent" that if within the prescribed period the applicant does not submit all the remaining applications for the various clearances, the "letter of intent" shall automatically be deemed to have become inoperative. The period which should be allowed to the applicant to submit the remaining applications should be determined by the Licensing Sub-Committee while considering the case.

16. One particular advantage the Committee visualises in this procedure is that the difficulties in regard to the prompt weeding out of infructuous licences can be overcome to some extent. Under the existing licensing procedures, licences are as a rule issued in the first place. For one reason or another, it happens that a large number of licences merely remain paper-licences without being implemented. Revocation of licences in such cases has to follow a statutory procedure which takes time. It often therefore happens that substantial capacity is blocked by such infructuous licensing. Under the procedure that is now being suggested, under which only letters of intent will be first issued, if the party does not make adequate progress within the stipulated time, the letter of intent would be automatically deemed to have become inoperative. The Committee trusts that this procedure will help substantially in dealing with the problem of prompt cancellation of infructutous licences.

PART III

Special Procedure for Key Industries

17. Having regard to the shortfalls in effective establishment of capacity for the attainment of our Plan targets, and the need for speedily establishing additional capacity in certain important industries for our industrial development, the Committee has drawn up a brief list of industries, which should be regarded as "key" industries. This list is appended to this report. The list is by no means exhaustive and is intended to be one of immediate practicability: accordingly certain other important industries, for example aluminium, copper, zinc, lead, tungsten carbide etc., which were considered for inclusion, have been left out as these industries would require special 'ad hoc' treatment for various reasons, e.g. availability of raw material, requirement of large power resources, the need for further expansion in existing units rather than through licensing of new units. Such a list will obviously have to be reviewed from time to time — perhaps every 6 months. The Committee will further examine this list and suggest additions, if any, in the final report.

18. Once a "letter of intent" has been issued, it is the Committee's recommendation that in respect of the "key" industries, a special procedure should be evolved for dealing simultaneously with all other clearances involved, such as approval of foreign collaboration terms, approval to the issue of capital and the issue of import licences. The Committee's recommendation in this regard is intended to apply only to the procedure to be followed in respect of 'key' industries.

19. After a "letter of intent" has been issued, in accordance with its terms, the party has to submit his applications for other clearances within a stipulated period. In the case of the 'key' industries, it is the Committee's recommendation that all further clearances required should be considered simultaneously by the Sub-Committee of the Licensing Committee referred to in para 11 'ante', the Chief Controller of Imports and Exports being co-opted as an additional member of the Sub-Committee as also, when necessary, the Controller of Capital Issues.

Exceptional Extensions

20. It will be the responsibility of the administrative Ministry concerned to keep a watch over the time limit allowed to applicants, as prescribed in the "letter of intent". Extensions of the timelimit should be the exception rather than the rule. Extensions should be granted only by the Licensing Sub-Committee after due consideration of all factors. Intending applicants should be advised in a Press Note that all the applications for the clearances required in the case of the 'key' industries such as foreign collaboration approval, issue of capital, import applications, etc. should be submitted simultaneously, so that they may be considered at one meeting by the Licensing Sub-Committee. They should also be advised to send the required number of copies of all their applications to the Ministry of Industry. The special section in the Ministry of Industry will, immediately on receipt of the application, transmit copies to the following authorities, giving the same Serial No. as given earlier to the application for industrial licence:

1. Secretary of the administrative Ministry concerned.
2. DGTD/Textile Commissioner/Iron & Steel Controller/Technical Advisers concerned.
3. Secretary, Department of Economic Affairs.
4. Planning Commission (Industries Division).
5. Chief Controller of Imports & Exports (copy of import application only with Treasury Challan).
6. Controller, Capital Issues (copy of Capital Issue application with Treasury Challan and of proposals regarding foreign collaboration, wherever foreign equity participation is involved).

21. Immediately on receipt of the application, it will be the responsibility of the administrative Ministry concerned to initiate action and ensure that within a period of three weeks of the receipt of the applications a brief summary of the relevant aspects of the case is sent to the Secretary to the Licensing Sub-Committee for consideration at the next meeting of the Sub-Committee.

22. The DGTD should, immediately on receipt of the copies of the applications, initiate all action required on their part regarding technical advice and in particular take up the question of clearance in regard to indigenous non-availability of items contained in the import application. Clearance of the entire import list applied for should not be held up if there is some doubt about only a part of the machinery regarding indigenous non-availability. Further, as has been suggested earlier, clearances in this office should normally be

on the basis of meetings of officers concerned and on known availabilities with relation to the state of the order books of principal suppliers rather than on the basis of leisurely movement of files or on the basis of time-consuming individual references to suppliers.

Ministry's Responsibility

23. The administrative Ministry should, to the extent practicable, prepare the notes for the Sub-Committee after discussion with the concerned officers in the DGTD so that it may be possible for them to finalise the note for the Licensing Sub-Committee within a period of three weeks. It should be the responsibility of the administrative Ministry to ensure that applications are placed before the Sub-Committee not later than five weeks from the date of their receipt. The Secretary to the Sub-Committee should bring to the notice of the Sub-Committee, at each meeting, cases which have been pending for more than six weeks and have not yet been placed before the Sub-Committee.

24. It is the Committee's recommendation that the industries included in the "Key" industries list should be given special preferential treatment in respect of release of foreign exchange and regarding all other clearances such as permission for issue of capital.

25. In order that final decisions may be taken at the meetings of the Licensing Sub-Committee without waiting for further consultation with the applicants by correspondence, in all cases where such consultation is likely to be necessary, a representative of the applicant may also be asked to make himself available on the day of the meeting of the Licensing Sub-Committee, for consultation, if required by the Sub-Committee. The Committee makes this recommendation since it may be possible for the Licensing Sub-Committee to take a decision at the meeting in the light of such clarification, written or otherwise, which the applicant or his representative, may be able to give on the spot.

26. The Committee has suggested the inclusion of the CCI&E, on the Licensing Sub Committee so that he is in touch with the decisions of the Sub-Committee and import licences can issue without any further checking or observance of routine formalities and without undue delay in his office.

27. The Committee has considered whether in view of its recommendation regarding simultaneous consideration of all clearances in the case of 'key' industries, an integrated application form for all these clearances should be evolved. It is felt that it would be preferable to continue to have separate applications, which would, however, be submitted by the applicants simultaneously, so far as the 'key' industries are concerned.

28. The Committee further recommends that at the "letter of intent" stage, the Sub-Committee of the Licensing Committee should give special attention to the applications relating to 'key' industries, with a view to indicating, if possible, the source from which foreign exchange is likely to be available.

PART IV

General

29. The Committee further recommends that for the convenience of the Licensing Sub-Committee, all notes put up to the Sub-Committee for "letters of intent" should be grouped into two parts — Part I relating to 'key' industries and Part - II relating to other industries.

30. Government have been from time to time publishing a list of industries in respect of which industrial licences will ordinarily be rejected without reference to the Licensing Committee — the list commonly referred to as the 'banned' list. The Committee would suggest that this list, along with the list of 'key' industries should be reviewed at intervals of 6 months. It has been suggested to the Committee that it would help intending applicants if, in addition to the list of banned items, a list of other industries which will be licensed on merits is also simultaneously published. In view of the importance attached to such a notification by industry for psychological reasons, the Committee would recommend that Government should consider the need for and the feasibility of such a notification.

31. The Committee would suggest that meetings of the full Licensing Committee, as constituted at present, including representatives of State Governments, should be held at suitable intervals to review all the decisions taken by the Sub-Committee proposed in these recommendations.

32. The main objectives in this interim report have been to suggest —

(i) an expeditious procedure for the issue of "letters of intent" in all cases;

(ii) a special procedure calculated to avoid delays in the case of all clearances in respect of 'key' industries.

Because of the important bearing that the achievement of this objective will have on our industrial development, the Committee has thought fit to submit this interim report. It would suggest that the special procedure recommended herein for 'key' industries should be tried out with immediate effect.

33. The Committee is giving further thought to other aspects of the matters referred to it, including the procedure to be adopted for industries other than those included in the list of 'key' industries. These will be dealt with in the Committee's final report. For the time being the existing licensing procedures may continue in the case of industries other than 'key industries' except for the substitution of "letters of intent" for licences in the first instance where licences cannot be issued straightaway.

List of Key Industries

Pig Iron; Alloy Steel; Ferro-Chrome and other Ferro Alloys except Ferro-Manganese and Ferro-Silicon; Malleable Iron Castings; Steel Castings; Steel Forgings; Structurals (Heavy); Industrial Machinery; Cranes; Machine Tools including Small Tools, Dies, Jigs, and Fixtures, Automobile Ancillaries; Coated Abrasives; Electric Winding Wires; Fertilizers; Sulphuric Acid; Caustic Soda and Soda Ash; Rubber Chemicals; Petro-chemicals including Synthetic Rubber; Pesticides; Paper & Paper Board; Cement; Pulp (Cellulosic).

Govt. Decisions on Recommendations

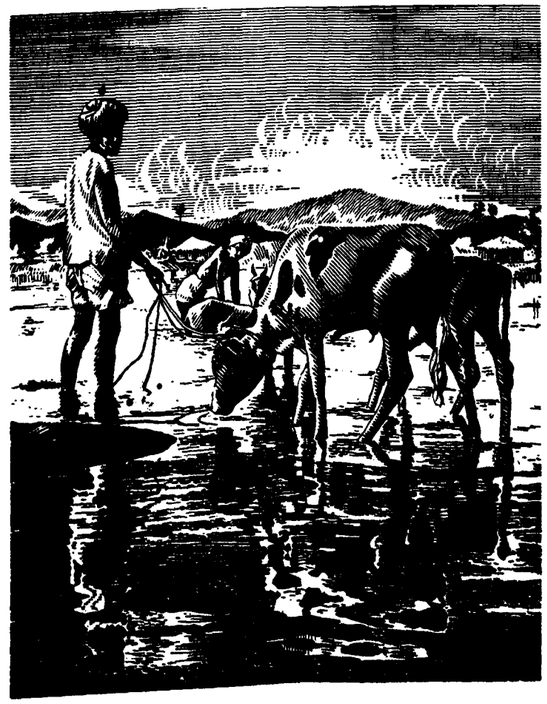
Government accept in principle the above recommendations of the Committee.

As regards the composition of the proposed Sub Committee of the Licensing Committee, Government are, however, of the view that the other members of the Licensing Committee stationed at Delhi may also be associated with the work of the Sub-Committee, without causing any undue delay on this account.

The list of 'key' industries has been drawn up by the Committee, having regard to the shortfalls in effective establishment of production for the attainment of Plan targets and the need for speedily establishing additional capacity in certain industries which are important for the promotion of self-sustaining industrial growth. This would involve speedy licensing of additional capacity under the Industries (Development and Regulation) Act in certain cases, while, in others, where adequate capacity has already been licensed, only expeditious sanctions will have to be given for matters like Capital Goods Clearance, Capital issues, approval of foreign collaboration terms etc. Government accept this recommendation.

Appropriate steps are being taken to implement the commendations of the Committee.

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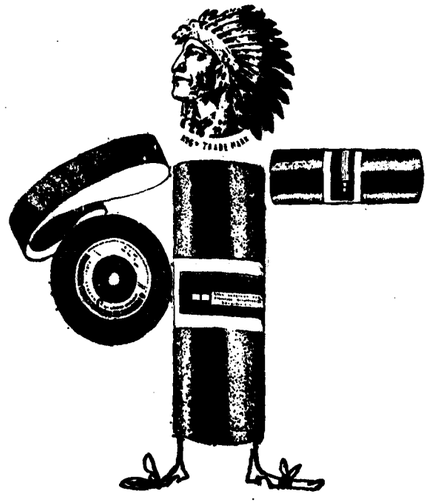
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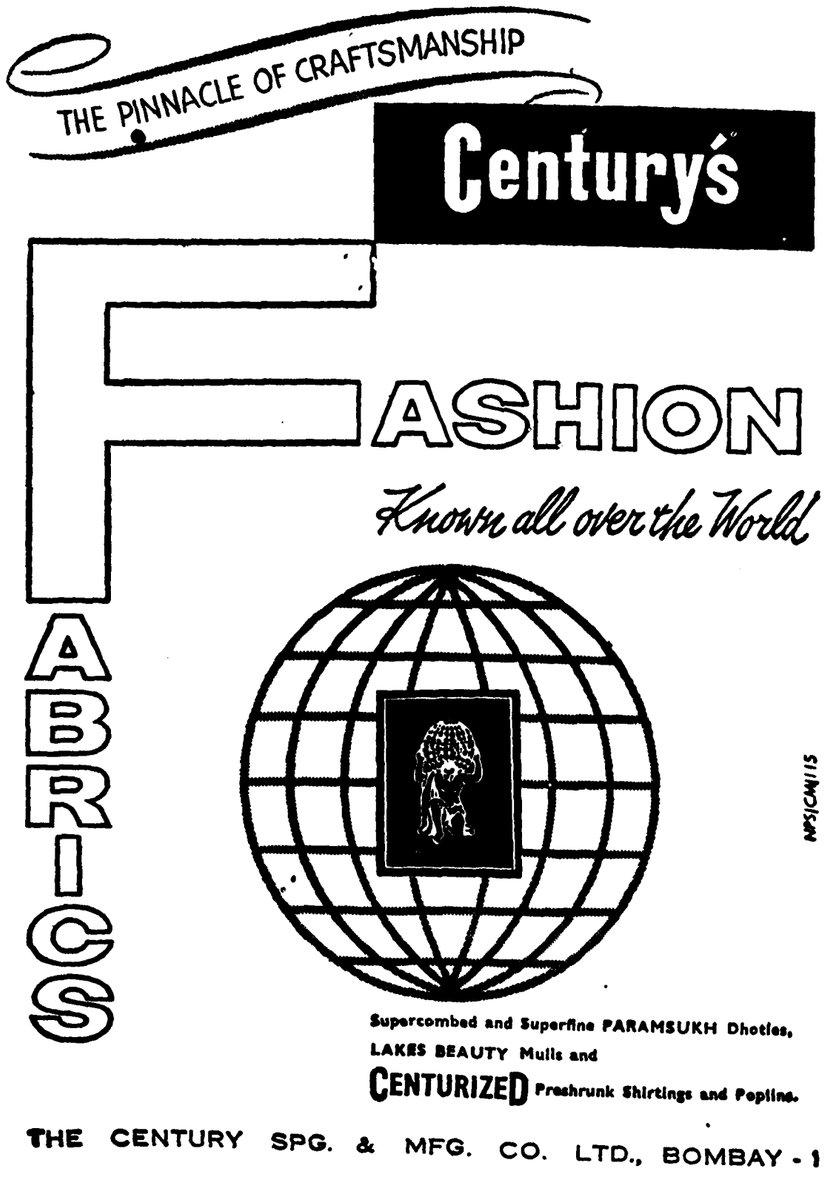
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Banks Are Not for Banging

ALTHOUGH THE artificial agitation for the nationalisation of banks, engineered for the benefit of the annual session of the Congress Party, has died down for the time being, it will not be prudent to suppose that the demand for the nationalisation of banks has been destroyed for good. A controversy is bound to be raked up again and an attempt made to keep it alive by periodical lobbying at several levels and at different places. It is therefore necessary — while public memory of recent discussions is still fresh — to expose the lack of substance in the two main arguments put forward by those who believe, or claim to believe, that the nationalisation of banking would be justified on social and economic grounds.

Let us take first the argument that State ownership of banking is necessary to ensure that bank funds are not employed to the advantage of only big business interests in the trade and industry of the nation. If it is to be assumed that State ownership is a guarantee of bank funds being used or not used in a particular manner, it is submitted that those who are arguing for the nationalisation of banks should be prepared to concede that at least some 30 per cent of the bank money is being properly used, i.e., properly used in the sense in which *they* would employ the phrase. This is because about 30 per cent of banking resources are already being controlled and disposed of by the State Bank of India. But we have nowhere heard it said that those who demand the nationalisation of commercial banks are satisfied with the way in which the State Bank is handling its resources. So far as the question of the proper use of funds by commercial banks is concerned, the advocates of nationalisation are, in effect, arguing that ownership could prevent what direction, guidance and supervision are allegedly unable to check. But this contention has never been argued with any respect to facts or logic. If this thesis is to be accepted then the entire idea of the State regulation of any activity in the community becomes pointless.

By the same token all banking legislation from beginning to end would stand condemned as being devoid of any utility. We are sure that the advocates of bank nationalisation are fully aware of the absurdity of the stand taken by them in this regard. If, nevertheless, they pretend to stand firm, it is only because of a certain frustration. They are aware that the latest legislation (passed only in the last Session of Parliament), which has given vast authority to the Reserve Bank for policing the nation's banking system, has knocked the bottom out of pleas for nationalisation. Hence it is that they are driven to argue that regulation is no substitute for or alternative to nationalisation. But their contention is untenable. The record of Indian banking is there for all to see. During a period of rapid growth, bank failures have been few and far between and none of the leading banks, which account for the bulk of the banking business, has its solidity seriously questioned at any time. This has been partly due, no doubt, to the generally sound and healthy lines along which the nation's banking has expanded. But it is also due in part to the powers progressively taken by the Reserve Bank to keep a watch over banking practices in the country as well as the particular activities of individual banking companies. The Banking Companies Act (1949) gave authority to the Reserve Bank to control banking business in general, conduct annual inspections of banks and direct their mergers and amalgamations. The Reserve Bank was also empowered to inspect the banking companies at any time. The Banking Laws (Miscellaneous Provisions) Bill which was introduced and passed in the last Session of Parlia-

ment has vastly extended the disciplinary jurisdiction of the central banking authority. The Reserve Bank has acquired sweeping powers to remove any person associated with a banking company if it considered necessary or desirable in the public interest to do so. Seeking to check the concentration of bank share ownership or management control, this enactment has reduced the voting powers of single shareholder from 5 per cent of the voting rights to 1 per cent. In order to deny undue or privileged access to bank resources to business interests associated with bank managements, the Reserve Bank has been authorised to direct banks not to grant advances to any specific person or company. At the time this legislation was introduced in Parliament, this Journal had criticized the extension of powers sought for the Reserve Bank as arbitrary, aggressive and unreasonabe. Now that Parliament has passed this legislation, we consider it our duty to point out that to ask for nationalisation of banking at this point would be to make the preposterous assertion that a Government which cannot be trusted to exercise its powers of control and supervision may, nevertheless, be trusted to exercise efficiently the responsibility of ownership and direct operation.

While there is thus no substance in the contention that nationalisation alone would give the Government the necessary authority and opportunity to prevent misuse or privileged utilisation of bank funds, it is equally impossible to press the other main argument for nationalisation which is that commercial banking has ignored the requirements of rural and small-scale industries. An analysis, presented in the issue of the Reserve Bank of India Bulletin for the month of August, 1963 has effectively disproved the allegation that banks have been neglecting the credit needs of industry and trade outside the area of big business. The table below, taken from that article, shows that scheduled banks had nearly doubled their credit facilities to the small-scale industries and co-operative institutions between the period from June, 1960 to December, 1962. Over those two years and six months advances to small-scale industries had increased from Rs. 19.5 crores to Rs. 37.2 crores. During the same period advances to co-operative institutions had gone up from Rs. 6.3 crores to Rs. 9.9 crores. Outstanding advances to both small-scale industries and co-operative institutions which amounted to Rs. 28 crores for the period January-June, 1960 had risen to Rs. 51 crores in the period July-December, 1962.

It has been alleged in recent discussions that because commercial banks are privately-owned they do not care for the credit needs of small business men and that those needs can be adequately met only if there is State ownership. Consequently, it is interesting to find that whereas the total outstanding bank advances to small-scale industries stood at Rs. 39.44 crores in December, 1962, the State Bank's contribution to this total was only Rs. 5.99 crores. In other words, the advances granted to small-scale industries by the private sector in banking were five times more than what were given by the Government-owned State Bank of India. When it is considered that the State Bank holds 30 per cent of the deposits of the entire banking system, it will be seen that, in comparison with the public sector in banking, the private sector has extended credit facilities to small business more than in proportion to its resources and not less. This comparison becomes all the more significant when it is recalled that the Imperial Bank was nationalised on July 1, 1955 with the ostensible objective of providing "short-term finance for rural and small-scale industries". How far has this objective been fulfilled in the last eight years? The table below shows that the activities of the State Bank of India have multiplied on the average by two-and-a-half times since its nationalisation. Deposits have risen by 143.8 per cent from Rs. 231.13 crores in 1954 to Rs. 563.66 crores in 1962. Advances have improved by 164.3 per cent from Rs. 102.32 crores in 1954 to Rs. 270.48 crores in 1962.

SCHEDULED BANK ADVANCES TO SMALL-SCALE INDUSTRIES AND CO-OPERATIVE INSTITUTIONS

(Amount Rs. crores)

Average during the half year	January to June 1960	July to Dec. 1960	January to June 1961	July to Dec. 1961	January to June 1962	July to Dec. 1962
No. of reporting banks	83	77	83	77	75	77
Advances to Small-Scale Industries	19.50	25.77 (+6.27)	26.46 (+0.69)	30.84 (+4.38)	34.10 (+3.26)	37.15 (+3.05)
Advances to Co-operative Institutions	6.29	6.91 (+0.62)	7.89 (+0.98)	8.36 (+0.47)	10.39 (+2.03)	9.91 (—0.48)
TOTAL:	25.79	32.68 (+6.89)	34.35 (+1.67)	39.20 (+4.85)	44.49 (+5.29)	47.06 (+2.57)
Outstanding as at the end of	**June 1960**	**Dec. 1960**	**June 1961**	**Dec. 1961**	**June 1962**	**Dec. 1962**
Advances to Small-Scale Industries	20.73	27.54 (+6.81)	27.14 (—0.40)	32.08 (+4.94)	34.59 (+2.51)	39.44 (+4.85)
Advances to Co-operative Institutions	7.37	6.24 (—1.13)	8.77 (+2.53)	9.97 (+1.20)	10.62 (+0.65)	11.57 (+0.95)
TOTAL:	28.10	33.78 (+5.68)	35.91 (+2.13)	42.05 (+6.14)	45.21 (+3.16)	51.01 (+5.80)

THE GROWTH OF STATE BANK OF INDIA* — 1954 - 1962

	1954	1962	Percentage rise
Deposits (Rs. crores)	231.13	563.66	+143.8
Advances (Rs. crores)	102.32	270.48	+164.3
Investments (Rs. crores)	108.72	269.28	+147.7
Number of offices			
(a) Indian	444	1,002	+122.0
(b) Foreign	11	3	
Profit (Rs. crores)	0.34	2.68	+688.2

* Imperial Bank of India until July 1, 1955.

The credit extended to small units in 1962, however, was about one per cent of the deposits and about two per cent of the total advances of the State Bank. As will be seen from the figures given below, the State Bank has extended credit to 3,153 units in all to the total extent of Rs. 11.82 crores, while the outstanding amounts at Rs. 5.8 crores work out to 2.2 per cent of the total advances made by the Bank.

ADVANCES BY STATE BANK TO SMALL-SCALE INDUSTRIES: 1962

	Intensive Centres	Other Branches	Total
Number of units assisted	1,978	1,175	3,153
Limits sanctioned and in force (Rs. lakhs)	777.1	404.7	1,181.8
Amounts outstanding (Rs. lakhs)	412.1	185.7	597.8

We would hasten to make it clear that these observations should not be taken to mean that we are criticizing the State Bank for being too slow in assisting small borrowers. On the contrary, what we are trying to make out here is that, in spite of a deliberate, semi-political policy compulsion, the State Bank has found that it cannot extend itself overmuch in making advances to small business, without violating prudent banking practices. The funds of the State Bank, even as the funds of banks in the private sector, are the trust money of depositors. The first duty of the State Bank is to its depositors just as the first duty of other banks is also to their depositors. At Bhubaneswar strange principles were attempted to be enunciated for the providing of credit facilities. It was said that a man's capacity to produce should be the criterion for giving credit, not his assets. It may be readily granted that the personal factor is one of the important factors in judging the credit-worthiness of individual borrowers. Actually this personal factor must be, and is, taken into account when banks lend money to customers. But creditworthiness is something which has to be judged in each case, not enunciated as a political principle from party platforms. As the custodian of the funds entrusted to it by its depositors, every bank has a right to judge the creditworthiness of those to whom it would lend from its resources. Nationalisation or no nationalisation, this is a discretionary responsibility which cannot be taken away from banks by a political edict. It goes to the credit of the State Bank of India that despite its being a nationalised institution, it has stood firm in its loyalty to its traditions of prudent banking and to the interests of its depositors.

The comparison of the respective extents to which the State Bank on the one hand, and the private sector in banking on the other, have been lending to small-scale industries also proves another significant point. It is that in the case of dealing with small clients, the private sector in banking seems to be at an advantage as against the State Bank rather than otherwise. We have pointed out that lending to small borrowers involves the exercise of discretion; and there is certainly greater scope for discretionary lending in the case of banking in the private sector than in the case of State-owned banking. We have no doubt at all that as branch-banking extends, even the big banks in the private sector will have to take an increasing interest in the credit needs of small business communities in the smaller towns and elsewhere and would consequently have to give more latitude and discretion to their branch managers in dispensing credit facilities to their local clientele. Meanwhile it is only fair to note that in broad terms,

Eastern Economist 20 Years Ago

JANUARY 28, 1944

WHILE THE Bombay Plan for post-war economic development has been received with enthusiasm in some quarters, in others the dimensions contemplated in the Plan have produced nothing but incredulity and suspicion. The economic development of our country has proceeded at such a slow pace up till now and both the Government and the public have been used to such order of smalls as a few lakhs or a few crores of rupees, that when a plan is put forward involving thousands of crores of rupees, the natural impulse is to look askance at it. The present economic crisis has opened our eyes as never before to the fact that the great masses of our people live even in normal peace time perilously near or below the barest subsistence level. No mere tinkering or patchwork could give our economy the narrowest margin of safety and only planning "in a big way" could be of any avail. The Bombay planners have correctly said that "money is not the master of a country's economy, but its servant and instrument. The real capital of a country consists of its resources in materials and manpower, and money is simply a means of mobilizing these resources and canalizing them into specific forms of activity." But it is not easy for all to get away from the trammels of orthodox thinking and adjust themselves to the conceptions and dimensions of an adequate economic plan. Consequently, many have expressed the doubt whether the Bombay Plan involving an investment of Rs. 10,000 crores at 1931-39 price level over 15 years is not too ambitious and whether it is not likely to break down on the financial front. A high economic expert of the Government is reported to have described the level of investment envisaged as 'fantastic"; some are suspicious that a third of the capital is raised by so-called "inflation"; some have averred that the plan involves crushing taxation and that "industry must be prepared to be taxed heavily as also all incomes above Rs. 1,000."

the country's banking system has certainly played its part well in the matter of serving the credit requirements of industrialisation. The table below would show that advances made to industries by the scheduled banks constituted 34.3 per cent of the total advances at the end of 1954, but had increased to 57.2 per cent by March 31, 1963.

ADVANCES OF SCHEDULED BANKS ACCORDING TO PURPOSE

(In crores of rupees)

	December 31, 1954	March 31, 1963
Industry	190.0 (34.3)	921.2 (57.2)
Commerce	277.9 (49.9)	444.0 (27.6)
Agriculture	4.5 (0.8)	4.1 (0.2)
Personal and Professional	47.6 (3.5)	111.7 (6.9)
All others	36.1 (6.5)	129.7*(8.1)
TOTAL:	557.0(100.0)	1,610.7(100.0)

*Including finances.

Finally, in the heat and dust of the nationalisation controversy it becomes somewhat difficult for the public to be aware of the fact that, even as it is, banking in this country is not today an exclusive or even a predominantly private enterprise. As we have pointed out, while the State Bank already accounts for 30 per cent of the total deposits of the banking system, the Finance Minister is reiterating his intention to build up further the share of the State Bank. He has been credited with the view that the State Bank and its working need to be reviewed and modernized if the purpose of raising further its relative position and status in the banking world is to be achieved. It has been suggested that Mr. Krishnamachari believes that the State Bank could grow faster than the private sector by improving its banking techniques and business practices. We are sure that the private sector in banking too, could, and ought to, compete in the healthy race for greater efficiency.

Considering the great advances which banking methods and organisation have made in other countries, it may certainly be said that the banking public in this country is not getting all the services and facilities which a really progressive and modern banking system can give to it. The need, therefore, is not to dissipate energies in an arid discussion of nationalisation but to turn our efforts into the fertilizing channels of modernising banking functions and facilities not only in the public sector but also in the private sector of banking. It is an encouraging sign of the times that many leading and progressive banking institutions in this country have lately been showing more and more awareness of the need to provide better banking services and we would urge that this tendency should be encouraged by all responsible politicians through a decision to discountenance all attempts to keep alive an artificial demand for the nationalisation of banks.

Thirteen Years of the Colombo Plan

ECONOMIC AID is much more than the taking and giving of funds. Following the spectacular succees of Marshall funds in providing relief and in reviving normal economic life in Western Europe, the idea of aid was extended to those under-developed countries which showed the will and gumption to help themselves. The aid-absorbing capacity of a receiving country is limited by its general rate of economic growth and of aid-giving, by the willingness and ability of the donor. The effectiveness of all aid is, of course, judged by the results thereof, and capital aid, in the initial stages of development at any rate, tends to be tied to specific projects. The benefit that accrues to the balance-of-payments position or the foreign exchange resources of a country is only incidental. However, India, whose five-year Plans of development are more broad-based than those of other aid-receiving Colombo Plan countries, has found that aid, which is tied to specific projects or can be expended in the donor's country alone, needlessly restricts freedom of operation, quite apart from the fact that it detracts from the ideal of free international trade. The Government of India has made the point more than once on the forum of the Aid India Consortium but this is a problem peculiar to countries which have traversed the best part of the runway and are about to take off.

The founding members of the Colombo Plan who met in Ceylon in 1950 felt the need for extending, to a large circle of the new independent countries, the kind of economic co-operation which was the single most important basis of the British Commonwealth. The Plan has gone a long way since then, and according to a report for 1963, finalized by the Consultative Committee at its 15th meeting in Bangkok, there has been considerable progress (and one may add sophistication) in foreign assistance techniques. It, however, hastens to warn that, in view of the needs of the developing countries, there is no room for complacency during the second decade of the Colombo Plan.

Aid is provided mostly by Australia, Britain, Canada, India, Japan (who joined the scheme in 1954), New Zealand and the United States to the 14 countries of the region. The aggregate of aid provided for countries in South and South-East Asia by members outside the region amounts to $13,820 million to date, and this sum was used to finance technical assistance schemes, loans, grants and the provision of agricultural commodities and equipment. Of this sum, $1,820 million was received during 1962-63, the year under review.

While the amount of capital forthcoming from the six principal donor countries has been a vital factor in the economic growth of the region, technical assistance, which serves to develop human resources, has formed a significant area of co-operative effort. Technical cooperation as between member-countries within the region has also increased. It includes the

facilities, services of experts and equipment, and such aid provided by member-countries over the 13 years of the duration of the Colombo Plan has been valued at $405 million; 24 per cent of the sum was spent on trainees, 39 per cent on experts and the remaining 37 per cent on equipment. In all 6000 men and women from the region were trained in various parts of the world last year; 28,495 persons have been trained over 13 years and the services of 5000 experts were provided for member-countries. The contribution of India, which, during 1962-63, maintained her position as the largest donor in the region, was mainly in the field of technical assistance. The two individual projects which received the combined attention of the extra-regional members are the Mekong River Survey Project in Laos and the Indus Basin Development in the Indian sub-continent. It will be recalled that the integrated development of the Indus Valley, as suggested by a committee of international experts, was what provided *modus vivendi* for the protracted river-water dispute between India and Pakistan. Britain has so far contributed £7.767 million towards this project and New Zealand about £300,000.

The United States alone contributed $1.86 billion during 1963, consisting of loans, grants and technical assistance. These payments were channelled through the Agency for International Development, the Export-Import Bank or they were made under Public Law 480. The 1305 Peace Corps personnel sent out to member-countries accounted for the bulk of the US outlay on technical assistance. A part of the US aid came through UN institutions, such as the UN Special Fund, the UN Expanded Programme of Technical Assistance, the IBRD and the IDA. During 1962-63, the US Government also trained 2667 persons in "third countries" under a scheme by which the costs of such training are shared by the receiving third country. The US Government furthermore guaranteed private investment by its nationals in the Colombo Plan region to the tune of $123 million against inconvertibility, expropriation and damage resulting from war, and the sum represents a significant increase over the corresponding figure for the previous year.

Canada does not list her technical assistance schemes under a separate head. Beginning from 1951, she has provided $115 million for the purchase of wheat and flour and since 1961, she has accorded extended credits to India and Pakistan.

During the year under review, India provided 2300 training places for the nationals of 17 countries, Nepal alone accounting for 1524, and the courses of study ranged over a variety of subjects, such as insurance, banking, parliamentary affairs and cost the exchequer Rs. 14 million. The country loaned the services of 60 experts in such diverse fields as irrigation, sericulture and skills in the manufacture of iron and steel. The Trisuli Hydel Project, the Kathmandu-Tribuli Road, the Tribhuvan University and the National Archives are among Nepal's more important projects which receive valuable assistance from India under the Colombo Plan.



"FORWARD: LEFT RIGHT, LEFT RIGHT..."

Highlights of the Week

LAL BAHADUR "DE-KAMARAJED"

AS HAD BEEN expected in the wake of the Prime Minister's illness, Mr. Lal Bahadur Shastri has re-joined the Central Cabinet. A communique issued from Rashtrapati Bhavan on Wednesday announced that he would be Minister without Portfolio. Although the Prime Minister has lately been showing every sign of being eager to resume his responsibilities, it is clear that, even if he cannot persuade himself to retire or even rest, he should at least be coaxed into shedding some of his chores. Mr. Shastri's re-entry into the Central Cabinet has precisely this significance. His responsibilities as well as his relative status among Cabinet Ministers will no doubt have to be defined early enough. The ranking is relevant because, as it is, both Mr. G. L. Nanda and Mr. T. T. Krishnamachari would be senior to him. If the intention is that Mr. Shastri should preside over Cabinet meetings in the absence of Mr. Nehru, it will be necessary clearly to rank him above his other colleagues. Otherwise, even if Mr. Shastri discharges some of the Prime Minister's functions on his behalf, the Home Minister's claim to preside over Cabinet meetings in the absence of Mr. Nehru will have to be respected. These interesting details apart, it could be assumed that whatever the formal arrangements may be, so long as Mr. Nehru's health does not permit him to resume in its totality the active leadership of the government, the powers and responsibilities, overall, will in practice be shared among Mr. Shastri, Mr. Nanda and Mr. Krishnamachari.

The same Rashtrapati Bhavan communique also notified the appointment of Mr. D. Sanjivayya as Cabinet Minister for Labour and Employment, a charge which Mr. Nanda had hitherto been holding (and subsequent to his assuming the Home portfolio, holding as a temporary charge). The new Minister of Labour and Employment, who will be 43 next month, has the distinction of being the youngest member of the Central Cabinet. Among his earlier credits were that he was the first Harijan to become the Chief Minister of a State and the first Harijan also to become President of the Congress Party.

PAKISTAN AGAINST PEACE

IN HIS LETTER of January 13 to the President of India, President Ayub Khan had made the following points: (a) that the situation in Calcutta had "got out of control" and that "military rule" had been established in the five affected districts of West Bengal; (b) that 20,000 Muslims left India following the disturbances and crossed over into East Pakistan, bringing up the total of such refugees, obliged to leave this country as a result of the Indian Government's policies, to 115,613 over two years. The President furthermore cited reports in "foreign papers" that about 400 persons had been killed in the disturbances. It was too early on that date for any official figures to be forthcoming from the West Bengal Government and, if the Pakistan President had received any intelligence from his own diplomatic representatives in this country, they could presumably not be used to subserve his purpose.

That President Ayub Khan should employ the expression "military rule" to refer to the taking-over of the law-and-order situation by the Indian Army, which is under the control of the Central Government, from the police, which is subject to the authority of the State Government, was a pardonable error since these subtle constitutional arrangements are peculiar to a democratic country; but what is more surprising and rather difficult to countenance is that Pakistan, with its own domestic arrangements, should at all object to "military rule". Of course, the views of President Ayub Khan on civil government, on democratic devolution of power or their suitability for his country, cannot properly be the subject of comment by Indians. Our worthy neighbour in this sub-continent owes its most recent designation of its political independence—the Islamic Republic of Pakistan—to President Ayub Khan and when he does eventually give that country the constitution that it has been promised, he would be obliged, neither by precedent nor by adumbrated principle, which had also been adhered to, to protect minority rights and lives. Neither India nor Pakistan, we feel sure, would desire to accept Khulna, which was hardly mentioned in President Ayub Khan's communication, as a precedent.

Appeal Goes Unheard

It is against this background of facts that President Radhakrishnan's answer must be studied. Meanwhile, not only has the situation in Calcutta returned to normal, but the stage is well set for a definitive solution of the problems arising from the unhappy Hazratbal incident. The Kashmir leaders are here in Delhi to explain the situation in the State to the Congress Parliamentary party. It is a fair measure of the Union Government's fulfilment of its obligation to its minority citizens that the majority community in that State not only showed exemplary patience in the face of an affront to its religious susceptibilities, but manifested a preferential "vote of confidence" — so to speak — in the impartiality of the Central Government. In Calcutta curfew hours have been reduced and much looted property has been recovered. Malcontents are being mopped up, 14,353 displaced persons are being returned to their homes and discommoded families are being fed at public expense. Chief Minister P. C. Sen further disclosed in a Press Conference that 104 persons had been killed in the disturbances — "pace" President Ayub Khan — and that military surveillance would continue until complete "normalcy" had been restored.

President Radhakrishnan, in his note of January 17, proposed that the two Presidents make a joint appeal to the citizens of both countries as a prelude to co-ordinated measures by the two Governments to end this "recurring cycle of communal disturbances". It is believed that the Presidential communication, as handed over by our High Commissioner, enclosed a draft for the joint appeal. In his reply, the President could, for the rest, do no more than emphasize the unequal nature of the relationship between the two countries. India is a secular State and apart from the 50 million Muslims, it had minorities of other diverse faiths living peacefully and contentedly within its borders. They were all governed and protected by a single secular law. President Radhakrishnan also drew attention — diplomatic restraint would allow him to go no further — to the "unfortunate pronouncements" by both the President and Prime Minister of Pakistan who attributed the theft of the holy relic from the Hazratbal Mosque to designing Hindus and to the hate campaigns let loose in the Pakistan Press in contravention of inter-governmental agreements on the subject. He also referred to the wilful misrepresentation by Pakistan which insists on treating unlawful Muslim immigrants returned from this country as refugees and to the mounting and continued inflow of Hindus from East Pakistan into this country.

Flogging a Dead Horse

Pakistan's practice of using normal diplomatic correspondence as an instrument of propaganda is perhaps not unprecedented in the international politics of our times, but why the head of that State should earnestly essay such "exaggerated figures" was a disturbing thought. So was the disquieting three-day silence that followed the handing over of the note, while some sections of the Pakistan Press described the Indian move for Peace as a "trap" and the note as one that may not be touched even "with a pair of tongs". Even a ministerial conference was proposed in one of the papers to "discuss the eviction of Muslims from Assam and other States."

Although the ground had thus been prepared for the announcement of Monday, January 20, that the Security Council of the United Nations was being called upon to meet in special session and to "interdict" the Government of India from taking any steps "to integrate the State of Kashmir with the Union", it was nevertheless surprising. It did sound a strange response to a gesture of peace. For, at the Press Conference hurriedly called for the announcement, Mr. Zafrulla Khan declared that he foresaw "nothing but intensification of trouble between the two sides".

That the Pakistan Government should want to make great play of her imaginary grievances on the forum of an international organization, whose directions to vacate aggression she has treated with such scant respect in the past, is her business. That the people of Kashmir reposed great trust in the Union Government and looked up to it in expectation was manifested most clearly during the recent confusion in that State. In the circumstances, India's constitutional arrangements cannot wait indefinitely upon Pakistan's pleasure, and it is in the interests of Kashmir as well as India that the Union Government should be free so to act as effectively to discharge its legitimate responsibilities. That course is also bound to serve the cause of Indo-Pakistan relations well.

Washing His Hands

"I am unable to accept the information supplied to you or the contentions based on those premises ...." replies President Ayub Khan on January 21, but is wholly silent on Mr. Nanda's proposal that Indian and Pakistan leaders should together visit the disturbed areas in both countries. "Recriminations", he adds, "would deflect attention from our real purpose". What is the real purpose? It is good form not to want to get behind what is told one and look for motives. One should perhaps accept as hard-headed realism the Pakistan President's neat rejoinder: "I do not know how a second appeal by me would have greater effect." If this tactical curtness were not linked to the overall strategy of re-opening the issue in the United Nations and re-enacting the weary farce, one would even be mollified by his assurance that he intends to take stern measures against miscreants in Dacca and Narayangang. This, we fear, is no concession but the minimum conditions of a rule of law — unilaterally so and quite independently of the appeal for amity by the Indian President.

To begin with, Pakistan sent her troops to territory she had no legal title to of any sort. She then denied that they were there at all. They have not only stayed there but the Pakistan Government proceeded to barter away a part of that territory. Like a desperate man who lives on his capital, it used its principles and affiliations in pursuit of its designs on Kashmir. As India's representative in the United Nations pointed out, nothing has happened following the exchange of letters several weeks ago on the integration, so called, of Kashmir with the rest of India. What does Pakistan hope to achieve at the United Nations besides an international audience for moth-eaten grievances? Even the rancour must have gone out of them now.

VOTE OF CONFIDENCE FOR SHILU AO

ONE OF the important elements of Congress policy, as revivified at the memorable Bhubaneswar session, received pragmatic support in Nagaland. Especially in the case of institutions like a political election, it is useful to rediscover the values that it concretizes. It brings out into the open every interest and aspiration that the Government of the day has to contend with. Of course, democracy serves a different purpose in each historical context; in our own, the Constitution of India recognizes the principle of the franchise as a means to the achievement of economic and social justice for the electorate.

Phizo, who harbours his resentment in exile, need not now be a looming reality who, by dissenting absence, is able to hold up others wanting to get on with the job. Such residual influence as he still wields over some minds did manifest itself during the recent elections in Nagaland. The attempts of the Naga hostiles to disrupt the elections, unseemly as they were, were only a bad example at the worst. In retrospect, the gains have not been inconsiderable: the detensioning has taken place without conspicuous damage and has, into the bargain, served to underline the fairness of the elections which resulted in such a decisive vote of confidence for Mr. Shilu Ao and his party.

The ultimate answer to the problem which Phizo represents is material prosperity and that must be secured within the framework of Nagaland's religions and culture. In an Assembly of 46 seats, the ruling party has decisively won 33 and 11 of them have gone to the Democratic Party. The elections have thus defined Mr. Shilu Ao's problems: Phizo will be a continuing reality and the Democratic Party, of whose policies nothing much is yet known, is strong enough for its essential function of an Opposition. The pre-election achievements of Mr. Shilu Ao's regime were outlined in the December 6, 1963, issue of this journal. He has, however, a long way to go yet, but in his endeavours, he is bound to enjoy the sympathy of all peace-loving and democratic forces.

HALF-HEARTED HOUSING

DISAPPOINTED AT the slow utilization of the funds allocated under the third Plan for housing programmes in the State sector and the poor response evoked by his letter to the State Governments about three months ago, asking for expediting implementation of the housing schemes, the Union Minister for Housing, Mr. Mehr Chand Khanna, is understood to have requested the Planning Commission to issue a directive to the States banning diversion of funds specified for housing to other development projects. He has suggested that if the State Governments fail to arrest this diversion, the Central assistance for housing programmes should stand reduced proportionately. A similar step, it may be recalled, was taken recently by the Planning Commission in regard to the funds provided for agricultural and co-operation development.

Of the Rs. 80 crores earmarked in the third Plan for the housing schemes of the State Governments, an expenditure to the tune of Rs. 43.20 crores had been approved under the phased programme for the first three years of the Plan. Actual expenditure during these years, however, is likely to be only in the neighbourhood of Rs. 29.88 crores — showing a shortfall of nearly 17 per cent. During the next financial year, instead of making up to some extent the deficiency of the first three years, the States have proposed an outlay of only Rs. 12.85 crores. At this rate, it is feared, the State Governments will not be able to utilize more than Rs. 55 crores out of the Rs. 80 crores stipulated outlay.

The housing schemes of the Central Government and the Union Territories, for which an outlay of Rs. 42 crores was proposed in the Plan, are stated to be making satisfactory progress. The rate of utilization of L.I.C. funds on the scheme is also stated to be keeping to schedule.

Fatigue and Industrial Efficiency—I

RAJA RAM JAIPURIA

INDUSTRY, it may be assumed, should exist for the benefit of the people at large. It should, therefore, at once produce goods as cheaply and in as large quantities as possible. Those engaged in industry should receive wages as high as possible in the circumstances in return for the minimum number of hours of work. If these aims, stated dogmatically, are all desirable, they are also *mutually opposed*. It is, therefore, necessary for a practical economist (and industrialist) to balance them against each other to arrive at the optimim length of working time and wage that would help to produce the most economical quantity of products at the most just cost.

Of all the problems that baffle not only the industrialists, the economists, the statesmen, the psychologists but labour as well is that of the efficiency of industrial workers. We would, however, confine our study to a particular aspect of the problem — mainly that of the *impact* of fatigue on workers' efficiency and the usefulness of rest pauses which have witnessed a remarkable success in the industrial life of western countries particularly England, USA, Germany, etc.

Going back to the early years of the industrial revolution in Europe and until recently in our own country, one notices a tendency to abstract work from the workers and to assume that the primary concern of the employer is work and work alone, particularly the efficiency of his labour force and that he otherwise does not bother at all about it. He is little or not at all bothered about the *health and happiness* of the worker and, if by chance, he really makes an effort to improve the worker's condition, it is more or less designed to achieve better output and more efficient production. In our country it may not be an exaggeration to say that the employers care more for their machines because they are more difficult and expensive to buy than the worker, which they can employ in any number and at a comparatively lower cost. It is because of the fact that there is an abundant supply of labour particularly of unskilled workers that the employers have an advantageous position in bargaining over wages.

What Efficiency Means

While there is general agreement upon the desirability of increasing efficiency of performance, there is disagreement as to what efficiency means. To some, increasing efficiency means merely increasing output. Others would also take into account how much the workers are paid. There are yet others who think in terms of the economic efficiency of the whole enterprise, relating the output to the total cost of the enterprise including machines, repairs, overhead expenses, rent, etc. Efficiency has also been used to refer simply to the amount or quality of the product regardless of cost. Again efficiency is sometimes used to refer to some quality inherent in the human organism. Yet such terms as working capacity or willingness to work suit the case much better.

The term "efficiency" has also been defined as the "ratio of output to input". Thus a machine that requires 100 units of energy in order to produce 10 units of work is said to have an efficiency of 10 per cent. A machine that requires the same input but produces only six units is considered to be less efficient. This argument is true in the case of human beings. Because if out of two workers having the same input, one produces only half as much as the second, the first is said to be less efficient. In another case where the conditions of work are different and production is the same but where greater input is needed, then the condition of work will be termed as less efficient.

According to the above definition, it is necessary to have a complete knowlege of both input and output before efficiency can be determined. It may sometimes happen that only output may be known and not the input, thereby rendering the determination of comparative efficiencies of different machines and human beings impossible for want of a basis for comparison. For instance, in case a machine turns out 10 per cent more finished articles than another or it, under one condition of work, individuals produce twice as much as under another, no conclusion can be drawn on the basis of this data. Nobody can characterize that one is more efficient than the other because of the fact that only one aspect of efficiency (output) has been taken into consideration while the other (input) has been ignored. It may be possible that a machine producing more may be consuming more, that is, entail more expenditure also. Similarly, a group of workers under one condition may be utilizing more energy expenditure than another group of workers. It may therefore be argued that, whether it is a machine or a man, efficiency cannot be determined for any situation in which information in regard to the relative costs of production is wanting. It may only be said that there are differences in the output and no comparison whatsoever between the relative efficiencies can be made.

Public Good

It has been said that the optimum conditions of production cannot be reached unless all concerned aim at maximum efficiency. To take a simple case, if we regard an absolutely efficient factory, employing an absolutely efficient workman, he will produce more articles at less cost than a poorer one operating in an ill-equipped factory. Such articles could consequently be sold at a smaller price and if desired, the workman, instead of turning out so many articles at such a small cost, could work fewer hours at the same wage or could work the same hours for a higher wage. Efficiency, therefore, becomes the test of whether this or that form of industrial organization makes for the public good. For the maximum efficiency to be achieved, it is necessary to have maximum efficiency in management as well as in labour, in distribution as well as in production, in development as well as in the exploitation of that which has already been developed. What, then, is likely to make for the maximum efficiency? It will be observed that we have so far reckoned only material advantages; many and cheap products; high wages; reduced hours involving much leisure. This involves the further acceptance of material gain as the main motive force of human activity. It follows that material rewards are the best incentive to efficiency.

It may be of course urged that the well being of the community rather than the efficiency of the industry should be the goal to be aimed at, but then it can be shown that well-being and efficiency are mutually dependent terms. That efficiency and well-being depend one upon the other is a maxim of economists which not one has yet succeeded in disproving.

But the important consideration in industry or business which no other word expresses as well as efficiency is the relation of product to cost. Taken in this way efficiency refers to the amount and quality of the product at any given standard cost. To be exact, efficiency is said to be greater or less according as produce/cost of production and since the denominator in this ratio may vary as much as the numerator, efficiency might also refer to the cost at which any given standard production was obtained but this reverse method of stating efficiency is what we refer to as "economy". Fundamentally, "efficiency" and "economy" refer to the same relation of product and costs though efficiency directs attention to the possibility of varying the product while economy has primarily to do with the possibility of varying costs.

These definitions are not as precise as might be, because the kind of units in which product and costs are to be measured are left to imagination or, worse still, to inference. A business man may naturally think in terms of the relation of his money returns to his money expenses i.e. with the total sales of his product as against the payment he must make to induce persons to work for him or to lend him land or capital. To him efficiency, therefore, means the rate of profit. While an economic approach to efficiency is the legitimate concern of management, the position can be studied from the psychological point of view — a point of view which is not contrary to the economic point of view in the long run but which is broader and fairer to all concerned. This point of view has been referred to by the psychologists as "human efficiency".

Human efficiency takes into consideration performance from the point of view of the individual doing the work. His *output will* be measured in relation to *what the work costs* him as an individual, and what he puts into the work. As the individual works, he uses his energy and exerts himself. As the work goes on, he tires, he runs risks of accident and injury, he uses time which he might be devoting to amusement or rest. In some cases the work may injure his health or increase his rate of ageing. He may also be bored with his work. As against this, he receives his pay and he may also gain satisfaction and a positive pleasure from the work or the product he turns out, and he may enjoy working with his fellow-workers. Human efficiency has, therefore, been called the relationship between these positive gains and the costs or input for the task.

If the amount of work which the management expects of the workers, takes too much in human costs, resulting in too much fatigue or requiring too much effort, the worker either produces less or he is likely to leave the job permanently or temporarily through excessive absenteeism. If he quits, it would entail the hiring of another worker who will have to be trained and acquainted in the job. Such replacement would naturally mean a substantial monetary loss and reduces the economic efficiency of the enterprise for both lowered production and increased absence reduce profit and increase the overhead cost. The human cost of work is as important to economic efficiency as sales, market conditions, cost of supplies, etc. *Until recently, indeed*, employers thought of no other factor than the material or the mechanical. The plea of Robert Owen to his fellow-employers over a hundred years ago is still relevant that "if the care which you bestow upon machinery can give you such excellent results, may you not except equally good results from the care spent on human beings with their infinitely superior structure?"

Fatigue

Where the muscularly weak are asked to lift excessively heavy materials, or the maimed, to use parts of the body they have lost, the same degree of incapacity would invariably be displayed. Variable incapacity can be analysed into incapacity due to excessive activity previously undergone under certain conditions (capacity tending to decrease with increased work) and incapacity due to insufficient previous activity (capacity tending to increase with increased work). The former case may be denoted "fatigue", the *latter lack of practice or inexperience.*

Among the factors affecting capacity to produce, the most important, according to the generally accepted theory, is industrial fatigue. Marshall called fatigue the main discommodity of labour and one of the "real costs" of production, while Mr. Gilbreth, a noted engineer, talked about the 'fatigue study' or 'fatigue control' as practical factory politics. Mr. J. A. Hobson, a prominent publicist, pleaded for a permanent place for 'fatigue' as a value to be provided against in industry.

Fatigue is the subject that interests both the employer and the employee. Since a fall in the production is ascribed to the tiredness of the workers, the employer naturally would like to eliminate this fall in production by eliminating fatigue. The employee on the other hand views fatigue as a feeling of tiredness or pain. He also treats it as intrinsically unpleasant and, therefore, he is also interested in its decrease or elimination. For these reasons industrial fatigue, despite its elusive nature, has been the subject of many investigations from the economic, physiological and psychological points of view.

Knotty Problem

There is no problem that perplexes the department of industrial relations more than the problem of fatigue. This is one knot that cannot be disentangled by general formulas or even by individual prescriptions. It seems to vary not only with every job in an organization, but also in every person; and to make the problem still more complicated, it varies in the same person at the same time on different days and at different periods during a day.

Fatigue may be defined as a reduction in the ability to do work because of work already done. This definition does not attempt to describe the nature of fatigue but rather uses the result as its criterion. As soon as we attempt to determine the nature of fatigue, differences of opinion arise, for it is highly probable that the reduction in ability to do work is caused by a variety of changes, ranging from the chemical to the psychological. It is said that previous activity of a particular part of the body alters its ability for continued function and some of the changes produced by this activity can be specifically localized.

We may also approach the problem of fatigue by studying the feelings of the fatigued person. When a man says he is tired out, to what extent is he describing the localized changes? Do they always correspond with the psychological experiences? It might be supposed that the two approaches measured different aspects of the same thing. Unfortunately the various evidences of fatigue do not always agree. On the one hand a person may feel completely rested, but his work record may show a rapid decline under conditions of strong motivation. However, men may continue to work following periods of time without being aware of fatigue whereas, under other conditions, they may feel fatigued before they begin to work.

Before the advent of the present century there were no prescribed hours of work for the workers in general and industrial workers in particular. The industrialists believed in keeping their workers engaged for as long as possible. They were totally unaware of the fact that, if given proper rest, the workers were likely to be more efficient. The industrialists considered themselves to be the born industrial psychologists and that was why they were reluctant in prescribing hours of work for their workers. But the 'thirties saw a rapid development in the field of industrial psychology and sound industrial and human engineering. The importance of welfare activities and prescribed hours of work with proper rest pauses also came to be realized during this period. The employers believed that welfare activities should not be considered obligatory on their part and instead, they should provide those activities voluntarily in order to increase the efficiency of their workers.

During the past 50 years the trend toward a reduced

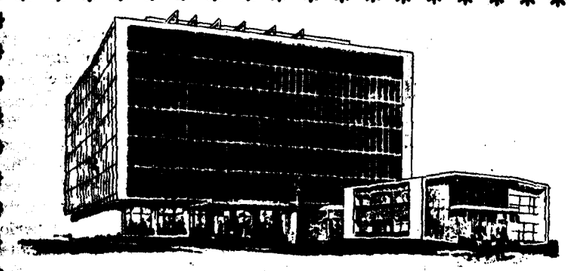
number of hours in the working week as well as a shortened working day has been fairly constant. This change has been due partly to the feeling that life for labour should not be "all work and no play," but it also has been due in no small measure to an increased recognition by management that employees do not reach their greatest efficiency when the number of working hours is excessive. Many experiments have been conducted to determine the relation between hours of work and production. The reduction in hours of work has been largely justified by these experiments. Miles and Angles report that, when the hours of work in a plant manufacturing boxes were reduced from 48 to 56 per week, an average hourly output increased from 793.5 to 834.0 units of production. In another experiment dealing with women engaged in turning fuse bodies, a 68 per cent increase of hourly output and an increase of 16 per cent in total production followed a reduction from 66 to 48 and 6-10 in the number of hours of work per week. In yet another study, it was found that an increase in working time above 60 hours per week was accompanied by increase in time lost owing to sickness, injury and absence without permission. The increase in working time was also accompanied by a decrease in both hourly and weekly output and an increase in labour turnover. Murray reports that a reduction of the working hours to less than 48 per week was followed by increases in both hourly and weekly production as well as by decreases in absenteeism and turnover. The general conclusion suggested by these and similar studies is that output is frequently increased if the number of working hours per week does not exceed 40.

Fatigue is, thus, a state in which the organism is exhausted and requires rest. It is also a state of diminished output. The quality as well as the quantity is affected during the state of fatigue. "The medical man, concerned about what happens in the body during fatigue, might have to say: during fatigue, there occurs a using of sugar fuel products, the accumulation of fatigue substances in the body (which would normally be eliminated) and accompanying inadequacy of oxygen to the body tissues; when rest is allowed, working power is restored, in this way blood washes out of the tissues accumulated fatigue substances and brings to these tissues food and oxygen."

Bitterman defines fatigue as reduced efficiency and he defines efficiency as the ratio of performance to expanded effort. More generally fatigue has been referred to as effect of work, those that, during a period of continuous work, such as muscular aches, eye strain and fogginess and the carry-over effects of work, interfere with our activities. The fatigued person's working power and quality of work are lessened and he finds it increasingly difficult to concentrate on his work. The skilful worker is likely to become less skilful and the person who is less skilful to start with is more likely to tire first because, in being less efficient, he uses more effort.

(To be concluded)

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The Little Wars of Europe

ASHOK V. DESAI

THE CHICKEN war began on the 1st of August 1962, when the Council of Ministers of the European Economic Community imposed a sluice gate levy on chicken from third countries. This levy brought the price of all imported chicken to DM 2.92 a kilo — a price high enough to protect the least efficient producers in the EEC.

Chicken might hardly seem worth writing home about; but the Americans took it very seriously. Owing to rapid advances in their efficiency in recent years, they had been able to double their chicken exports to Germany in the last two years: in the first seven months of 1962 they provided 45 per cent of the chicken imported into Germany and probably about a third of all chicken consumed there. The EEC levy was obviously aimed at them — their share in German chicken imports fell to 11 per cent in the first four months of this year. And behind the chicken levy lay the important issue of agricultural protection in Europe. France looked upon the Common Market as an arrangement to get a sheltered market for her expensive agricultural surpluses in Germany and the Benelux, while the Americans were determined to have access to these markets on equal terms. The chicken duty seemed a portent for the exclusion of American wheat, rice and maize; so the Americans had to make a stand.

Normally, agricultural issues split the Community wide open. On rice, for example, the French and the Italians want a 45 per cent duty, while the Germans would hear none of it: they much prefer the American Patna rice (rice whose grains remain separate when boiled) to the soggy Mediterranean types. Even the Germans agreed to a duty on chicken, however, for the American exports were causing distress to their own backyard producers, who are perhaps the least efficient producers in Western Europe. Nevertheless, the Germans remained ambivalent, and it was, apparently, due to their laxity in enforcing the sluice gate levy that the EEC Commission imposed a further unconditional duty of 0.25 DM.

Conflicting Interests

The temperature rose as summer progressed. The Council of Ministers, being a committee of conflicting interests where each country has a veto, is rather elephantine in its movements: its responses to the American overtures were slow and inadequate, and the Americans got more and more incensed. By last August, chicken had become an American national issue and a symbol of European independence; the US Trade Department drew up a list of articles worth $112 million mainly imported from the Common Market, including flower bulbs, trucks, brandy, scissors and cheese. They threatened retaliatory tariffs on goods worth $46 million, the loss of trade they said the US had suffered.

This was all very exciting: a serious tariff war had not been witnessed since the last War. (Comprehensive economic warfare broke out between India and Pakistan after partition, but there was no economic or other calculation behind it). Besides, economists have written a great deal in recent years about the best tariff from the national standpoint, and about possibilities of gain from a tariff war: it seemed that their expertise might soon be of use. And even if they did not do very well in the game of tariff-making, they could write articles about it for years afterwards.

And then — the Americans retreated. They proposed arbitration by the GATT, and after some delay, the EEC accepted. The panel appointed by the GATT reported recently and fixed the American loss of trade at $26 million. The US Trade Department has been considering levying tariffs on trucks and chemicals of this value. Thus, the chicken war ended with an American defeat.

Recently, however, there have been rumblings of a steel war. British exports of steel to the Common Market have risen sharply; and the French steel producers, whose fuel costs are comparatively high, have been especially loud in their complaints. The European Coal and Steel Commission has tried to reduce competition by, for example, prohibiting imports outside trade agreements from Eastern Europe; it has been ineffective, however. There have also been informal agreements between British and Continental producers to prevent price cutting; these have been bypassed by British traders.

The French have complained that the British producers are dumping steel. There may well be some truth in this. Many European steel-makers, and especially the British, have surplus capacity in these days of slackening demand; since the fixed costs in the steel industry are high, additional quantities of steel can be produced at much below average costs in these circumstances. Now, the British cannot reduce prices at home: since they normally sell at the minimum prices fixed by the Iron and Steel Board, it would be illegal. And even if it were legal, it would be inconceivable for British producers to undercut their own compatriots. But the times are hard, and customs change when you cross the English Channel....

And so do the rules of diplomacy. A few months ago, the British Government refused to prevent sales of steel to Russia, for Britain must trade for its livelihood. Now the French Government has threatened to take measures against the British steel exports unless the ECSC does so. Since the French are not the only ones whom the shoe pinches, the ECSC will probably take some action.

So there are prospects of a steel war. I am not sure, however, that it will be fought. For in the reckoning of the British Government, the cost of a tariff war in terms of the loss of European currency earnings must be rated high, in view of the weak British reserves, and the prospects of a British win would be bleak, since the losses Britain can inflict on the EEC in terms of loss of exchange earnings, unemployment in Continental export industries, loss of raw material supplies etc. would not be regarded as serious.

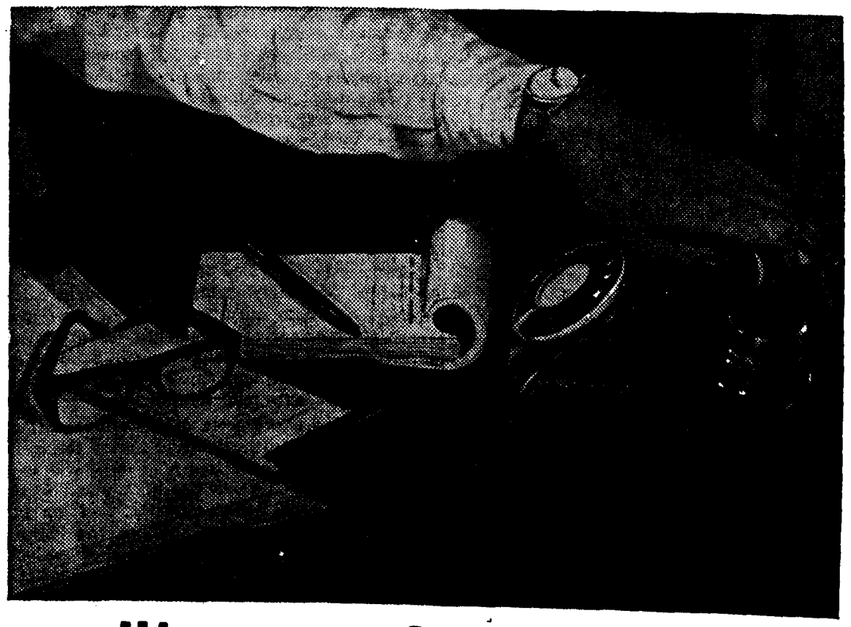
Rarity of Tariff Wars

This argument is of quite general application and helps us explain the rarity of tariff wars. For a trade war to take place, both belligerents must think that they can afford it and that they would obtain favourable terms in the eventual compromise. Quite apart from other losses, most countries today cannot bear the loss of export earnings a serious tariff war would entail, owing to their weak reserve position; and even if they could they would tend to value the loss of earnings more than the exchange ratio would indicate, since there is a widespread restriction of imports that are considered less essential. Further, the countries cannot expect a win in tariff war unless both can inflict heavy losses on each other — i.e. unless they are closely and equally dependent on each other. Now, there are a great many countries which depend closely, but very few which depend equally, on each other.

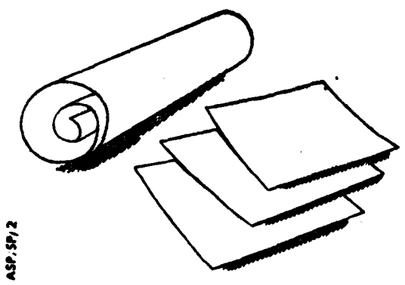
This points to the singularity of the chicken war: it was a war between powers which could afford one, and which could both entertain reasonable expectations of inflicting damage on each other and winning. It could, therefore, have led to greater battles.

Its outcome was also of some significance. The Common Market is known to be protectionist: it levies heavy duties on whatever it can produce and other commodities besides, and it has developed its own system of imperial preferences. This hurts many countries; of them, however, only the United States had the strength to counter the protectionist tendencies of the EEC. Now that it has failed, it is unlikely that bargaining will change the EEC policies much. The countries whom they make unhappy must go back to making conference speeches — and simple autarchy.

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Present-Day Problems in Polish Agriculture

MIECZYSLAW JAGIELSKI

(Minister of Agriculture, Poland)

THE FAVOURABLE weather conditions in September and October markedly improved the situation in agriculture which had been rather difficult because of last year's setbacks, heavy winter and summer drought prevailing on a large area of the country.

Two months ago there could be some grounds for worries over cattle breeding in view of possible fodder shortage in the coming winter period. Difficulties in supplying potatoes to the population were looming and prospects for the sugar campaign were rather unfavourable. Whereas today facts are speaking for themselves: the average yield of potatoes, according to the last estimates of the State Inspection of Crops, amounts to over 150 q per ha, i.e., by 20 q more than last year and by 15 q more than the average yield in the last five years. This means that there are no grounds for fears as to the provision of population with potatoes and that fodder situation has also improved.

We can give no final data as yet on the sugar beet production because purchases will last for further few weeks. The yields will surely be better than initially expected though with a lower sugar content. It should also be kept in mind that this year area under sugar-beat is 58,000 hectare smaller than last year. The cereal yields have slightly surpassed 17 quintals per hectare, whereas last year they were 16.1 quintals per hectare.

It is worth remembering the high yields of vegetables when characterising this year results in vegetable production. These are estimated at 3.5 million tons, i.e. by 24 per cent more than in the previous year. Owing to this fact the fruit and vegetable processing industry implemented the annual plans by two months ahead of schedule and the value of processed vegetables and fruit to be delivered to the market will be 350 million zlotys higher than initially planned. The high production of tobacco this year amounting to 59,000 tons should also be mentioned, last year results having been only 37,000 tons.

Smaller results were obtained in growing oleaginous plants. Their yields are lower than last year and the area under cultivation has diminished.

Favourable Conditions

Winter caused considerable losses in horticulture, still there is evidence that fruit production this year will be not much lower than last year. The relatively favourable situation in plant production creates good conditions for the development of animal production next year. But the present situation in animal breeding is not satisfactory and causes certain difficulties.

The June census showed a drop in pig population of nearly two million head. The number of sows has considerably fallen as well as that of sucking-pigs. The main reasons for this fact are the low cereal and root-crops yields in 1962. But it should be said that many pig-breeders considered the situation as worse than it was in reality and consequently reduced not only the number of pigs for fattening but also the number of sows despite the fodder assistance secured by the State.

Therefore purchases of live pigs have been smaller owing to the drop in pig population. Within 10 months of this year purchases of pigs in terms of meat have been 129,000 tons lower as compared with the same period of last year. This loss has partly been covered by increased deliveries of beef by 31,000 tons higher than last year. Purchases of all animals for slaughter are 109,000 tons lower in terms of meat than in the same period of last year. In order to prevent a considerable drop in meat deliveries to the market the Government have reduced the export of meat by 75,000 tons, of animal fats by 20,000 tons, and have imported 45,000 tons of meat.

In cattle breeding the situation is better. It was a hard problem, for a long period of time, to achieve the pre-war level in cattle population, i.e. 41 head per 100 hectare of arable land. Today we have nearly 10 million head of cattle, i.e. 49 head per 100 hectare of arable land with a by far higher weight of cattle. Milk purchases amounted to 3,116 million litres in the ten months of this year, i.e. by 257 million litres less than in the same period of last year.

On the whole the present situation cannot be considered as a satisfactory one althogh improvement is visible.

We can state after examining the total results of plant and animal production, that the current year brings about a three per cent increase in the agricultural production in comparison with the last one.

Fertilizer Deliveries

The Government undertook a decision to secure a sufficient growth of fertiliser deliveries in the future. A long-term agreement has been concluded with the Soviet Union on the deliveries of phosphorites and potash salts. It envisages joint investment outlays, and the work on the investment scheme has already been started. We also endeavour to increase import of potash fertilisers from the German Democratic Republic. But apart from this the adverse effects of not sufficiently speedy growth in fertilisers employment can and should be lessened by a better utilisation of this amount of fertilizers which is at our disposal, by improving the use of manure and by expanding papilionaceous plants cultivation.

While increasing the flow of production means into rural economy we do not forget the improvement of economic conditions for farmers. Guaranteeing the profitableness of agricultural production by the system of supply and purchase prices and by other economic incentives, we follow decidedly the principle of raising the agricultural production in a way favourable both for the State and for the peasants.

Last year, as it is known, the profitability of agriculture dropped. The incomes of the countryside which were particularly high in the economic year 1961-62 after the record yields of 1961 were threatened by low yields of potatoes and sugar beet in 1962. The drop in production of live pigs linked with the above fact has reduced the farmers' income by about 2,900 million zlotys this year, which situation has still been worsened by a loss of further 700 million zlotys caused by a drop in milk sales.

The first reaction of the Government was the assistance granted to farmers in sowing in autumn 1962 and spring 1963. Next, fodder assistance was organised, the supplies of fodder concentrates being increased by 300,000 tons. The terms of contracts for future deliveries of certain plant and animal products have been changed to the benefit of farmers. We have also improved the terms of contracts for future deliveries of vegetables so as to help the small-scale suburban farmers make their economy more profitable. Consequently this year's vegetable production will substantially increase the income of the farmers. Consumers have also benefited

by these changes because the prices of vegetables have been lower throughout the whole season this year as compared with the previous ones.

As far as sugar beets are concerned, the Government has established more convenient terms for deliveries of sugar beets on contracts basis in the economic year 1963-64 and obliged industry to improve the supply to the farmers growing sugar beet of tools which facilitate labour absorbing work.

A decision of far-reaching consequences taken this year is the rise of purchase prices of milk. Owing to this fact the incomes of the countryside will grow by more than 1,000 million zlotys per year.

Besides, two months ago, the terms of pig purchases were improved in several eastern and central voivodships bringing farmers additional 250 million zlotys.

Planned Concentration

A few months ago we decided that further mechanisation development should be based on the principles of planned concentration of tractor and machines sets at the existing State Machine Centres and at their work-shops, and on the speedy expansion of the village repair shops. Considerable organisational and investment efforts of the State are required so as to put modern technique at the disposal of agriculture. As many as 1,200 million zlotys are envisaged for the building of 400 new stations of State Machine Centres in the next two years.

The provision of agriculture with melioration equipment is a matter of organisational and investment activities. The same is the case with the modernisation of fodder economy and animal feeding. By delivering high-quality mixed fodder to the farmers we bring about reduction in consumption of cereal as fodder. At present district co-operatives have at their disposal a sufficient amount of mixed fodder and can exchange them with the farmers for cereals on conditions favourable for the farmers.

The implementation of our fodder plan, besides the expensive import, calls for considerable investment outlays so as to build modern industrial enterprises and furnish them with proper equipment.

The State farms are the core and essential basis of our seed plan. In the next years the State farms should more speedily expand their deliveries of qualified cereal seeds, seed potatoes, and vegetables, develop the production of papilionaceous and fodder plants for the needs of the entire agriculture and export.

Their possibilities, if we take into consideration the 2.5 million hectare of land, can be evaluated as large. But if we take into consideration that a small number of farmers is equipped with proper machines for cleaning and sorting the seed material then we must state that the deliveries of qualified seed, doubled in the last three years, required a lot of effort. Similar is the case with the potential of State farms in the field of breeding as they are short of sheds for livestock. The State farms, having at their disposal a 2-3 times lower number of man power per 1 unit of the area in comparison with the peasant farms are badly mechanised both from the point of view of the number and the range of the machines. This fact also diminishes the production possibilities of State farms, especially in northern regions.

Therefore some months ago a decision was taken on a speedy liquidation of the shortage of basic production means in State farms.

The essential problem in agriculture is the growth in efficiency of the farmers themselves and of all the agricultural workers in using the ever wider and ever richer range of production methods and means. With this aim in view we expand a training basis for improving the qualifications of the agricultural personnel of various ranks and in various production directions. Expenses of the Ministry of Agriculture on agricultural education in 1964 are to amount to more than 840 million zlotys, i.e. nearly twice as much as 5 years ago. We intend to open 35 new schools and 80 training centres and particularly we strive to expand the range of education and to raise the level of training of tractorists and other mechanical workers in agriculture. The increase in the number of agricultural stations and veterinary stations is a factor playing an ever more essential role in improving agricultural culture.

Besides the problem of introducing new scientific and technical achievements into practice there is in Poland a serious problem of a wide employment of those means and ways which both science and many-year experience of the best farmers proved to be the necessary condition of rational farming and proper utilisation of the land. With this aim in view the Council of Ministers, supporting the initiative of the Second National Congress of Agricultural Circles, adopted a resolution in October on the general appliance of agricultural minimum. The necessary factor for the implementation of agricultural minimum is the adaptation of the programmes of winter training, encompassing the farmers and organised by agricultural circles, to the agricultural minimum determined for the given village for the nearest year.

Production Means

The leading idea of the activity conducted by the Party and Government in the field of agriculture is the improvement of its production basis by an ever better supply of production means. Closely connected with this is the constant strengthening of State farms, the raising of their role in the planned shaping of the development of the entire agricultural economy. Hence also the State support for the movement of agricultural circles aimed at the introduction of mechanisation and modern production methods in private peasant farms.

The entire policy of strengthening and improving the production basis of agriculture is aimed at convincing the peasant masses that it is worthwhile speedily to develop production, which consequently leads to growing well-being and culture of countryside.

Despite certain shortcomings of our agriculture, optimistic views dominate because we have favourable crops this year in spite of the changeable weather, and good prospects for overcoming the transitory setbacks in the production of livestock. My conviction about favourable prospects for agriculture is based on the following facts:

The developing national economy can at present allot ever bigger means for the improvement of agricultural production;

The necessity of increasing outlays for this aim finds a just and full understanding of the Government and in the wide circle of economic and social workers;

The successive national economic plans allocate ever more means for agriculture and industrial branches servicing agriculture; and

Our ability of employing these means is gradually growing, methods of managing are improving, the range of economic and organisational measures becomes ever more richer, allowing for a rational utilisation of the growing State assistance.

WINDOW ON THE WORLD

ECM: Half Way to Unity

From Our Special Correspondent

PARIS:

THE COMMON Market this month passes the half-way stage between its official inauguration on Jan. 1, 1958, and the date set for its complete realisation on December 31, 1969. True, of the first six years, one — the year 1958 — was spent in merely getting ready for the initial duty cuts that came on January 1, 1959; and the remaining distance may well be covered in less than six years, since tariff disarmament is running ahead of schedule. But on any count, the association is today at the mid-point in its formative career, and this is a suitable moment to review its achievements to date and to assess its weight in the international economy. Naturally, in adding up the achievements of the six members to get a group total one is not arguing either that they yet constitute an economic unit in the sense the USA or Britain do, or that all their progress is due to the existence of the Common Market alone. Yet these reservations become less important with each month that passes. The unity of the Six is growing so fast that their affairs increasingly deserve to be treated as a single entity. And the persistence of an unusually high level of business activity over so long a period must have some connection with the process of unification, rather than (as at first seemed possible) being just the coincidence of recovery and modernisation in the six separate economies.

As to the pace of business expansion, the barest figures are eloquent. Between 1958 and 1963 industrial production in the region rose by 44.7 per cent, against 33.5 per cent in the USA and 16 per cent in Britain. Though this figure is the average between Italy's spectacular 72.3 per cent and Luxemburg's modest 12 per cent, it is still significant: the major industrial members (West Germany, France, Belgium) are grouped around 30-40 per cent, while Italy's rapid progress represents the process of equalisation that was to be expected in a united economy. (Luxemburg's lag is due to the stagnation in steel, the tiny Duchy's only important product.)

Industrial Growth

This fast growth of industrial output is among the main causes of the similarly striking rise in national product. GNP per head has risen by 26.4 per cent in those same years, compared with 22.5 per cent in the USA and 14.1 per cent in Britain. Italy and West Germany have done rather better than the average, France not quite as well, and the laggard is Belgium.

Between 1958 and 1963, again, trade within the region has grown mightily: by 130 per cent for both exports and imports between the partners. Naturally, this is much faster (just three times as fast) than the increase in trade between the Six and non-members, that being the whole idea of the customs union. However, what is surprising (and what was not expected by outside critics in 1958) is that the Six's business with non-members has increased faster than the foreign trade of the other industrial powers. Thus, the Common Market's imports have risen by 53 per cent, whereas the USA's have grown by only 33 per cent in the same period and Britain's by 25 per cent. Certain outsiders may have lost part of their market on the Continent because of mutual preference between the Six, but clearly there is no room for accusations of protectionism. In absolute terms, the region increased its lead as the world's main importing unit: in 1962 it bought $22,327 million worth of goods *abroad*, compared with $16,236 million for the USA, $12,578 million for Britain and some $6,000 million for Russia.

The Common Market's exports also increased considerably: they are up 35 per cent in the period against 25 per cent for both the USA and Britain. This rise was not sufficient to match the boom in imports, so the region has begun incurring a substantial trade deficit. Once again, it is plain that the formation of the union has been beneficial to non-members' trade, notably for the USA and Britain who have sold most of their extra exports to the Six. Despite the trade deficit, the Six have achieved a payments surplus because of the inflow of foreign capital seeking to get a footing in the world's most dynamic market.

To the extent that the above trends depend on the progress of the six-nation customs union, there is no reason why they should not continue during the second half of its formative phase, up to 1970. Of course, they depend on other things too; the level of the region's imports will be affected by success in current efforts to combat inflation; the size of its export sales will depend on that, on the pace of growth in the USA and Britain, on the fortunes of developing countries, etc. So there is no question of predicting what will happen in the next six years. It is simply that there is nothing in the Six's programme for the period that is inconsistent with continuation of the trends that have emerged since 1958. The abolition of remaining internal tariffs, the installation of the common external tariff barrier and the implementation of a joint agricultural policy should stimulate growth in industrial production, national income, internal trade, foreign commerce and investment just as much as the measures taken since 1958. It is safe to forecast that the apprehensions about the ravages of a joint farm policy on outsiders' food sales in Europe will turn out to be as exaggerated as similar fears expressed in 1958 and belied by the above figures.

At this stage, one can set the Six as a unit against Britain, the USA and Russia, as is done in the following table; the figures there, the latest available, are for 1962 and all should be taken as somewhat lower, for the Common Market, than what will appear when the 1963 statistics are compiled.

	ECM	UK	USA	Russia
Population (millions) ..	173	53	190	223
Steel output (m. tons) ..	72	20	91	76
Energy consumed per head (tons of coal-equivalent) ..	2.6	4.9	8	2.9
Auto output (millions) ..	4.8	1.6	6.6	0.5
Cereals output (m. tons) ..	52	9	174	121
Meat output (m. tons) ..	7.9	2.1	16.4	8
Milk output (m. tons) ..	61	12	57	58
Imports ($000 m.)	22.3	12.5	16.2	5.8
Exports ($000 m.)	20.6	11.0	21.3	6.0
Gold and $ reserves ($000m) ..	16.8	2.8	16.1	..

This is the picture of the Common Market at the half-way point of its formation. What remains to be done, according to the treaty, in the remaining six years? First internal customs duties, already cut by 60 per cent, are to be entirely abolished and it seems probable that this will be completed by Jan. 1, 1967, three years in advance of the timetable. That applies to trade in manufactures; for commerce in farm produce, progress has been somewhat slower to date but if the Mansholt plan for a uniform cereals price is accepted there will be a notable acceleration there too. The common external tariff (which is, in general, the arithmetical average of the old national tariffs, minus 20 per cent) will come into full effect, and here again the task will probably be completed by Jan. 1, 1967, well in advance of original plans. Needless to say, the actual level of the common external tariff will depend on the fate of the Kennedy Round, but the existence of a single duty barrier around the union is assured. The last

moves will be made in this period toward a common external trade policy, e.g. negotiation of trade pacts with outsiders by the Six as a unit represented by the Brussels Commission. However in this matter the provisions of the treaty are less important than achievement in actual practice of a joint stand in such affairs as the Kennedy Round, the UN world trade conference, negotiations with developing countries, and relations with Britain and the Free Trade Association.

There exist detailed timetables for the introduction in the coming six years of free movement of labour and capital, common regulations on competition and monopolies, a measure of harmonisation of tax systems (notably sales taxes), more uniform social welfare and security policies, a joint policy on transport and finally some sort of overall economic programming or at the very least co-ordination of budgetary and monetary practice. To judge from the beginnings that have been made, and from the plans for further progress drawn up by the ECM Commission, there is no reason to doubt that advance in all these fields will be smooth. One must speak with more caution of progress toward a joint agricultural policy, for although the ground was prepared for it in the recent Brussels settlement, much will depend on the prices at which crops are to be supported. Finally, there is at least one domain where progress toward unification is nil and where the future is still in doubt: the writing of a joint policy on fuel and energy. The opposition of interests in this field is stark, and the sole reason for optimism is that unification in all the other above-mentioned departments of the economy will eventually force a harmonisation of policy in the basic question of energy.

The development of the union in its second phase, then, should be easier going than in the 1958-63 period. Indeed, as far as concerns the mutual relations of the Six, the issue is beyond doubt. But, precisely because of their success, the development of their association is increasingly dominated by its external relations, notably with the USA. These will monopolise attention in the 1964-70 phase, and will decide the shape of united Europe.

U.S. Economy Crosses $ 600 Billion Mark

WASHINGTON:

IN HIS ECONOMIC report to Congress on January 20, the President of the United States pointed out that the Gross National Product (GNP) for the fourth quarter of 1963 rose to a record rate of $6 billion, but emphasized that an unemployment rate of 5½ per cent of the labour force "continues to cast a long shadow over our pride in this achievement". President Johnson then pledged himself to promote policies which would increase employment and production at home and abroad, aid and assist in expanding international trade.

Following are some of the main points made in his report:

The record $100 billion expansion since early 1961 has carried the U.S. past important milestones in the march toward a better life. In 1963, for the first time in history GNP passed the $600 billion mark, by year-end; average earnings in manufacturing exceeded $100 a week; personal income (before taxes) reached an average rate of some $2,500 per capita; after-tax income of individuals exceeded $400 billion, for the year; corporate profits exceeded $50 billion before taxes and $25 billion after taxes; residential construction passed $25 billion; and civilian employment exceeded 70 million.

In the nearly three years of unbroken expansion since early 1961 GNP is up 16 per cent, measured in constant dollars; industrial production is up 23 per cent; civilian non-farm jobs are up 2¾ million; personal income is up $70 billion, or 17 per cent; corporate profits before taxes are up $17 billion, or 44 per cent; net income per farm for 1963 is up almost $675 or 12 per cent; total after-tax income of the American people is up $56 billion, or 16 per cent; and real disposable income per family is up more than $600, or 8 per cent.

Unparalleled Rise

The $100 billion rise in output in 2¾ years knows no parallel in the peacetime economic annals of the United States. The advance of $51 billion in labour income is also unparalleled. Average real income of non-farm workers has risen by $945 a year, a gain not exceeded in any previous comparable period. The rise in corporate profits from a rate of $38½ billion in early 1961 to roughly $55 billion at the end of 1963 is notable.

The 1961-63 advance — though impressive, sustained, and non-inflationary — has, however, not gone far enough and fast enough to create the jobs needed by the unemployed, restore the growth rate of productive potential to the pace which was taken for granted in the early post-war period, raise the incomes of farm families to a level more comparable to those of non-farm families, or expand investment and profits to levels that will hold more of the capital funds at home and thereby shrink the external payments deficit.

Five-and-a-half per cent of the labour force is still idle, even after a year-to-year advance of $30 billion in our GNP. Taking into account the added workers who seek employment as jobs become more plentiful, at least two million more jobs are needed today just to get rid of stubborn excess unemployment. About two million new jobs are needed each year to offset the labour-saving effects of rising output per worker. More than a million added job seekers enter the labour market each year — indeed the U.S. economy should soon provide 75 million jobs. Operating rates in manufacturing still average only 87 per cent of capacity, against the 92-per cent rate preferred by business managers. Men, machines, and materials that lie idle today could readily add about $30 billion more to our $600 billion GNP. Although sharply reduced by the determined steps announced in July, the balance of payments deficit is still there. And gold outflow — though only half as large in 1963 as in 1962, and less than half as large in the three years 1961-63 as in 1958-60 — has not been eliminated.

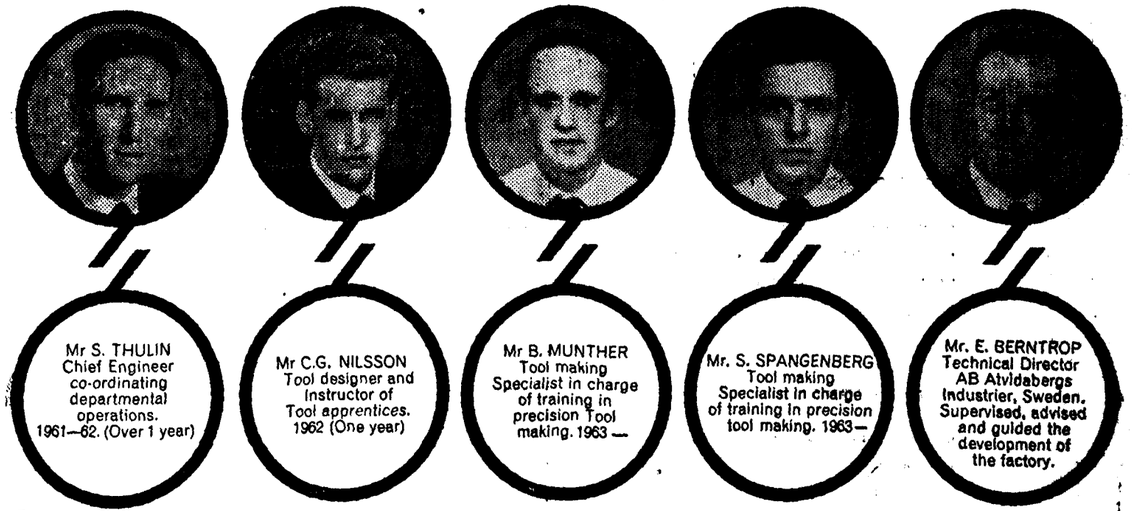
Task Ahead

The President, outlining the task ahead, said: "If we are to master these problems, we must above all enact the tax bill — not in one or two or three months; but now — not in diluted, but in strengthened form, with an immediate drop from an 18-per cent to a 14-per cent withholding rate ..... The economics of efficiency is in no way inconsistent with the economics of expansion. By combining efficiency with expansion, frugality with compassion we shall hold the fiscal 1965 budget below the fiscal 1964 budget, and cut the deficit in half; we shall get a dollar's value for a dollar spent, while not fearing to spend a dollar when and where the nation will reap a full dollar or more in benefit; we shall strengthen our programmes to meet pressing human needs; fully satisfy our defence requirements; and respond to the demands of economic progress; and we shall, at the same time, provide an unparalleled fiscal stimulus to the economy.

"The tax cut will give a substantial lift, year-in and year-out, to the American economy. When fully effective in 1965, it will send well over $11 billion annually coursing through the arteries of the private economy ..... With the tax cut, promptly enacted, our gross national product for 1964 should rise from $585 billion for 1963 to a projected $623 billion..... With the tax cut, the state of business confidence is strong: business forecasters today foresees a 5 to 6 per cent, or even greater, rise in GNP from 1963 to 1964. With the tax cut, profits will continue to rise, avoiding the decline that usually sets in after the first year or two of a business expansion. With the tax cut, our balance of payments will benefit from basic improvements in our ability to compete in world markets as costs are cut directly through lower taxes and indirectly through



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modernization; and in our ability to retain and attract capital as returns on domestic investment rise with higher volume and lower units costs. With the tax cut, consumer spending — fuelled by the extra $8.8 billion of take-home pay — will propel the economy forward in 1964. With the tax cut, business fixed investment should rise more in 1964 than in 1963, and housing and automobile demand should remain strong. With the tax cut, in short, 1964 will be a year of strong, sustained economic advances ..... Prospects are favourable for continuing in 1964 our good record of price stability and stable unit labour costs .....

"Our balance of payments will continue to benefit from the special programme launched last July. This requires early enactment of the interest equalization tax, designed to raise the costs of foreign borrowing in our capital market without forcing up domestic interests rates, further economies in dollar outflows from government programmes, without compromising our efforts to maintain the strength of the free world, and continued price stability and export promotion to maintain or improve the competitive position of our exports.

"The Kennedy round. The United States' 20-year campaign to reduce barriers to world trade — and the intensified pursuit of that goal signalled by the passage of the Trade Expansion Act of 1962 — will reach a climax in 1964 ..... Reduced trade barriers will expand exports and help an increasing number of developing countries to become self-supporting. Our development assistance effort must and will be more sharply focussed and rigorously administered. We shall encourage others to share more of its burden and seek a larger role for private-investment. But a strong development assistance programme continues to be vital to our pursuit of peace and stability in the free world ..... "

Behind the Smoke-Screen in U.K.

JOSSLEYN HENNESSY

LONDON :

THE NATIONAL Economic Development Council (Neddy), of which Mr. Maudling is the Chairman, and in which government, employers, and trades unions meet together in a joint effort to promote growth, is running into difficulties.

Neddy's first report, which came out in February, 1963, was greeted with acclaim, because it outlined a 4 per cent growth policy, and since, at that time, there was a margin of unutilised capacity in the economy this growth rate was quickly attained. The result was, of course, that union after union began putting in for higher wages, irrespective of productivity, thus facing the government with the anguishing problem that faces all democracies enjoying full employment, namely, whether, on the one hand, to create the credit necessary to enable consumers to pay the higher prices that higher wages impose on those particular products in which productivity is insufficient to cover increased costs, thus boosting the inflationary spiral, or whether, on the other hand, to refuse to create the credit and face an increase in unemployment due to consumer resistance to higher prices.

Faced with such electoral dynamite, politicians of all parties, in all countries, put up a smoke-screen in hopes that somehow or other their problem will solve itself in the ensuing confusion.

Incomes Policy

Today, the fashionable smoke-screen to evade the consequences of inflation is an "Incomes Policy", and Neddy, which was set up to deal with long-term problems of growth, is now being asked to find a short-term solution for rising wages, incomes, profits, and prices, the responsibility for which should, I suggest, rest with the government of the day.

The professed object of an Incomes Policy is to prevent inflation by stabilising prices and incomes, so Mr. Maudling wants the representatives of the employers and workers in Neddy to agree on a declaration which would call for (1) a new national body to which "unfair" increases in prices could be referred, (2) legislation for taxes on profits if they rose by a greater percentage than wages. In return for these two points the T.U.C. would advise the unions to restrain wage demands. The employers associations — the Federation of British Industries, the National Association of Manufacturers, and the Association of British Chambers of Commerce — took the initiative in accepting these ideas in principle. The Trade Union representatives were, on the other hand, reported in the press as having been taken aback by the employers' proposals, which they described as "too rash, too ill-advised, and too sudden".

The refusal of the unions to accept the offer of price reviews and taxes on profits, on which they have always insisted as the prerequisites for wage restraint, may seem bewildering until it is remembered that an election is in the offing, and that the unions are the Labour party's biggest single source of finance. If the unions were now to join in the proposed declaration, the ensuing wage and price pause and the general easing of anxiety in industry and commerce, would give the Conservatives a big push towards victory.

All the above is, however, at any rate as I see it, a vast smoke-screen behind which Conservatives and Labour have retired to avoid taking unpopular decisions. For the basic fact is that if you avoid inflation, you do not need an Incomes Policy, and if you have inflation no Incomes Policy can work. An Incomes Policy is supposed to stabilise wages, prices, and profits. If you have no inflation, wages, prices, and profits are stable, although not static — that is, they change the relations between each other in response to supply and demand. If you allow inflation, wages, prices, and profits cannot be stable. They can, of course, be controlled, thus distorting production by suppressed inflation, by black markets, and by diverting resources away from the production of controlled to uncontrolled goods or services.

Mr. Maudling still has, however, one or two realistic possibilities open to him. Neddy's office is reported to be urging him to abolish resale price maintenance and to inaugurate tariff cuts, both of which would induce greater competitiveness, and would lower a fair number of retail prices in the shorter run. In the longer run, neither could withstand the inflationary creation of credit, which emerges when political parties compete to promise electors investment in health, pensions, education, houses, defence, and the nationalised industries, on a scale in excess of current national resources.

Let us end on a more cheerful note. Many of the omens for the UK economy in 1964 are good. The higher incomes and profits being currently earned and distributed should maintain consumer demand at a high level. Increased demand for capital goods is forecast from both the public and the private sectors. Expansion should therefore continue throughout 1964, and perhaps into 1965. There are still large areas of industry working below capacity to maintain an anti-inflationary margin. Against this, bottlenecks in the service and particularly in the construction industries may build up. UK exports should benefit by the climate of expansion that has set in throughout the United States and Europe, as well as from the recovery in commodity prices which should enable the primary producing countries to import more. The Western Communist bloc, headed by the USSR, will continue to buy Western food, at any rate until their next harvest, and they are lengthening their order books for capital goods.

LISTENING POSTS

Steel Target for Fourth Plan

By Our Special Correspondent

NEW DELHI:

THERE IS every possibility of the fourth Plan steel production target being finally fixed at about 16 million tonnes, as against 18 million tonnes recommended by the Steel Steering Group in September last. The main reason for this likely scaling down, it is understood, is that it may not be feasible to accommodate in the next Plan's outlay of Rs. 14,000-15,000 crores, an investment of the order of Rs. 2,000 crores in the steel sector alone. There is also likelihood of coal supplies falling short of the requirements of an 18 million tonne steel target. Foreign exchange is another bottleneck and suppliers' credits are not considered to be a good substitute for long-term assistance from the friendly countries.

Bokaro, of course, is to be accorded high priority in the fourth Plan steel expansion programme; firstly, because a good deal of preparatory work has already been finished in regard to this project, and secondly, owing to the fact that it will be a plant producing flat products for which the country's requirements are going up at a rapid pace. Expansion of the five existing steelworks at Burnpur, Jamshedpur, Durgapur, Rourkela and Bhilai is also to be accorded an equally high priority. Which of the two plants proposed in the Vishakhapatnam and Goa areas should be taken up in the first instance in the fourth Plan period will be decided on receipt of their project reports which are expected to be submitted in about four months' time.

For a successful implementation of the fourth Plan steel programme, it is pointed out that the funds will have to be arranged by next year. Part of the allocations may have to be made during the current year itself. Any delay in this regard, it is feared, will upset the plans. It is also felt that if West Germany insists on completion of Rourkela's expansion to 1.8 million tonnes before committing itself to provision of funds for further expansion, it may create complications.

Foreign Exchange

Bokaro's foreign exchange requirements are likely to figure in the discussions at the next meeting of the Aid-India Club. The Government is anxious that some assistance should be available from this source for financing Bokaro. That will reduce the burden on the country's foreign exchange resources.

For mitigating the hardships caused to foundry-owners by shortage of pig iron, the Union Ministry of Steel is understood to be negotiating import of 150,000 tonnes of this commodity from the Soviet Union. The main hindrance in the finalization of this deal is stated to be the price factor. The indigenous supply of pig iron during the current year is estimated to go up to 1.2 million tonnes. A slight liberalisation in the foundry quotas is said to have been already effected on this score. Further liberalisation should follow if the deal with the Soviet Union materialises.

The Durgapur and Bhadravati alloy steel projects, it is learnt, are now making satisfactory progress. Bhadravati may be able to produce even 85,000 tonnes of alloy steel per annum. The production of equipment for the Durgapur project is stated to be at an advanced stage in Japan. The Japanese collaborators are understood to have indicated that they will be able to adhere to the schedule proposed for the equipment supplies.

Government decisions on the Raj Committee's recommendations on steel decontrol are expected to be announced shortly. The matter, it is understood, will go before the Cabinet in the next few days. Indications are that whereas controls on such categories of steel as structurals, railways material, etc., which are in good supply, will be abolished completely, stricter controls may be enforced on the scarcer varieties. Among these are included plates, sheets and tinplate. There is also a good possibility of the Raj Committee's suggestion for setting up a Joint Plant Committee being accepted. The Secretaries Committee which considered the Raj Committee's report for suggesting Government action is believed to have agreed with this proposal, but with one modification. The official committee is understood to be of the view that the Joint Plant Committee should not be concerned with the determination of the base prices of those categories of steel on which controls may be continued. The freight equalization system for steel is likely to be maintained as hitherto.

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With a view to pulling the agricultural economy of the country out of the morass into which it has tumbled during the past three years, the Union Ministry of Food and Agriculture has taken a number of decisions in the last few days. At a meeting of the recently constituted Agricultural Production Board, held on Monday, it was decided that the Central assistance for intensive cultivation of cotton and oilseeds should be continued for one more year and that assistance on a similar pattern should be extended for the cultivation of wheat and rice as well. It was also suggested that in the areas selected for intensive cultivation, special attention should be paid to the entire crop economy of an area instead of concentrating efforts only on the predominant crop there. Further, the approach should be on district-wise basis instead of block-wise basis as hitherto; the contiguous areas should also be included in the intensive cultivation programmes. The Centre was urged to support the selected districts agriculture programme upto about 300 blocks during the next agricultural year.

Earlier at a meeting of the Chief Ministers and Ministers of Agriculture, Co-operation and Community Development of the States of Northern Region, comprising Punjab, Rajasthan, Uttar Pradesh, Himachal Pradesh and Jammu and Kashmir, it was announced by Mr. Shriman Narayan, Member (Agriculture), Planning Commission, that a provision of Rs. 150 crores had been made in the 1964-65 plans of the States for agricultural development, as against the current year's allocation of Rs. 115 crores. Mr. Shriman Narayan also indicated that further funds for this purpose could as well be made available, if considered necessary. He hoped that as a sequel to the recent directive of the Planning Commission to the State Governments, the States will take care that the funds made available for the development of agriculture and co-operation would not be diverted to other schemes. There is a proposal to include in this category also the funds being provided for community development programmes.

The Reserve Bank is believed to have assured the State Governments that it will try to meet the credit requirements of agriculturists to the maximum possible extent. But a necessary condition for this is that the co-operative structure at the central and primary levels should be strengthened.

The Union Ministry of Food and Agriculture has also impressed upon the State Governments that they should make efforts to make available iron and steel to agriculturists at reasonable prices. It intends to supply chemical fertilizers to farmers at as low a price as possible. The revised prices of chemical manures are expected to be announced shortly.

The States have also been advised to take concerted action to implement minor irrigation schemes and to forge closer liaison between the various departments dealing with matters pertaining to agriculture. They have been further asked to make up the leeway left in the implementation of the intensive cultivation programmes.

Two other important steps for agricultural development have also been indicated by the Central Government. One of these relates to power supply to agriculturists at cheap rates and the other to stabilisation of the prices of agricultural commodities at reasonable levels. The Union Government appears to favour an upward revision in the support prices fixed for various farm products. A Committee of Secretaries represented on the Agricultural Production Board, has been asked to submit a report on this issue by February 19.

As regards supply of power to agriculturists at cheap rates (the concensus of opinion is that the rate of power supply to agriculturists should be around 9 nP. per unit), the State Governments are stated to have put forth two suggestions for consideration by Central Government. The first suggestion envisages increase in the power rates to industry so that the State Electricity Boards may be able to make up the loss that will result from providing power to farmers at low cost. The second proposal is that the Centre should provide subsidy for this purpose.

Licensing New Units

Meanwhile, to meet the growing demand for agricultural tractors, the Union Ministry of Steel, Mines and Heavy Engineering has decided to license further capacity in this line. Preference in licensing new units is proposed to be accorded to schemes envisaging production of tractors in the lower h.p. ranges.

Till now, four companies have been licensed for the manufacture of agricultural tractors in the ranges 12-18 DBHP and above and two for the production of tractors in the lower ranges. Of the former, three—Eicher Tractor Corporation of India (P) Ltd., New Delhi (licensed to manufacture annually 2,000 Eicher tractors in the ranges 12-18 DBHP and 20-30 DBHP), Tractors and Buldozers (P) Ltd., Bombay (licensed to produce per annum 2,000 Zetor tractors in the ranges 20-30 DBHP and over 35 DBHP) and Tractors and Farm Equipment Ltd., Madras (licensed to turn out per year 3,500 Ferguson tractors in the ranges of 20-30 DBHP and over 35 DBHP)—have already gone into production. The production level achieved by them, so far, however, is not high—only 1,627 tractors were produced by them in 1962 and 782 during the first seven months of 1963. Mahindra & Mahindra Ltd., Bombay, is licensed to manufacture 3,500 International Harvester tractors per annum in the ranges of 12-18 DBHP, 20-30 DBHP and over 35 DBHP. This company is likely to commence production this year. Another scheme, that of Ghaziabad Engineering (P) Ltd., New Delhi, envisaging production of 3,000 Renault tractors a year in the range 20-30 DBHP has been agreed to in principle.

Neither of the two schemes, of the East Asiatic Company (India) (P) Ltd., Bombay, envisaging manufacture of 24,000 Landmaster power-tillers annually and of Krishi Engines (P) Ltd., Hyderabad, proposing production of 3,000 Akitu power-tillers per annum, has yet fructified. Two more schemes, one of V.S.T. Motors (P) Ltd., Bangalore, and the other of Orissa Industrial Development Corporation, Bhubaneswar, have also been agreed to in principle for the manufacture of power-tillers, but their manufacturing programmes and collaboration arrangements have yet to be finalised.

The demand for tractors, excluding power-tillers, is now anticipated to be nearly double the 10,000 nos. target fixed for their manufacture under the third Plan. The new licences are proposed to be issued liberally so that the production level may match the demand early in the fourth Plan period. This should imply that new licences may be issued for a capacity to produce approximately 10,000 tractors a year.

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Announcing his company's intention to enter the capital market early next month, the Managing Director of the Cochin Refineries Ltd., Mr. John Wilson Loy, reiterated here last week that the proposed 2.5 million tonne Cochin Refinery would go on stream, as planned, by October, 1965, and shall attain the rated capacity shortly thereafter. The basic design and engineering specifications of the project, he added, had been nearly completed and the major part of the heavy construction work sub-contracted to Pacific Procon Ltd., a US firm of world-wide experience in refinery construction. He expected that actual construction would start in the next few months and that licences for import of equipment would be available soon.

The company is having initially a capital of Rs. 7 crores. Fifty one per cent of the capital is being subscribed by the Union Government, 25 per cent by Phillips Petroleum of the USA (the foreign collaborators) and 2 per cent by Duncan Brothers of Calcutta. Of the remaining 22 per cent — 1,54,000 shares of Rs. 100 each — 50,000 shares have been allocated to the Kerala State Government. The public issue will consist of 1,04,000 shares. Contrary to earlier expectations, no shares have been allocated to the LIC. It may, if it so desires, apply for some shares out of the public issue. No underwriting is contemplated. Phillips Petroleum, however, has offered to take up all the shares not subscribed by the public, subject, of course, to the consent of the Government. The directors feel that this contingency may not arise as the investors would find these shares attractive in view of the guaranteed process margin of $1.35 per barrel of crude processed (later on, this margin is to be reduced to $1.30 per barrel).

The major products of the refinery will be: gasoline 19 per cent; kerosene 20 per cent; diesel 20 per cent and fuel oil 20-25 per cent. Phillips Petroleum has negotiated a long-term agreement for the supply of light Iranian crude to the refinery at a price not exceeding $1.94 per barrel, subject to escalation of world tanker rates from the base of last April. This crude, it is stated, is best suited for the proposed product pattern. Indigenous crude, if and when available, is to be given preference for processing.

Import of equipment is also being arranged by Phillips Petroleum. The whole of it, however, may not come from the United States. Other sources of supply may also be tapped to keep the cost of the refinery within the stipulated limit.

The refinery is expected to cost nearly Rs. 13 crores. Including working capital and the cost of ancillaries, the total cost is estimated at Rs. 22.8 crores. To meet the foreign exchange expenditure over and above its subscription to the

share capital of the refinery, Phillips Petroleum has arranged medium and long-term loans totalling $18 million. The loans carry interest at the rate of 5¾ per cent per annum.

The capacity of the refinery will be capable of expansion through elimination of bottlenecks, by at least 10 per cent. Nearly 100,000 tonnes of high octane motor spirit are proposed to be exported from here to earn valuable foreign exchange.

In this column last week, the French Institute of Petroleum expert, Dr. Henny, was inadvertently described as Dr. Henry. The error is regretted.

Cotton Mills Will Display in New York Fair

From Our Correspondent

BOMBAY :

THE DECISION of the Indian Cotton Mills' Federation to participate (in co-operation with the Cotton Textile Export Promotion Council) in the coming 1964-65 New York World Fair is to be welcome. It provides a unique opportunity for the Indian textile industry not only to display its products in all their richness and variety but also to tell the story of this country's oldest organised industry. This story needs to be told now, and it can be and must be done with telling effect. For here is a wonderful chance to impress upon the American citizen that India's cotton textiles are not the product of sweated labour as some interested American textile interests have been telling him. Fortunately, (or is it fortuitously?), thanks to the one price formula that has since been accepted, the industry has been spared the task of having also to defend itself against the charge, one used to hear so often until only a few days ago, of importing US cotton at a price lower than what the American cotton mills had to pay in their own domestic market and thereby enjoying an "unfair" price advantage over them and that in their (American) market itself.

No Under-cutting

Now what is the story that the Indian cotton mill industry must tell to the American people? It is that the Indian textile industry has no intention of under-cutting its American counterpart in the latter's own home market. This should be done by vividly presenting, by means of suitable graphs, charts and statistics, the cost pattern of our cotton mill industry. The break-up of Indian textiles manufacturing cost should convince anyone that its wage or labour component is a stiffly high percentage of the total cost, notwithstanding the lower per-worker wage figure, 'vis-a-vis' the wage of the American mill worker, in absolute terms. The seemingly lower wage and the admittedly lower productivity of the Indian worker, when placed alongside the relatively higher figure of both wage and productivity of the American worker, should knock the bottom out of the argument that Indian labour is sweated labour. It may not also be out of place to compare the wage levels of a textile worker and those of other workers in India to establish the obvious fact that wages in the cotton mill industry are among the highest paid by any industry in this country. By doing all this, the Indian cotton mill interests can expect effectively to counteract the campaign of U.S. textile interests against larger imports of Indian cotton textiles and thus look forward to building, in due course, an increased export trade with the United States. Even the U.S. business men who are not unfamiliar to the phenomenon of sharply increased labour costs — since 1939, unit labour costs in the U.S. have more than doubled and, as in the case of the Indian cotton mill industry, these increased costs reflect increases in both wages and fringe benefits—would be impressed with this and, may be, that would serve to soften their opposition to increased textile imports from India.

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The reaction of the labour leaders to the recommendations of the Lakdawala Committee, namely, that the Bombay Cost of Living Index should be revised upwards by 29 points, was unanimous. The labour representatives appear to have urged that the full data of the family enquiry report of 1958-59 should be made available to them. The new series should not be immediately implemented till the question was discussed and their view-points taken into account. The demand was to correct the index numbers of the old series with modifications suggested. Further, the implementation should be given retrospective effect from 1960. The appointment of a tripartite committee on a permanent basis was suggested to act as a liaison in correcting the index numbers. A bout of consultations with employers was also launched by the Maharashtra Government in view of the far-reaching impact of the revision on the wage bill of industries. The resources of the various industries, particularly the textile mills, have been strained to the utmost by modernisation and expansion and any lumpsum disbursement of arrears of dearness allowance for a relatively long period will undoubtedly affect the fortunes of this vital industry. The State Government will take decisions after the joint talks with employers and employees in view of the far-reaching importance of the matter both to employers and employees.

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The Muranjan Committee has at last submitted the much awaited report on cost reduction in textile industry. The Committee has emphasized the urgency of keeping the competitive efficiency of the industry, especially from the point of view of export performance. This is an opinion on which there is no room for any difference of opinion. It was estimated in 1960 that the cost of modernisation would be Rs. 180 crores in terms of 1958-59 prices. The costs must have gone up further in view of the rise in the price level subsequently. The World Bank has blamed the industry, in a recent report, for neglecting modernisation. The Muranjan Committee has rightly suggested that the new cloth prices should be fixed to provide an element of subsidy to carry out modernisation. In the case of inefficient units, the money collected from the consumer should be credited to the reconstruction corporation and this should be spent only on units which give promise of reaching the efficiency of the average level. The corporation should act as a liquidator of those mills which cannot be rehabilitated with reasonable investment and should act as the new management for those units which can be rehabilitated by investing some additional capital. A special cess should be imposed on the textile industry to finance a programme of rehabilitation of uneconomic and inefficient units. In the context of the new burdens arising from the impending revision of the cost of living index on the industry, the entire question seems to require a fresh review.

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The commodity markets seem to be under the grip of 'bulls'. The prices of cotton and oilseeds are touching new levels. This is not surprising because the inflationary conditions are gathering momentum as evidenced by a record rise of notes in circulation in recent weeks. The prices of Digvijay cotton, a popular variety with cotton mills, have been scaling new heights. The total Digvijay crop is expected to be around 600,000 bales comprising 450,000 bales from Broach, 100,000 bales from Surat and 50,000 bales in AP line. Ac-

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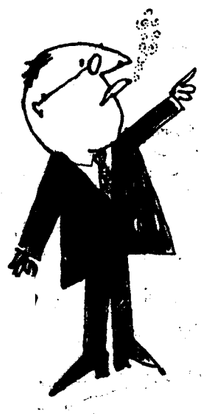
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cording to market circles, about 300,000 bales have been sold already in advance. The price rise is mainly attributed to the tendency on the part of the mills to go in for one specific variety of cotton. The Textile Commissioner is stated to be keen on taking some drastic measures in order to prevent a further rise in the prices of cotton. The preventive steps are expected to take the shape of requisition of stocks or sealing of specific cotton growing areas.

Governor on State's Progress

From Our Correspondent

MADRAS :

THE MADRAS State Government can be legitimately proud of the progress made in the industrial and agricultural sectors in the past decade. The Governor, Mr Bishnuram Medhi, stated when he addressed the Legislature last week, that his Government had made good progress with the different plan schemes and that the tempo of work had gained considerable momentum. Indeed, the budgeted outlay of Rs. 60 crores during the current year was expected to be exceeded appreciably, the actual expenditure being anticipated at Rs. 68 crores. On the basis of the progress already achieved and the ability of the administrative machinery to tackle the various projects, total expenditure can even be Rs. 325 crores against the original target of Rs. 291 crores. Out of the additional outlay of Rs. 34 crores, power projects alone are expected to account for an extra Rs. 11 crores. Irrigation projects also are being speeded up and construction work on the Parambikulam-Aliyar project has been greatly speeded up.

The achievements of the Madras State Electricity Board are noteworthy and the current year and next will stand out as an important landmark in its history. The larger outlay is due to the inclusion of some schemes which were expected to be taken up in the fourth Plan. Thus, Mettur Tunnel is scheduled to be completed in both its stages during the current Plan while an additional 30 mW set will be installed at the Basin Bridge thermal station. The Kodaiyar hydel project in Kanyakumari district, estimated to cost Rs. 8 crores, will also be implemented in the next few years while it is being examined how the various small falls can be harnessed economically. The first stage of the Mettur Tunnel Scheme will be completed in the latter half of this year and power from the first two sets may become available during the irrigation season. Some additional sets in the Kundah Project will also come on stream while power from Parambikulam will be available sometime later. The fourth unit at Periyar will also be constructed within a short period.

The addition to hydel generating capacity will, therefore, be appreciable and with the Neyveli station functioning effectively, the water storage in various reservoirs has been conserved. The position in Madras State is not so precarious as in Kerala where, as indicated last week, a cut of 40 per cent has come into force from January 15 and will last till the onset of the monsoon. As it is pointed out that consumption has increased by over 15 per cent in Kerala in the past year, it remains to be seen whether a further cut can be avoided. The supply of 20,000 kW of power from Madras is proving to be very helpful and the situation would be very much worse but for this arrangement.

Thermal Plants

In Madras, the difficult summer months are expected to be got over satisfactorily while it may be possible to supply larger quantities to Kerala later in the year. The Madras State Electricity Board is concerned at the present moment with its programme for the fourth Plan as apart from the installation of relatively small hydel power stations in Madurai and Tinnevelly districts, it will have to think in terms of erecting large-sized thermal units. The question has therefore, been asked whether it will not be more advantageous to expand the capacity of Neyveli thermal station to beyond 600 mW as only during the week it was reported that an agreement had been reached on the rate which will be paid for power supplied by Neyveli. It is now reckoned that the cost of power generation at the Basin Bridge station is 6 nP. per kWh while it is only 5.4 nP. per kWh and the actual rate that will be paid by the Madras Electricity Board will be only 5.2 nP per kWh. If the atomic power station is to be constructed by the Central Government and bigger expansion is decided upon at Neyveli, the Board will have to concern itself mainly with the construction of the Hogenekal hydro electric project on an inter-State basis and the development of such other reservoirs as can be carried out economically.

There are also indications that the State Government by itself may embark on some industrial schemes. The policy of helping new companies is being pursued vigorously besides creating the basic facilities in the form of industrial estates. Efforts are being made to float a shipping company in a big way. Only a few days back the South India Shipping Corporation Limited was formed with an authorised capital of Rs. 5 crores. It has been felt for a long time that a shipping company should be promoted by the industrialists in this State. The Madras Government are keenly interested in this new venture and are reported to be prepared to participate in the issued capital upto 20 per cent.

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Considerable interest has been aroused by the announcement that Cochin Refinery Limited, which will be constructed in the public sector in collaboration with Phillips Petroleum of U.S.A.will be offering 1.04 lakh equity shares of Rs. 100 each for public subscription early next month. For a long time, it has been agitated that the investing public should be afforded an opportunity for their participating in the equity capital of oil refineries. But the three refineries in the private sector did not provide any such opportunity to Indian investors though they were asked to subscribe for debenture and preference issues. Since it is emphasised that the Cochin Refinery will be constructed at a much lower capital cost than its counterparts in the public and private sectors, and will have an initial capacity of 2.5 million tons, the prospect of subscribing to equity shares in this venture has been welcomed.

Meanwhile, it has been asked whether the owners of the existing refineries will be releasing for public absorption a part of the equity capital and whether a similar procedure will be followed in the case of the new refinery which is proposed to be set up in Madras. The offer of equity shares in Cochin Refinery was made possible by a pruning of the shares of Duncan Brothers Limited from 25 per cent to 2 per cent. In the case of the Madras Refinery, Esso is reported to have submitted a tempting offer to the Central Government accepting minority participation of 49 per cent. Whether the Central Government will insist on the same proportions as in the case of Cochin Refinery is not known. But Esso's offer has some special features as it is proposed to construct, besides a 2.5 million-ton refinery, a lubricating oil plant, an asphalt plant and also an integrated ammonia plant.

Esso has suggested besides that a fertiliser project and a 100 mW thermal station can be constructed using cheap fuels from the refinery. The assistance for constructing the various projects outside the refinery is to be provided on a 'no profit' basis. The prospect of a large industrial complex being developed near Madras is certainly encouraging inasmuch as the cost of the refinery is estimated to be 40 per cent lower than the cheapest refinery.

The moving finger writes

WE ARE, indeed, a very remarkable people. Not long ago everybody was asking who would be succeeding Mr. Nehru and when. Now, however, the question seems to be whether Mr. Nehru will be attending the Republic Day parade or not. Let me not be misunderstood. I am as glad as the next man that the Prime Minister is recovering fast, but I am not prepared to agree that his present illness should be treated as a minor and passing indisposition which need not make any difference to the leadership of the government. In the first place, the public is entitled to know what the real nature of his illness is and what the actual state of his health. In all democratic countries the state of health of the head of the government is treated not only as a matter of public concern but also as a matter of public interest and the usual practice is for all the relevant medical information to be made available to the public. This is important because where the highest office in the government is concerned, no power vacuum of any kind can be permitted.

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Last month the Finance Minister was telling a gathering of economists in Bombay that our economy could not become consumer-oriented. Rather predictably, Mr. Asoka Mehta repeated this statement a few days ago. I could certainly agree with them to the extent that saving and investment need to be specially emphasized for the purposes of economic development. At the same time, I should hesitate to discount consumption as a growth-promoting factor. After all, how is investment itself activated? When you ask a foreign investor or entrepreneur what aspect of the Indian economy appeals to him most, the answer invariably is that the attraction lies in its potentialities and prospects of mass markets for goods and services. The same motivation is present also in the case of domestic business. It is because there are chances of mass consumption being built up for a wide range of goods that it becomes worth while to invest capital in the industries which produce those goods. It is no doubt true that government direction of resources into certain specified industries, such as the capital goods sector, might for a time function independently of the ultimate consumption aspect. But even then the consumption factor cannot be indefinitely ignored.

The classification of industries into capital goods industries and consumer goods industries could, in certain contexts, be dangerously misleading. Even the products of the capital goods industries can be absorbed into the economic system only if there is a simultaneous and corresponding development of consumer goods industries. I am sure that Mr. T. T. Krishnamachari and Mr. Asoka Mehta would both agree that more steel and more cement would help economic development, but there is no point in producing more steel and more cement if more houses are not to be built with them and when houses are built their occupation and enjoyment give rise to a whole series of new consumers needs, such as, for instance, a demand for furniture. I am surprised that Mr. Asoka Mehta should have thought that the dynamic of consumption is a blessing reserved to a particular economic milieu, such as West Germany. I am sure that he has spoken often of "the revolution of rising expectations" in our country. What does that phrase mean except that people are becoming more and more conscious of consumption requirements which must be satisfied in an increasing measure?

As for the Finance Minister, he himself has lately been sponsoring so many social security measures. Surely the point of those measures is to make it possible for more and more people to raise their consumption standards. How can Mr. Krishnamachari advocate ever-increasing social welfare on the one hand, and an economy biassed against consumption on the other? I wish there had been more clear thinking on these issues. To my mind such difficulty as there might be seems to arise from the fact that some of us seem disposed to assume a conflict between consumption and investment which may not necessarily be there. It is, no doubt, true that at any given moment, where the available resources are to be taken as a fixed amount, consumption could increase only at the expense of saving and investment or 'vice versa'. But, where development processes are concerned, resources themselves acquire the character of a moving stream which is being constantly replenished as the various factors of growth act and react on one another and produce a total effect which is something quite different from the mere end-result of mechanical subtractions or additions. Over any but the shortest period (which really is not relevant to the development context), the available resources are not a static pool but a quickening river fed through the channels of economic activity as consumption activates production and more production sustains both increased consumption and increased investment.

★★

What is happening in Tanganyika? Our E.A. Ministry obviously does not know. The question is whether it cares. There have been disquieting reports of violence against the Indian community. Shops, it is said, have been looted and even lives, it appears, have been lost. It is strange that the E.A. Ministry here is conducting itself like the three Japanese monkeys. In any other country an attempt surely would have been made to take the public into confidence. But, here, no official spokesman has been heard to say anything. There have been no Press conferences and no Minister or senior official has gone on the air either. A lot has been said over the years about India's foreign policy — for or against. In the matter of protecting Indian communities abroad, I am afraid, we do not even seem to have tried to learn our business.

★★

We cannot surely have too many people speaking out for the things they believe in. I, therefore, welcome unreservedly Mr. Morarji Desai's decision to campaign publicly for prohibition. For the same reason I am glad that Mr. S. K. Patil has not hesitated to champion the other side. Such debates are, indeed, the stuff of public life in democratic communities and I am interested as well as amused to find that both Mr. Desai and Mr. Patil agree at least on the one point that prohibition has failed at the point of enforcement. Only, Mr. Patil argues that since prohibition is not enforced effectively, it must be scrapped, whereas Mr. Desai contends that, where a State Government has failed to enforce prohibition properly, it is not prohibition which should be made to go but the State Government. Both sound plausible and my own suggestion would be that let us, by all means, have prohibition when we have succeeded in finding a government which can enforce it. That should satisfy Mr. S. K. Patil, I think. Whether it would also satisfy Mr. Morarji Desai, I confess I do not know.

V.B.

Trade Winds

AIR FREIGHT REDUCTIONS

REPRESENTATIVES OF the member-airlines of the International Air Transport Association, who assembled at Miami in December last, had been able to reach complete agreement on reductions in trans-Atlantic cargo rate structure and levels. Rates which previously had been determined for a two-year period, from April 1, 1963, were re-adopted to apply from January 15 to March 31, 1964. New rates commencing April 1, 1964, subject to approval of interested governments, involve reductions at various weights on many commodities which comprise the major volume of trans-Atlantic air cargo traffic. The agreement also includes a variety of specially low rates designed to develop new traffic and afford the advantages of air transportation on a regular basis to shippers of many commodities which currently move by air only in limited quantities.

The new rates for the above and other items represent reductions of 15 per cent to 20 per cent, and much more in some cases, by readjustments of, not only the rates per kilogramme, but the minimum weights to which they apply. In addition, some experimental rates at low levels are directed at specific markets. General cargo rates remain at present levels and weights, descending from $2.50 per kilogramme, ($1.14 per pound) for shipments under 45 kilogrammes to 85 cents per kilogramme (39 cents per pound) for shipments in excess of 500 kilogrammes. Minimum charges for small shipments also remain as at present. Minimum rates for aircraft charters for cargo carriage are established at specified rates per mile by aircraft type. Under the formula agreed, the charter rates will amount to from 12 cents to 16 cents per available ton-mile, depending upon the type and capacity of the aircraft.

NO TARIFFS ON TEA

A tariff ordinance of the West German Finance Ministry provides that tea shipped in bulk to the Federal Republic of Germany is freed completely from external duties. The tariff on tea in packings of less than three kilograms each has been fixed at five per cent. The consumption is gaining ground in the Federal Republic of Germany. Present consumption is 8,500,000 kilograms annually. About 90 per cent of the total quantity of tea consumed in West Germany comes from India and Ceylon.

At the beginning of this year the price of tea in the Federal Republic of Germany fell by 2.35 to 3.00 D-marks per kilogram for different quality grades.

COFFEE AGREEMENT

The international coffee agreement has become effective. The rules of the agreement provide that it enters into force if the import countries which have ratified the agreement represent at least 80 per cent of the world coffee consumption and if the export countries wishing to join the agreement equally represent at least 80 per cent of the world coffee production. The coming into force of the agreement means that all measures on the settlement of the international coffee market and on the creation of a balance between coffee producers and coffee consumers agreed upon after protracted negotiations with the UN in October 1962 will become effective. The international coffee agreement is one of the first international raw material agreements aiming at a ceratin stabilisation of the world's raw material market.

FERTILIZER DEMONSTRATIONS

Large-scale fertilizer demonstration programmes were initiated in India in 1954-55 and since then a large number of demonstrations have been conducted every year by the Central Government, the State Governments and the fertilizer manufacturers. About two lakh demonstrations are being held out at present by all these agencies. In an interesting study entitled "Village Level Workers, their Work and Result Demonstrations", conducted under the auspices of the National Institute of Community Development, the shortcomings of official fertilizer demonstrations conducted by the village level workers have been described. It has been pointed out that (i) the village level workers are not equipped with enough technical knowledge and its sound applications, with the result that they often failed to meet the situation and this ultimately destroyed the base of the demonstrations; (ii) the workers did not appreciate the need for making the technical practices involved in the demonstrations precise, easy and clear enough to the farmers with the result that fertilizers lost their identity; (iii) late arrivals of fertilizers resulted in "top-dressing" demonstrations contrary to the schedule for using fertilizers; (iv) the workers' visits were not geared to any specific purpose and took place without any relation to any particular event or stage of the demonstration such as the time of application of fertilizers, etc. Many times farmers were not present at the time of these visits; (v) The economics of improved methods of cultivation was not adequately explained, with the result that the farmer tended to think "that one gets as much as one puts into his field"; (vi) no visual records such as photographs, specimens of stalks or sheaths of grains were kept and accordingly the results could not be shown to the farmers later on; and (vii) the workers did nothing to see that after the demonstrations were conducted, the practice was followed by the neighbouring farmers.

From the above, it is evident that quality is more important than quantity in any demonstration programme. A large number of demonstrations conducted without proper care and publicity are a waste. If a large-scale demonstration programme cannot be undertaken for lack of adequate staff, it is better that fewer demonstrations are conducted efficiently.

INDUSTRIAL CLEARING HOUSE

A clearing house for manufacturers who want things made and the firms who have engineering capacity to make them has been set up in London. It operates for firms within Britain and on a two-way basis between Britain and overseas. Foreign patent agents, chambers of commerce or individual companies, can be helped to produce new products under licence in Britain and British manufacturers can be helped in respect of production overseas. New products already handled on this basis range from large equipment for handling concrete to a special camera for underground inspection work. No product is too large or too small provided it involves engineering techniques.

The organization, known as the Engineering Capacity Exchange, 31, Queen Anne's Gate, London, SW-1, has already built up a massive index of basic information about British engineering facilities. Fees charged to member firms represent a fraction of one per cent turnover and a once-only charge of up to 1½ per cent is made to each sub-contractor on work introduced through the Exchange.

LUFTHANSA LOWERS AIR FARES

With effect from 1st April, 1964, and subject to Government's approval, Lufthansa German Airlines will drastically lower their air fares across the North Atlantic. The reductions go as high as US $190 in the first class and US $100.70 in the economy class. These concessions are valid all the year round except during the 10 weeks of high season traffic, i.e. between 22nd May and 3rd August (east bound) and 17th July and 28th September (west bound). The new 21-day return fare will also become effective from 1st April. For example, if a traveller wishes to go to the USA and spend minimum of 14 days there or a maximum of 21 days, his

round trip from Frankfurt to New York would be $99 cheaper than the normal round trip in the economy class. This concession is applicable during certain periods only and cannot be used for travels on weekends.

Incidentally, within the eastbound North Atlantic air cargo market, Lufthansa German Airlines moved up from sixth to fourth place during the first three quarters of 1963. The carrier increased its share among the 19 international carriers from 8.4 per cent during the same period in 1962 to 9.3 per cent this year. Its revenue cargo volume on this stretch rose 25 per cent, while the industry average increased by 13.2 per cent during this period. Lufthansa's best increases were registered during the months of January and April with gains of 60.5 per cent and 32.3 per cent respectively over the same months in 1962.

ECM & DEVELOPING COUNTRIES

In a lecture delivered this week under the auspices of L'Alliance Francaise de Delhi, Mr. A. Wendelen, Ambassador of Belgium in India, tried to remove the impression that the coming into being of ECM has discouraged the exports of developing countries. He referred to a study 'Indian Exports to Common Market' recently made (the study, incidentally, appeared in "Eastern Economist" dated January, 10) where it was indicated that India's exports to the EEC during April-August, 1963, increased by 28 per cent as compared to the same period last year. He hammered home the point that if dependence on aid was to be lessened, it could only be by bringing about an increase in exports. Although assistance to developing countries has been extended on a generous scale, Mr. Wendelen underlined that the selection of assistance targets based on political criteria is not conducive to best results. The present trend towards selecting beneficiaries of assistance through economic criteria seems much more promising.

INDO-BRITISH TRADE

In the annual report of the Far-East Section of the Manchester Chamber of Commerce released recently, it is stated that Indian tea is gaining popularity among the tea-loving people of Britain. The report notes that tea was the chief item in India's improved exports to Britain in 1963 which were worth Rs. 133 crores. Imports of tea to Britain in the first nine months of 1963 increased by 7 per cent to Rs. 51.9 crores. Textiles, yarns, fabrics and medium goods were also a big factor in improving India's export figure. They accounted for Rs. 22.6 crores — 10 per cent higher than the previous year.

British exports to India recovered during the period under review. The figure of Rs. 133.6 crores was Rs. 19.2 crores more than the figure recorded in the first three quarters of 1962. The trade has generally followed the pattern of recent years comprising machinery, vehicles, engineering and other capital goods.

SHOW WINDOW OF WORLD INDUSTRY

The German Industries Fair at Hanover is a typical multi-industry exhibition. On the one hand there are the producer and capital goods industries, around which the event centres and which can be broadly divided into electrical engineering, general engineering and machine construction, office equipment, iron and steel, tools, chemicals and plastics, precision engineering and optical equipment, and the building industry. Then there is an extensive display of consumer goods, covering 40 per cent of the exhibition area with 371,000 square metres. Among the more important branches of consumer goods production represented at the fair are porcelains and ceramics, glassware, hardware and metal-work, fancy goods, jewelry, clocks and watches, silverware, flatware and cutlery.

In 1964 the Hanover Fair is taking place from April 26 to May 5. Later on in the year two other prominent exhibitions will be held in the city. First, the 48th DLG-Exhibition —International Agricultural Show is opening on May 31 and lasting through June 7. On display will be agricultural machinery and equipment, livestock, and products for farming. It is being followed in the fall from September 20 to 29, by the Machine Tool Exhibition, at which many companies from Germany and other countries will be taking part. Almost simultaneous with the Hanover Fair, the German Aviation Show will be opening (April 24—May 3). This is an event at which the international achievements in aviation and space technology are reviewed for the specialist world and the general public.

INDO-CEYLON TRADE AGREEMENT

In the recent talks between Ceylon trade delegation and Indian delegation at New Delhi, measures for a smoother and quicker flow of goods on either side were discussed and details of the arrangements for the year 1964, more or less on the lines of those for 1963, were worked out, subject to ratification by the two Governments. The agreement for 1963 provided for the exchange of certain specified commodities like dried fish, cane jaggery and tamarind from India and, rubber and copra from Ceylon. The present agreement involves a volume of trade amounting to Rs. 7 crores out of an overall annual trade of about Rs. 52 crores both ways. The working of the agreement will be reviewed once in three months.

RUMANIA TO SET UP POWER PLANT

A Rumanian trade delegation which visited Chandigarh recently held discussions with Mr. S. S. Gill, Technical Adviser to the Industries Department of the Punjab Government regarding the setting up of a thermal power plant at Hissar. The Rumanian delegation is led by Mr. Gheroghe Leonte, Director of the Rumanian Ministry of Foreign Trade. It is estimated that the project may cost Rs. 1 crore. The plant may be commissioned side by side with a pig iron plant at Hissar early in 1966 if the Rumanian offer is accepted by the Government of India. It is likely that a decision may be arived at regarding this project by the end of this month.

SPECIAL SAVINGS ACCOUNT

The introduction of special savings account at the branches of the First National City Bank at Bombay, Calcutta, Madras and New Delhi is a step in modernising banking facilities in this country. Personalised cheque service will be available to all savings account holders of the Bank with the name of the depositors printed on each cheque. This facility till now was available only to preferred current account holders. Another facility of current account extended to special savings account is the mailing of machine posted statements every quarter.

SOVIET TRACTORS FOR INDIA

The Kharkov tractor plant will produce 700 wheel tractors for India in 1964. The plant has already produced the "first machine" to be sent to India. They have been produced keeping in mind the tropical conditions in India. The Kharkov tractors are considered to be the world's best in their class and they were awarded a "diploma and a gold medal" at the Brussels Fair.

WORLD JUTE OUTPUT

According to a report prepared by the U.S. Agricultural Department, world production of jute last year totalled an estimated 4,855 million lbs.—100 million lbs. below the figure of 1962. An increase of 93.2 millin lbs. in India's output of jute was offset by respective decreases of 200 million lbs., 7.5 million lbs. and 1.8 million lbs. for Pakistan, Burmah and Thailand. India and Pakistan put together now account for only 94 per cent of the world production of jute as compared to 96 per cent in 1961 and 98 per cent in 1960.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

Condensed Statement of Condition December 31, 1963

(Figures of Overseas Branches are as of December 24, 1963)

RESOURCES

Cash and Due from Banks	U.S.	$ 2,479,898,764 34
United States Government Securities and Securities Guaranteed by the Government		2,002,279,642 65
Federal Agency Securities		114,558,826 77
State, County, and Municipal Securities		957,094,362 58
Other Securities		118,542,202.58
Loans Guaranteed or Insured by the United States Government or its Agencies		1,404,472,339 93
Other Loans and Discounts		6,960,940,779 99
Direct Lease Financing		19,142,632 26
Customers' Liability for Acceptances		280,859,102 51
Bank Premises, Fixtures, etc.		240,896,266 38
Accrued Interest and Other Resources		115,166,538 94
TOTAL RESOURCES	**U.S.**	**$14,693,851,458.93**

LIABILITIES

Capital	U.S. $178,000,000.00	
Surplus	482,000,000.00	
Undivided Profits and Reserves	168,180,758.70	
TOTAL CAPITAL FUNDS	U.S.	$ 828,180,758.70
Reserve for Possible Loan Losses		153,203,347.46
DEPOSITS Demand	U.S. $5,949,298,071.49	
DEPOSITS Savings and Time	U.S. $7,293,207,553.54	13,242,505,625.03
Foreign Funds Borrowed		4,395,637 06
Liability on Acceptances		281,831,612.63
Reserve for Interest, Taxes, etc.		183,734,478 05
TOTAL LIABILITIES	**U.S.**	**$14,693,851,458.93**

Main Offices in the two Reserve Cities of California

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Member Federal Deposit Insurance Corporation • Member Federal Reserve System

Bank of America — New York
(International)
A wholly-owned subsidiary

Condensed Statement of Condition December 31, 1963

RESOURCES

Cash and Due from Banks	U.S. $132,357,843.43
United States Government Obligations	5,000,000.00
Other Securities	7,355,955.44
Loans and Discounts	177,591,946.36
Customers' Liability for Acceptances and Endorsed Bills	48,025,142.23
Bank Premises Furniture and Fixtures	3,639,733.46
Accrued Interest and Other Resources	1,874,816.18
TOTAL RESOURCES	**U.S. $375,845,437.10**

LIABILITIES

Capital	U.S. $34,000,000.00	
Surplus	6,800,000.00	
Undivided Profits	5,000,401.33	
TOTAL CAPITAL FUNDS	U.S. $	45,800,401.33
Reserve for Possible Loan Losses		4,583,151.04
Deposits		273,472,022.86
Liability on Acceptances		44,266,842.85
Liability on Endorsed Bills		5,875,068 74
Reserve for Interest, Taxes etc		1,847,950.28
TOTAL LIABILITIES	**U.S.**	**$375,845,437.10**



HOW THE LABEL 'SANFORIZED' CAN HELP TO STEP UP TEXTILE EXPORTS

Indian textiles are a major earner of foreign exchange; the export of cotton cloth in 1961-'62 added Rs. 48.39 crores to the nation's coffers. Exports will expand still further as new foreign markets are being tapped. Only textiles that are competitive in quality as well as price can hold their own in tough world markets. Indian mills are producing increasingly better quality cloth and the label 'Sanforized' is helping them to do so. The trademark is an international word denoting a uniform standard of shrinkage control. Millions of consumers in 49 countries look for the label 'Sanforized'. It is known and trusted on every continent.

Such a label, recognised the world over as synonymous with quality, can help to increase exports of India's cotton fabrics, and enable them to earn more and more foreign exchange.

Issued by Cluett, Peabody & Co., Inc. (Incorporated in the U.S.A. with limited liability) proprietors of the registered trademark 'SANFORIZED'. The trademark proprietors use the trademark 'SANFORIZED', or permit its use by authorised registered users, only in respect of tested fabric which meets the trademark proprietors' strict requirements as to residual shrinkage.

For information: 'Sanforized' Service, 95, Marine Drive, Bombay 2.

Company Affairs

UNITED COMMERCIAL BANK

THE DIRECTORS of the United Commercial Bank Limited have good news for its shareholders. They propose to recommend at the next annual general meeting the issue of bonus shares of Rs. 50 each for every 14 shares held. This bonus issue will be financed by capitalizing a part of the premium on shares. All this, of course, will be subject to the sanction of the Controller of Capital Issues.

The bank has reported an increase in the net profit from Rs. 73.33 lakhs to Rs. 76.43 lakhs for the year ended December 31, 1963. The Directors have proposed to maintain the dividend at 12 per cent, less tax, but on the increased capital. Adding Rs. 18,992 (Rs. 2.07 lakhs) brought forward from the previous account, there is an available sum of Rs. 76.62 lakhs (Rs. 75.40 lakhs). From this, the following appropriations have been made: Rs. 2.26 lakhs (Rs. 2.15 lakhs) for donations to the National Defence Fund and others; Rs. 17 lakhs (Rs. 28.00 lakhs) for reserve fund; Rs. 4 lakhs (same) for gratuity trust fund and Rs. 19 lakhs (16.50 lakhs) for bonus to staff. After paying the dividend which absorbs Rs. 33.60 lakhs against Rs. 24.56 lakhs, there is a balance of Rs. 75,942 (Rs. 18,992) which is carried forward to next year.

TELCO PLANS

Telco hopes to be the first among the automobile manufacturers in this country to achieve 90 per cent indigenous content in its Tata-Mercedes-Benz trucks. The encouraging note was struck by Mr. Moolgaokar, Director-in-Charge of the company, at a press conference arranged here last week to introduce to newsmen Mr. Walter Hitzinger, Chairman of the Board of Directors of the Daimler-Benz Corporation of West Germany, the concern which is collaborating with Telco in the manufacture of these trucks.

Mr. Hitzinger revealed that Telco would be turning out trucks at the rate of 1,500 nos. per month by July next and at the rate of 2,000 nos. a month in another two years' time. A licence for this capacity had already been received by the company. The 90 per cent indigenous content in these vehicles is likely to be achieved by July-August, 1964.

Mr. Hitzinger had talks in the Capital with the Union Minister of Finance, Mr. T. T. Krishnamachari, and the Minister for Steel, Mines and Heavy Engineering, Mr C. Subramaniam. Telco's expansion programmes came up for discussion at these two meetings. The company is stated to have put forward two new projects having an immediate bearing on the development of road transport in India. No details of these schemes, however, are being given out. The proposal to manufacture passenger cars at Telco, it is understood, was discussed only informally in view of the Government's disinclination to license any new unit in this line till the existing manufacturers are able to expand their production to the economic levels.

The expansion of Telco's truck manufacture to 24,000 nos. per annum should help in cutting down production costs. But Mr. Moolgaokar parried questions in this regard saying that the first thing to be done was improvement in specifications. Reduction in the price of trucks, he further pointed out, depended on various other factors such as labour and raw material costs, over which the management had little control.

UNION CARBIDE

The President of the Union Carbide Corporation of the United States, Mr B. Mason (Jr.) indicated here last week that his company's subsidiary, Union Carbide (India) Limited was interested in expanding its activities further in this country. They are already putting up two new plants—Carbon Arcs Plant and Midget Electrodes Plant—at Cossipore, near Calcutta. Plans are under way to set up an Acetylene Plant (capacity approximately 2 million lbs. per annum) at Trombay. The former two units are expected to go into production later this year. The Acetylene Plant may be commissioned next year.

The company also expects to expand manifold in the near future, the present output from its 60,000 tonne high severity naphtha cracker at Bombay. Currently, it is producing at this plant four chemicals—Butyl Alcohol, Butyl Acetate, Acetic Acid and Ethyl Acetate. Production of five more chemicals has been planned here. These are: Ethyl Hexanol; Dioctylphlate, Benzene, Propylene and Ethylene.

Mr. Mason opined that nationalization of banks in India is bound to create apprehensions in the minds of foreign investors who at present consider this country a good market for investment.

STATE BANK

The State Bank of India has made a net profit of Rs. 274.82 lakhs for the year ended December 31, 1963 and with Rs. 45.67 lakhs brought in, the disposable amount is Rs. 320.49 lakhs. The directors have transferred Rs. 55 lakhs to reserve fund, Rs. 8.61 lakhs to pension fund, Rs. 82 lakhs to bonus to staff, Rs. 5 lakhs to staff welfare fund and Rs. 5 lakhs to staff co-operative housing fund. A dividend of Rs. 23 per share, including the interim dividend of Rs. 10, has been recommended which will absorb in all Rs. 129.37 lakhs. The balance of Rs. 35.51 lakhs has been carried over.

CANARA BANK

The Canara Bank Limited has shown considerable progress during 1963. After provision for bonus to staff and taxation, the bank recorded a net profit of Rs. 24 lakhs against Rs. 15.44 lakhs for the previous year. The directors propose to maintain the dividend of 15 per cent on increased capital which at the end of 1963 was Rs. one crore against Rs. 75 lakhs in 1962. Deposits registered an impressive increase from Rs. 50.88 crores to Rs. 72 crores. Advances during the same period went up from Rs. 26.93 crores to Rs. 42 crores. Investments at the end of the year were also higher at Rs. 20.64 crores against Rs. 17.80 crores last year. Reserves increased from Rs. 76 lakhs to Rs. 1 crore.

BANK OF MAHARASHTRA

The directors of the Bank of Maharashtra Limited have proposed to maintain the dividend at nine per rent for the year ended December 31, 1963. The additional capital of Rs. 10 lakhs issued during the year also ranks for pro rata distribution. The profit, after making all necessary provisions, amounts to Rs. 9 lakhs against Rs. 8.43 lakhs earned last year. The directors have transferred Rs. 5 lakhs to the dividend reserve out of which the proposed dividend is to be paid. Its deposits have grown from Rs. 24.76 crores to Rs. 29.45 crores and advances have risen from Rs. 11.83 crores to Rs. 14.87 crores. Investments have also increased from Rs. 9.50 crores to Rs. 13.43 crores.

SYNDICATE BANK

The name of the Canara Industrial and Banking Syndicate Limited has been changed to Syndicate Bank Limited since January 1, 1964. The registered office of the bank has also been shifted to a new building at Manipal, a town about three miles from Udipi, South Canara District, Mysore State. The existing share certificates of the bank with the shareholders will continue to be valid and it is not necessary to get the new name of the bank endorsed immediately on the share certificates or deposits receipts, pass books, cheque books

or other documents with the public. The new name will be impressed or endorsed on these documents when received by the bank in the ordinary course.

DEVIDAYAL CABLE

Devidayal Cables Industries Limited — a company engaged in the manufacture of cables and wires—proposes to enter the capital market on January 27 to offer for public subscription 250,000 equity shares of Rs. 10 each and 100,000 redeemable cumulative preference shares (9½ per cent) of Rs. 10 each. The new capital issue is of Rs. 37.50 lakhs comprising 275,000 equity shares and 100,000 preference shares, out of which directors, their friends and associates have taken 25,000 equity shares. These funds are being raised to finance the proposed expansion in the manufacture of super enamelled paper covered and cotton covered wires and strips and the new units for the manufacture of steel, alloy steel and glass insulated wires. After the expansion programme, the annual turnover will exceed Rs. 2.3 crores. It is indicated that the company has been granted provisional exemption under the substantial expansion clause wherein 6 per cent of a substantial portion of the share capital and reserve will be exempt from the tax.

ANDHRA SUGARS

The Andhra Sugars Limited entered the capital market on January 20, with a public offer of 100,000 equity shares of Rs. 10 each to finance its caustic soda, chlorine and hydrochloric acid unit. The subscription list was to be closed on January 25 or earlier but not before January 22. The authorised capital of the company is Rs 1 crore dividend into 700,000 equity shares of Rs. 10 each and 30,000 preference shares of Rs. 100 each. An amount of Rs. 80 lakhs in equity and preference shares has already been subscribed and paid-up. The present issue is at a premium of Rs. 3 per share and is underwritten. The project to be located at Kovur in Andhra Pradesh is estimated to cost Rs. 2.1 crores. Plant and machinery required will be obtained from East Germany, Japan and the USA.

DEEPAK INSULATED CABLE

Deepak Insulated Cable Corporation Limited proposes to enter the capital market after three months with a public issue of Rs. 20 lakhs. It has an issued capital of Rs. 30 lakhs in equity shares of Rs. 100 each out of which Rs. 10 lakhs have been subscribed by the promoters and their friends. The company has been formed to manufacture all kinds of copper wires. It has an initial annual licensed capacity of 650 tons of enamel covered copper wires and 200 tons of double and triple paper covered copper wires and strips. The total capital outlay on the project is esitmated at Rs. 55 lakhs. The factory to be located in Bangalore is expected to go into production by the middle of the next year. An agreement has been signed with the Furukawa Electric Company Limited of Tokyo for technical collaboration.

GLASSTEK LIMITED

Glasstek Limited — a new company formed jointly by the Investment Corporation of India Limited, a Tata concern, and Pfaudler Permutit Inc., of the USA — will undertake the manufacture of Pfaudler glassed-steel, alloy process equipment, ionac water and waste treatment equipment and chemicals at its factory in Chinchawd near Poona. It has received an indusrtial licence for the production of goods worth Rs. 94 lakhs every year out of which glassed-steel equipment will be worth Rs. 55 lakhs. The indigenous content of the products will be about 75 per cent initially to be raised to 90 per cent. The authorised capital is Rs. 1 crore and the initial issued capital Rs. 60 lakhs. The foreign collaborators will own 50 per cent of the share capital, the Investment Corporation of India Limited 25 per cent and the balance will be offered for public subscription. The company is likely to meet the demand for highly specialised process equipment in chemical, pharmaceutical and allied industries. It will also export its products to the Middle East and South East Asia.

VOLTAS RIGHTS ISSUE

The directors of Voltas Limited propose to issue right shares to the existing shareholders in the proportion of two new shares for five existing shares at a premium of 25 per cent subject to the sanction of the Controller of Capital Issues. After meeting all expenses and providing for depreciation, bonus to staff and setting aside Rs. 9.80 lakhs to staff gratuities, it recorded a profit of Rs. 178.87 lakhs for the year ended August, 1963 as against Rs. 137.48 lakhs in the previous year. The directors have provided Rs. 94 lakhs for taxation against Rs. 71 lakhs last year. A sum of Rs. 18.31 lakhs has been separated towards general reserves, Rs. 1.57 lakhs towards development reserve, Rs. 3 lakhs towards staff gratuity reserve, Rs. 36 lakhs towards additional taxation reserve and Rs. 36 lakhs towards dividend reserve. The directors have recommended the payment of the dividend of Rs. 14 per share, less tax, the same as last year, which will absorb nearly Rs. 35.70 lakhs.

INDIAN OXYGEN

Indian Oxygen Limited has launched a major expansion programme covering various projects at a cost of nearly Rs. 6 crores spread over four years. The British Oxygen Company Limited has agreed to give a sterling loan of £500,000 for the projects. In addition to using the internal resources, the company will require finance to the extent of Rs. two crores. The Punjab National Bank Limited has agreed to lend this sum as a medium term loan subject to the consent of the Controller of Capital Issues.

Sales of the company increased from Rs. 8.88 crores in 1961-62 to Rs. 10.21 crores during 1962-63. The profit also improved from Rs. 1.35 crores to Rs. 1.40 crores. The smaller rise in the profit was partly because the provision for depreciation had to be higher and partly because the production of electrodes was held down by an acute shortage of core wire. The taxable ordinary dividend of 12 per cent has been repeated. Provision for taxation absorbed Rs. 69.34 lakhs. A sum of Rs. 19 lakhs has been separated towards development rebate reserve, Rs. 69 lakhs towards general reserve and Rs. 59.66 lakhs towards depreciation.

GREAT EASTERN SHIPPING

The Great Eastern Shipping Company Limited during the year ended June 30, 1963 carried larger freight so that the freight and charter hire earnings stood around Rs. 4.51 crores as compared to Rs. 3.25 crores last year. The gross profit, before providing for fleet depreciation, development rebate reserve, etc., amounted to Rs. 126.41 lakhs as against Rs. 74.30 lakhs last year. The net profit was Rs. 57.24 lakhs.

The directors have proposed to increase the company's paid-up capital from Rs. 90 lakhs to Rs. 135 lakhs and issued capital from Rs. 120 lakhs to Rs. 150 lakhs. In view of this proposal for capitalisation of reserves, the dividends have been proposed to be skipped over. Bonus shares are being issued in the proportion of one fully-paid equity share of Rs. 10 each for every two fully-paid equity shares held. The directors also recommend that proportionate benefit may be made available to holders of partly-paid equity shares. These recommendations will be implemented after the sanction of the Controller of Capital issues is received.

At the end of the year, the company's investment on fleet amounted to nearly Rs. 10.26 crores. It has acquired five ships at an approximate cost of £1.3 million or Rs. 1.75 crores and has also placed orders subject to the approval of the Government, with a Japanese shipyard for building a bulk carrier of 36,000 tons with an option to build a second bulk carrier at an approximate cost of Rs. 2 crores for each of them. These carriers are to be used for bulk cargoes like ores and foodgrains.

BARODA RAYON

During the year ended September 30, 1963, the Baroda Rayon Corporation Ltd. registered substantial progress. Its rayon plant was formally inaugurated by the President towards the end of December 1962, and its auxilliary plants — sulphuric acid, carbon di-sulphide and power plants — were also commissioned in October. 1962. By the end of June, 1963, the teething troubles experienced by the power plant were overcome and the rayon plant also attained its rated capacity of 6.25 metric tonnes per day on 100 denier basis. The directors have pointed out that being a high cost one, it has submitted to the Tariff Commission that it cannot afford to give away a substantial part of its production under distribution control order at the rate fixed by the Textile Commissioner and has urged the Tariff Commission to recommend higher prices for their new high cost unit. The company has received an industrial licence to increase its production capacity of rayon yarn by 1½ tons on the basis of 100 denier. A licence for the import of additional machinery required to implement this expansion is awaited as also its application for an industrial licence to put up a plant to manufacture 20 tons of staple fibre per day.

J K STEEL

During the year ended June 30, 1963, J. K. Steel Ltd. attained a record turnover of Rs. 176.2 lakhs as against Rs. 113.76 lakhs in the previous year, showing an increase of about 55 per cent. The rise in the turnover has been reflected in the gross profits which, before depreciation, stepped up to Rs. 32.37 lakhs this year as against Rs. 23.23 lakhs in the previous year. Consequently, the directors have proposed the payment of a higher dividend of 15 per cent on equity shares as against 10 per cent paid last year. The directors add that the results would have been still better had it not been for the unsatisfactory position of the supply of raw materials, shortage of power and non-revision of the retention price of jute baling hoops.

It is indicated that the company is going ahead with its expansion programmes. The electric hoist and chain pulley blocks plant have already been installed and will start production shortly. Progress is also reported in the expansion of wire rope project of the company. The Industrial Credit and Investment Corporation of India have sanctioned a loan of Rs. 36 lakhs and orders have already been placed for the plant and machinery. It is hoped that the expansion programme materialises in a year's time. The company has further obtained industrial licences to (i) expand its cold rolling mills for production of additional 4,800 tons per year and (ii) to manufacture electric overhead travelling cranes.

CAPITAL ISSUES

Four companies have been authorized to raise fresh capital aggregating Rs. 4.42 crores. Of these, one is issuing capital worth Rs. 2.54 crores and offering the entire issue to the shareholders on 'rights' basis. Three companies are issuing equities and preference shares. One of them involves foreign collaboration.

The consent of the Controller of Capital Issue is valid for one year in all cases.

ACC-Vickers-Babcock Limited, Bombay, will be issuing Rs. 254 lakhs equity capital in shares of Rs. 100 each for cash at par to be offered to the shareholders of the company on 'rights' basis. The money will be utilised for meeting the increase in custom duty, rise in prices of equipment already planned, additional balancing equipment now required for boiler plant, additional housing for workers etc., and establishment of an engineering institute for training apprentices in metal working trades.

Shama Forge Company Limited, incorporated in the State of Delhi, is to issue capital of Rs. 70,00,000 divided into 5,00,000 equity shares of Rs. 10 each and 20,000 preference shares of Rs. 100 each, to be issued for cash at par excepting 2.16,500 equity shares to be offered to Kropp Forge Company, Chicago (USA) against supply of reconditioned plant and machinery etc. The capital will be utilised for setting up a new industrial undertaking for the manufacture of mild and alloy steel forgings.

Jeewanlal (1929) Limited, Calcutta, is to issue capital of Rs. 78 lakhs divided into equity shares of Rs. 48 lakhs and Rs. 30 lakhs in 9½ per cent cumulative redeemable and convertible preference shares. The capital is required for the establishment of a new aluminium rolling mill at Madras at a total estimated cost of Rs. 241 lakhs.

Ashoka Paper Mills Limited, Calcutta, will be issuing capital of Rs. 40 lakhs divided into Rs. 25 lakhs in equity shares and Rs. 15 lakhs in preference shares. The capital is required for the completion of the project for the manufacture of paper and pulp at their factory at Sarkalighat, Bihar.



BOOKS BRIEFLY

Digesting the Indigestible

Elements of Indian Income Tax: By R. N. Lakhotia; Price Rs. 6.

Practical Problems on Income Tax: By the same author; Price Rs. 9.

Both published by Asia Publishing House, Calcutta.

Reviewed by "J"

BOTH THE BOOKS under review have an exceedingly modest aim. They are meant primarily as text books for under-graduates and students of law doing an elementary paper on the law relating to the taxation of income in India. Within the limits the author has set for himself, he has succeeded admirably in his task. It is not easy to present in an easily digestible form the involved provisions of the Indian Income Tax Act without altogether ignoring or blurring the many subtle distinctions that the language of the enactment gives rise to. Mr. Lakhotia has succeeded in a large measure in this hazardous enterprise. He has wisely avoided discussion in too great a detail of conceptual conundrums like capital and revenue in income and expenditure, the nature of "receipts" and of "remittances" of income, the treatment of income with different places of accrual and a hundred other problems that have made tax law the most fruitful field for legal ingenuity. Nor has he entered into provisions that have complex accountancy and legal implications like the taxation of foreign companies and of companies in which the public are supposed to be not substantially interested. Discussion of these topics would merely have confused the beginner who needs a not too intimidating introduction to the basic concepts. The procedural part of the law is also treated rather pertunctorily since the books are meant for examinees rather than assessees. But on the substantive law, there is adequate discussion and detailed illustration. The several modes of assessments of different kinds of income and assessees, and the broad categories of exemptions and rebates are dealt with lucidly and concisely. The second book in particular will be found very useful by students since it has worked out in detail a number of representative hypothetical assessments. In these examples trouble has been taken to illustrate specific points of law that have been settled by judicial interpretation.

The fact that both the books have run into several editions in a short time is a measure of their usefulness. The latest editions, have taken note of the extensive revision made in the law in 1961. Since the changes made in the recent codification are more in the manner of presentation and arrangement than in substance, the original conceptual structure is largely intact. This has made the author's task of revision easy. But wherever important changes have been made, they have been discussed adequately. There is also a useful chapter on the Super Profits Tax and the CDS in relation to income tax payers, which still survives. Mr. Lakhotia's presentation is lucid and unpretentious and not burdened with needless erudition. Both the books are therefore sure to provide a painless introduction to a difficult subject.

VARIED FARE

American Labour Review: Special Edition: Published by the American Embassy, New Delhi; Pages 128.

THIS SPECIAL edition of the 'American Labour Review' containing a variety of articles provides a good insight into developments in the labour field in the United States. Taken from previous Labour Reviews, the articles depict the growth and structure of labour movement, labour-management relations and the role of government in the field of labour. As a matter of fact, there is hardly any aspect of the labour problems which does not come under the purview of these articles. The articles on development of collective bargaining, voluntary arbitration, report on automation and the work of the National Labour Relations Board are specially interesting. Photographs included are apt and well chosen. Ambassador Bowles' message on Labour Day observed since 1894 is inspiring. The lay-out and get-up of the special edition is excellent.

The programme of workers' education is brought out clearly in the article, "Techniques and Methods in American Union Education". Workers' education programme covers a wide range of subjects relating to Union administration, collective bargaining, economic and social problems and international affairs. Week-end seminars in this context are quite popular. In some cases, workers' education programme is conducted in co-operation with State universities. Workers' education programme in India being in a nascent stage, we could definitely draw some lessons from the way the workers' education is progressing in that country.

Readers' Roundtable

NATURE OF DEMOCRACIES

Sir, — 'Eastern Economist', dated November 29, 1963, has published (pp. 1115-1116) the text of the Andrews Memorial Lecture delivered by Mr. C. Rajagopalachari on November 22, 1963. The second paragraph of the article begins with this sentence: "Constitutions refusing freedom of action to none but a single party which has seized power are not democracies." The meaning of this sentence, either literal or implied, is that Constitutions which refuse freedom of action to none except the party in power are not considered as democracies. This, surely, could not have been what the elder statesman had meant in this regard. Constitutions are to enable the party in power, whichever one it may be, provided it has faith in a written Constitution, to govern the country through a government. But no party in power would be able to govern if freedom of action is denied to it. Surely, one cannot think of a Constitution providing freedom of action to all and denying or refusing the same to the party in power.

New Delhi. V. V. SUBRAHMANYAM.

Mr. C. Rajagopalachari writes:

"In the first place 'none but' is a mistake that has slipped in by oversight, the double negative being the pitfall. It should be 'Constitutions refusing freedom of action to any party but the one which has seized power'. This however is not what has puzzled Mr. V. V. Subrahmanyam. 'Freedom of action' has been misunderstood by him. What I meant by 'freedom of action' is the right to function as a political party. I am of the view that if as in Soviet and certain other countries, no political parties can function publicly except the ruling party, it is not a democracy even though it may call itself by that name.

"Mr. V. V. Subrahmanyam has obviously misunderstood freedom of action to mean the right to govern. Of course the party that has won in the elections has the right to govern. But in democracies other parties should have the right to function and grow."

ANNOUNCEMENT REGARDING THE PROPOSED ISSUE OF CAPITAL

This is only an announcement and not a Prospectus and persons interested are requested to ask for a copy of the Prospectus for full details.

BHARAT STEEL TUBES LIMITED

(Incorporated as a Private Limited Company on 20-11-1959 under the Companies Act 1956 and converted into a Public Limited Company on 29-8-1962)

Registered Office: **14-15F, Connaught Place, New Delhi-1.**

EXISTING AND PROPOSED ACTIVITIES OF THE COMPANY

The Company was incorporated with the objects stated in the Memorandum of Association and with the immediate object of setting up a factory for the manufacture of Steel Tubes and Pipes, both galvanised and black within the size range of 3/8" to 6" diameter for the flow of gas, water, steam, oil and petroleum, with an annual installed capacity of 36,000 tons per shift.

The Company, besides producing Steel Tubes and Pipes to I.S.I. specifications, will also produce to certain specifications laid down by A.P.I. (American Petroleum Institute) to contribute towards the speedy execution of projects in the country, where pipe lines are required for various purposes.

The Company has concluded Financial and Technical Collaboration Agreement with Messrs. Abbey Etna Machine Co., Perrysburg, Ohio, U.S.A., for providing U.S. Dollars one million in the form of equity capital, besides technical know-how and services at all stages of the project. The Company has secured the necessary foreign exchange loan and import clearance, required for the purpose.

LOCATION OF THE INDUSTRY

The Company has acquired, through the Government of Punjab, approximately 130 acres of land in Ganaur (Near Railway Station) in the State of Punjab, about 35 miles from Delhi, to locate the industry.

BOARD OF DIRECTORS

1. MR. NARAYAN DANDEKER, I.C.S. (Retd.) (Chairman) "Southlands," 177, Upper Colaba, Bombay-5, **Chartered Accountant.**

Director: Bombay Mutual Life Assurance Society Ltd. The Punjab National Bank Ltd. Oriental Power Cables Ltd. Orissa Textile Mills Ltd. Borosil Glass Works Ltd. Baroda Rayon Corporation Ltd. Borax Morarji Ltd. Sterling General Insurance Co., Ltd. Indian Oxygen Limited. Crookes Interfran Limited. Electric Power Supply Co. Pvt. Ltd. Patvardhans (Jamkhandi) Pvt. Ltd. Patvardhan Industries Pvt. Ltd. Loop Engineering Consultants Pvt. Ltd.

2. MR. NELSON DANIEL ABBEY, JR. 5124, Corey Road, Toledo, Ohio, U.S.A. **Industrialist.**

President: Abbey Etna Machine Co., Perrysburg, Ohio, U.S.A.

Director: Mobile Pipe Corporation. Sen Francisco, California, USA.

3. MR. V. RAMA KRISHNA, C.I.E., I.C.S. (Retd.) Sunder Mahal, 28, Maharajkumarika-Padamvati Road, Jeyporenagar, Madras-6. **Industrialist.**

Chairman: The K. C. P. Limited. The Jeypore Sugar Co. Limited. Krishna Industrial Corporation Ltd.

The Andhra Cement Co. Limited. R.S. Industrial Corporation Pvt. Ltd.

Director: Export Risks Insurance Corpn. Ltd. E.I.D. Parry Limited. Deccan Sugar & Abkhari & Co. Ltd. Ramakrishna Machinery Corporation Pvt. Ltd. The Hyderabad Construction Co. Limited. Andhra Pradesh Industrial Development Corporation Ltd. Madras Aluminium Co. Ltd. The National Industrial Development Corporation Ltd., New Delhi. Indian Graphic Arts Equipment Co. Ltd. Radha Krishna Mills Ltd.

4. MR. WILLIAM NATHANIEL SCOTT. 5168, Stonewood Drive, Riverside, California, U.S.A. **Industrialist.**

President and Director: Smith-Scott Co. Inc., P.O. Box 3033 Riverside, California, U.S.A.

MR. HARBANS SINGH MEHTA (alternate to Mr. William N. Scott), 33, Regal Buildings, Parliament Street, New Delhi-1. **Investment Adviser.**

Director: Escorts Ltd. Industrial Cables (India) Ltd. Ajudhia Textile Mills Ltd. Bharat Carbon & Ribbon Mfg. Co. Ltd. Goetze (India) Ltd., Northern India Paper Mills Ltd. Usha Spng. Wvng. Mills Ltd. Hindustan Dowidat Tools Limited. Oriental Spun Pipe Co. Ltd. Leiner-Knit Gelatine Co. Ltd. Usha Forgings & Stampings Ltd. Delhi Stock Exchange Association Ltd. Saru Engineering Corporation Ltd.

5. MR. KARL KHESHVALA, C/o M/s. Lewis & Jones, Bank of Baroda Bldg., Apollo Street, Bombay-1. **Businessman.**

Director: National Rubber Manufacturers Ltd. Loop Engineering Consultants Pvt. Ltd. Capsulation Services Pvt. Ltd. Modella Woollens Limited. Modella Cotton Limited.

6. MR. STEPHEN STRANAHAN, 1902, Perrysburg — Holland Road, Holland, Ohio, U.S.A. **Businessman.**

Director Treasurer: National Flight Service Inc. U.S.A. Detroit Aircraft Supply Inc. U.S.A. Indian River Corporation, U.S.A. Wand Oil Corporation, U.S.A. Webstrand Corporation, U.S.A.

7. KANWAR SWARAN SINGH, 6B/6, Uttari Marg, N. E. Area, New Delhi. **Businessman.**

Director: Raunaq & Company Private Limited, Delhi. Raunaq & Co. Industries Pvt. Ltd., New Delhi.

8. MR. R. P. KAPUR. **Businessman.**

Managing Director: Capital Finance of India Private Ltd. New Delhi.

Director: Reliance Overseas Pvt. Ltd., New Delhi.

9. MR. RAUNAQ SINGH, (Managing Director), 14-15F, Connaught Place, New Delhi-1. **Industrialist and Businessman.**

Chairman: Rajput Urban Co-operative Bank Ltd. Delhi.

Managing Director: Raunaq & Company Private Ltd., Delhi.

Director: Raunaq & Company (Industries) Pvt. Ltd., New Delhi. Industrial Cables (India) Ltd., New Delhi.

Reliance Overseas Private Ltd., New Delhi. Kundli Engineering Works, Pvt. Ltd., New Delhi.

Note: Mr. Nelson Daniel Abbey Jr., is the President and M|s. William N. Scott and Stephen Stranahan are the associates and nominees of M|s. Abbey Etna Machine Co. USA.

MANAGING DIRECTOR

Under an Agreement with the Company, Mr. Raunaq Singh was appointed the Managing Director of the Company for a period of five years commencing from 29th August, 1962. His appointment has been approved by the Central Government by its letter No. I (420)-C.I|62, dated 12-3-1963.

The Agreement provides for payment to Mr. Raunaq Singh, during the tenue of his office a remuneration of 5 per cent commission on the net profit of the Company for each financial year, inclusive of the perquisite of free furnished accommodation and a car to be placed at his disposal for the business of the Company, with the reservation that the total remuneration drawn by him by way of commission on net profit and the remuneration from Messrs Raunaq & Company Private Limited, Delhi as the Managing Director of that Company should not exceed Rs. 1,20,000 per annum, but in the absence of or inadequacy of profits, he shall be entitled to draw Rs. 7,500|- per annum as minimum remuneration plus the money value of the perquisite of a car and free furnished accommodation. The minimum remuneration shall be increased to Rs. 90,000 per annum when the effective capital of the Company exceeds Rupees Sixty lakhs.

Mr. Raunaq Singh has been in this Steel Tubes Trade for the last 26 years and he is the Managing Director of Messrs. Raunaq & Company Private Limited, Delhi, which has a long standing and has a name in the pipe market in this country. The Company has a net-work of offices in Calcutta, Bombay and Delhi.

AUDITORS:

M|s. Dhanvan Dinodia & Co.	M|s. R. N. Bahl & Co.
Chartered Accountants,	Chartered Accountants.
G-67, Connaught Place,	5, New Flats, Qutab Road,
New Delhi	Delhi-6.

SHARE CAPITAL

	Rs.
Authorised Capital	
16,00,000 Equity Shares of Rs. 10 each	1,60,00,000
40,000 — 9.3% (Free of Company's Tax but subject to deduction of tax at source at the prescribed rate) Cumulative, Redeemable Preference Shares of Rs. 100|- each	4,00,000
	2,00,00,000
Issued and Subscribed:	
3,00,000 Equity Shares of Rs. 10 each	30,00,000
Paid up as follows:	
(a) 15,500 shares of Rs. 10 each fully paid up	1,55,000
(b) 1,93,000 Equity Shares of Rs. 10 each, 50% paid up	9,65,450
(c) 91,052 Shares of Rs. 10 each. 25% paid up.	2,28,526
	13,48,975

Present Issue:

9,00,000 Equity Shares of Rs. 10 each	90,00,000
30,000 — 9.3% (Free of Company's tax but subject to deduction of tax at source at the prescribed rate) cumulative Redeemable Preference Shares of Rs. 100|- each	30,00,000
	1,20,00,000

Out of the Present Issue:

The foreign Collaborators, Messrs Abbey Etna Machine Co., U.S.A., and their associates have agreed to take up or cause to be taken up in cash and will be allotted 4,71,000 equity shares of Rs. 10|- each. 47,10,000

Now Offered at Par for Public Subscription:

A. 4,29,000 Equity Shares of Rs. 10 each	42,90,000	
B. 30,000 — 9.3% Cumulative Redeemable Preference Shares of Rs. 100 each (Free of Company's Tax but subject to deduction of tax at source at the prescribed rates).	30,00,000	72,90,000
		1,20,00,000

(The above offer for public subscription has been entirely underwritten by various underwriters mentioned hereinafter).

DATE OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST:

The subscription list will open, both in respect of Equity as well as Preference Shares at the commencement of Banking hours on the 28th January, 1964, and will close at the close of the Banking hours on the 7th February, 1964. The Directors at their discretion may close the subscription lists both in respect of Equity as well as Preference Shares earlier, but not before the close of the Banking hours on the 30th January, 1964.

Application forms alongwith copies of the Prospectus can be had from the Registered Office of the Company or from the underwriters, Bankers and Brokers whose name and address are given below:-

UNDERWRITERS:

The entire issue offered to the public is fully underwritten by the following underwriters:—

1. Life Insurance Corporation of India.
   Jeevan Kendra, Jamshedji Tata Road, Bombay-1.
2. The Industrial Finance Corporation of India,
   Reserve Bank Building, Parliament Street, New Delhi.
3. Government of Punjab, Chandigarh.
4. New India Assurance Co. Limited.
   87, Mahatma Gandhi Road, Fort, Bombay.
5. Canara Bank Limited,
   56, Janpath, New Delhi.
6. The Bank of India Limited,
   Janpath, New Delhi-1.
7. South India Insurance Co. Limited.
   Moti Mahal, Jamshedji Tata Road, Bombay-1.

BANKERS:

1. National & Grindlays Bank Ltd. H-Block, Conn. Circus, New Delhi.
2. The PunjabNational Bank Ltd. Chawri Bazar, Delhi.
3. The Bank of India Ltd. Janpath, New Delhi.
4. Canara Bank Limited, Janpath, New Delhi.

BROKERS:

NEW DELHI

M|s. Harbans Singh Mehta & Co., 33, Regal Building Parliament Street, New Delhi-1.
M|s. P. Roy & Co., 3|8, M. M. Road, New Delhi-1.
M|s. Raj Paul Chadha, & Co., Delite Cinema Bldg., Asaf Ali Road, New Delhi-1.
M|s. Labh Chand Rode, 3, Delhi Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.
M|s. K. B. Malik & Co., 7-Prem House Connaught Circus, New Delhi-1.
M|s. Bharat Bhushan & Co. H-45, Conn. Place, New Delhi-1
Ms. Sant Ram Dhuper & Co., 51-52, Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.
M|s. J. S. Sahny & Co., 25, Stock Exchange Building, Asaf Ali Road, New Delhi-1.
M|s. Raja Ram Bhasin & Co. A-320, Defence Colony, New Delhi-3.

BOMBAY

M|s. Lewis & Jones, Bank of Baroda Building, Apollo Street, Fort, Bombay-1.
M|s. Batlivala & Karani, Union Bank Building, Dalal Street, Fort, Bombay-1.
M|s Harkisondass Lukhmidass, Stock Exch. Building, Apollo Street, Fort, Bombay-1.
M|s. A. B. Pandit & Co., 32, Apollo Street, Fort, Bombay-1.
M|s. Mahadevia Bros., P.O. Box 424, Stock Exch. Old Bldg., Dalal Street, Fort, Bombay-1.
M|s. Chiman Lal J. Dalal & Co., 107, Stock Exch. New Blg., Dalal Street, Fort, Bombay-1.
M|s. Dalal & Sons, Share Bazar Old Bldg., Dalal Street, Fort, Bombay-1.

AHMEDABAD

M|s. Narendrabhai Lalbhai Sheth, Manek Chowk, Ahmedabad.
M's. Chinubhai Chimanlal Dalal, Share & Stock Brokers, Manek Chowk, Ahmedabad.

CALCUTTA

M|s. Place Siddons & Gough Private Limited. 6, Lyons Range, Calcutta-1.
M|s. G. M. Pyne, 14, India Exchange Place, Allahabad Bank Building, Calcutta-1.

MADRAS

M|s. Paterson & Co., 22, Erabalu Chetty St., Madras-1.
M|s. Chitra & Co., 322|323, Linghi Chetty Street, Madras-1.
M|s. Maconochie & Co., Post Box No. 291, Mercantile Bank Building, Madras-1.

HYDERABAD

M|s. P. B. Afzsul Purkar, Sultan Bazar. Hyderabad.

BANGALORE

M|s. M. Nanjappaiah Jahgirdar, 181, Cavalry Road, Bangalore.

IT DAGGER BRAND DRILLS FOR LASTING PRECISION PERFORMANCE

BACKED BY 25 YEARS OF TRADITION and rigid control at every stage of production
DAGGER BRAND DRILLS
(available in metric and inch sizes)
assure precision performance.
They are made of superior quality steel, specially heat-treated to ensure long life and manufactured in India's biggest and most modern factory for Small Tools.



THE INDIAN TOOL MFRS. Ltd.
181 Sion Road, Bombay 22
ASP/IT-68

RECORDS AND STATISTICS

Cooley Fund Loans for Indian Industry

THE UNITED STATES Information Services have brought out an informative and illustrated brochure entitled "This is the Key", which states simply and effectively how a portion of the US counterpart funds in India, accruing from the sale of commodities given as aid to this country under United States Public Law 480, are utilized. Funds are loaned from it to private firms under certain conditions. The textual matter of the brochure, reproduced in full below, describes the procedure and conditions for the issue of these loans.

"This key, labelled Cooley Fund Loans, unlocks a door to economic growth by providing critically needed development capital. Additionally, it encourages American private investment in India which supplements aid provided by the Government of the United States and brings to India the know-how of a highly efficient industrial America which has provided for the American people the highest standard of living in the world without sacrificing their personal or political freedom.

For agricultural commodities sold to India, United States Public Law 480 (US-PL 480) allows payment in rupees. To encourage the investment of dollars in India by private American industry, an amendment to this law, sponsored by Congressman Cooley and known as the Cooley Amendment, provides that a percentage of these rupees may be used by the United States Government for loans to private firms in India which are affiliated with American firms or to Indian firms which assist in marketing American agricultural products.

Contributing Factor

Under the Cooley Amendment, the United States Agency for International Development (AID) is authorised to make loans to Indian firms and their American participants for undertakings that will develop industry and expand trade. The availability of rupees which can be loaned at reasonable rates of interest is a contributing factor to American participation in the developing of a modern industrial India. The amount of the rupees reserved for Cooley Fund Loans is fixed by agreement with the Government of India. The interest rate is currently 7 per cent per annum conforming with interest rates prevailing in India for comparable development loans.

Both existing and new Indo-American ventures may apply to the Government of the United States for a Cooley Fund Loan. Enquiries should be addressed to the Office of Programme and Finance, Agency for International Development, New Delhi. The United States requires that the recipient company have a significant American participation in its equity. Applicants must state the amount of the proposed loan, and the desired repayment period; the general objectives of the proposed loan, including the kind and amount of products or services that would result; the total cost of the proposed activity; the additional equity investment contemplated and the funds to be borrowed from sources other than AID. Investigations of the project and liaison with the Indian firm are carried out by AID-India and recommendations are forwarded to Washington, D.C. The loan application is either approved or rejected by the Government of the United States in Washington. At the same time, the views of the Government of India are sought and the loan is granted only if there are no objections. Rupees are disbursed under approved loans in this manner: United States Government to Agent Bank to the Indo-American firm. The loan, plus interest, is repaid in the same manner — firm to Agent Bank to the Government of the United States.

PL 480

Under U.S. Public Law 480, up to 25 per cent of the agricultural commodities sales proceeds may be used for Cooley Loans. This has varied from agreement to agreement; in some cases the full 25 per cent has been set aside for Cooley Loans and in other agreements none of the proceeds have been allocated for this purpose. The average amount under all agreements in India to date is 7 per cent. As of June 30, 1963, there is still Rs. 56.39 crores available for additional loans.

By helping to open the door to economic development in India through financial assistance to private industrial enterprises, the United States is supporting an economic system which has proven that it produces abundantly and steadily. Cooley Fund Loans encourage investment in India by American firms interested in a volume of profit resulting from a volume of sales — not high profits per unit. The search is for a modest profit per unit with large sales over a long period of operation in a climate of economic stability. Cooley Fund Loans are a key to bringing America's store of knowledge, equipment, methods and capital as impetus to the industrialization of India."

Up to the end of December, 1963, 38 industrial enterprises had been authorized Cooley Fund Loans, totalling Rs. 37 crores (Rs. 37,07 lakhs) or $77.8 million. Details of the loans and of disbursements which amount to Rs. 15.9 crores (Rs. 15,91 lakhs) or $33.4 million are given below :

COOLEY CREDITS AS ON DEC. 31, 1963

(Entries within brackets under Column (3) are Dates of Authorization of Loan Agreements)

Name of Applicant and U.S. Affiliate	Purpose	Amount in Lakhs of Rs.	Amount so far disbursed by the Agent Bank
Otis Elevator Company, Bombay (Otis Elevator Company, New Jersey)	Working capital for the manufacture of elevators and escalators	10 (1-11-60)	10
Goodyear India, Ltd., Calcutta (Goodyear Tire & Rubber Company of Akron, Ohio)	To set up plant for tires and tubes	2.25 (30-12-60)	2,25
Synthetics & Chemicals, Ltd., Bombay (Firestone Tire & Rubber Company of Akron, Ohio)	Manufacture of synthetic rubber	3.92 (20-7-61)	3,92

COOLEY CREDITS AS ON DEC. 31, 1963—Contd.

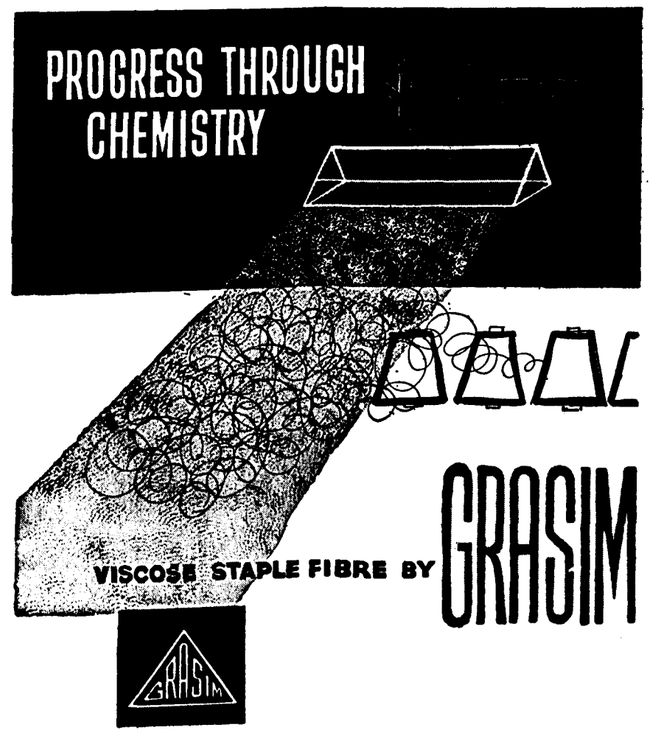
(Entries within brackets under Column (3) are Dates of Authorization of Loan Agreements)

Name of Applicant and U.S. Affiliate	Purpose	Amount in Lakhs of Rs.	Amount so far disbursed by the Agent Bank
Hindustan Aluminium Corporation, Ltd., Bombay (Kaiser Aluminium and Chemical Corporation, Oakland, Calif.)	Construction of a plant for aluminium products	1,00 (22-9-60)	1,00
Mysore Cements Ltd., Bangalore, (Kaiser Industries Corporation, Oakland, Calif.)	Construction of cement plant	55 (22-9-60)	55
Merck Sharp & Dohme of India, Bombay, (Merck Sharp & Dohme International, New York)	Manufacture of pharmaceuticals and chemicals	50 ((4-11-60)	Credit not utilized; expired
Ex-Cell-O India, Ltd., Bombay (Ex-Cell-O of Detroit)	Manufacture of tools and parts for automotive, tractor and other industries	20 (7-11-60)	20
Premier Tyres Ltd., Bombay (Dayton Rubber Co., Dayton)	Setting up Tire factory	30 (7-4-61)	30
Seshasayee Paper & Board, Tiruchirapalli (Parsons & Whittemore of New York)	Baggase and bamboo pulp and paper mill	2,00 (4-10-60)	2,00
Lederle Laboratories (India) Ltd., Bombay (American Cynamid Company of New York)	Manufacture of antibiotics	25 (21-7-61)	25
Gabriel India, Ltd., Bombay (Gabriel Company of Cleveland, Ohio)	Plant for the manufacture of shock absorbers	5 (2-5-61)	5
Limac Limited, Madras (Allis-Chalmers International, Milwaukee, Wis.)	Plant for tractors, shovels, motor scrappers, cranes and related equipment	52 (17-3-61)	Credit cancelled
Carrier Air-conditioning & Refrigeration (P) Ltd., Bombay (Carrier International, Ltd., Syracuse, New York)	Production of refrigeration and airconditioning equipment	37.5 (31-8-61)	Credit-cancelled
East India Hotels, Ltd., New Delhi (Intercontinental Hotels Corporation, New York)	Construction of a 350-room hotel in New Delhi	76.19 (19-2-62)	—
Wyeth Laboratories (P) Ltd., Bombay (American Home Products Corporation, New York)	Manufacture of corticosteroids, hormones, and intermediate compounds	17 (18-7-61)	17
Madras Rubber Factory, Ltd., Madras (Mansfield Tire & Rubber Company of Mansfield, Ohio)	Establishment of a rubber tire factory	25 (23-5-62)	25
Synthetics & Chemicals, Ltd., Bombay (Firestone Tire & Rubber Company of Akron, Ohio)	Construction of a synthetic rubber plant	2,58 (19-3-63)	2,58
Victor Gaskets India (P) Ltd., Bombay (Victor Manufacturing and Gasket Co. Chicago)	Plant for the manufacture of automotive gaskets	7.5 (6-12-62)	7.5
Wyman-Gordon India, Ltd., Bombay (Wyman-Gordon Company, Worcester)	Steel forge/foundry facilities to manufacture precision forgings and castings	25 (5-2-63)	25
India Precision Bearings, Ltd., Bombay (Norma-Hoffmann Bearings Corporation, Stamford, Conn.)	Manufacture of ball and cylindrical roller bearings ..	30 (17-5-63)	..
Harig-Malik Manufacturing Company (P) Ltd., New Delhi (Harig Manufacturing Corporation, Chicago)	Plant for Tools, dies, fixtures, gauges and general tool manufacturing and engineering	2.85 (17-12-62)	2.85
Mysore Cements, Ltd., Bangalore-II (Kaiser Industries Corporation Oakland)	Expansion of cement manufacturing facilities	45 (2-11-62)	..
McNally-Bird Engineering Ltd., Calcutta (McNally-Pittsburg Manufacturing Company of Pittsburg)	Plant for the manufacture of coal washeries	50 (4-12-62)	45

COOLEY CREDITS AS ON DEC. 31, 1963—Contd.

(Entries within brackets under Column (3) are Dates of Authorization of Loan Agreements)

Name of Applicant and U.S. Affiliate	Purpose	Amount in Lakhs of Rs.	Amount so far disbursed by the Agent Bank
Union Carbide India, Ltd., Calcutta (Union Carbide Corporation of New York)	Expansion of polyethylene and chemical facilities	2,16 (16-8-63)	..
Arbor Acres Farm India Private, Ltd., New Delhi (Arbor Acres Farm Inc. of Connecticut)	Poultry breeding farm ..	25 (8-8-63)	6.25
Mandya Paper Mills, Ltd., Bangalore (Parsons and Whittemore of New York)	Refinancing of debt and expansion of paper plant	1,50 (2-8-63)	96.75
Kirloskar-Cummins, Ltd., Poona (Cummins Engine Co. Columbus, Indiana)	Construction of a diesel engine manufacturing plant	1,25 (16-8-63)	46
Napco Bevel Gear of India, Ltd., New Delhi (Napco Industries Inc., Minneapolis, Minn.)	Manufacture of gears, universal joints and other parts for automobile, aircraft, etc.	40 (31-7-63)	..
Elpro International, Ltd., Bombay (General Electric Company, New York)	Manufacture of lightning arresters x-ray equipment, etc. ..	40 (27-6-63)	..
Hindustan Aluminium Corporation Ltd., Bombay-II (Kaiser Aluminium and Chemical Corporation, Oakland)	Construction of aluminium fabricating facilities ..	1,00 (14-6-63)	..
Gabriel India Ltd., Bombay-II (Gabriel Company of Cleveland, Ohio)	Expansion of automotive shock absorbers	14 (27-6-63)	..
Cochin Company (P) Ltd., Ernakulam (Atalanta Trading Corporation, New York)	Expansion / improvement of shrimp processing facilities and seafood industry	23.65 (14-6-63)	..
Frick India Ltd., New Delhi (Frick Company of Pennsylvania)	Manufacture of ice-making and refrigeration equipment ..	25 (14-6-63)	..
Coromandel Fertilizers, Ltd. Secunderabad (California Chemicals Co. and International Minerals & Chemicals Corp.) ..	Manufacture of fertilizers ..	10,70 (10-10-63)	..
Bharat Steel Tubes, Ltd., New Delhi (Abbey Etna machine Co.)	Manufacture of steel tubes ..	25 (10-10-63)	..
Madras Rubber Factory, Ltd. (Mansfield Tire & Rubber Co.)	Manufacture of tread rubber and other tire repair material	50 (4-10-63)	..
I.A. & I.C. Private, Ltd., Bombay (Lapic, Inc.)	Sulphur grinding plant ..	5 (31-5-63)	..
Everest Refrigerants, Ltd., Bombay (Technical Enterprises, Inc.)	Manufacture of refrigerant gases	60 (24-10-63)	..



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JANUARY 31, 1964.

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Primus Inter Pares?

THE PRIME Minister has displayed his innate good sense in what he has done as much as in what he has not done. The suggestion made in certain quarters that Mrs. Indira Gandhi should be drafted to the Central Cabinet as Minister for External Affairs betrayed poor judgment, if not a certain lack of decency. If the implication was that Mr. Nehru needed to be baited thus into gradual withdrawal, the thought was hardly fair to him. If, again, the argument was that the Prime Minister would not have sufficient confidence in any other person where this important portfolio was concerned, the insinuation would be equally unfair to many senior Congressmen, whether in office or presently out of it. Quite possibly, the name of Mrs. Indira Gandhi might have been thrown up in the misguided impression that there was a risk of Mr. Krishna Menon being thought of and, consequently, there was need for a "Stop Krishna Menon" strategy. We do not believe that the ex-Defence Minister could be resurrected at all. As for Mrs. Indira Gandhi herself, she enjoys in her own right a high standing in the public life of this country and should she ever choose to serve the nation in an official capacity, both the privilege and the responsibility could be hers in a perfectly normal manner and without special pleading of any kind.

The re-appointment of Mr. Lal Bahadur as Cabinet Minister has met with general approbation. His leaving the Government last year — Kamaraj Plan or no Kamaraj Plan — was a mistake, not only on his part but also on the part of others who let it work out in that manner. There must at all times be sufficient political ballast in the composition of the Central Cabinet and Mr. Lal Bahadur's low physical poundage surely belies his political weight. If, as is sensible and likely, some kind of collective leadership is to take over after Mr. Nehru, Mr. Lal Bahadur might well be found to be the most eligible "non-candidate" for the role of *primus inter pares*. Meanwhile the arrangements so far announced relating to the functioning of Mr. Lal Bahadur as Minister without Portfolio are obviously incomplete. It is perhaps natural that this should be so since over Mr. Nehru's plans for himself there still hangs the more or less eternal question mark, which has now been underlined by his decision to ask Mr. Lal Bahadur to assist him in his Prime Ministerial and other Ministerial responsibilities, while allowing Mr. Nanda to continue to enjoy the privilege of presiding over Cabinet meetings in the Prime Minister's absence. Such a situation, inevitably, has its disadvantages. We, however, hope that they will not prove too crippling of initiative in the Congress leadership. On Mr. Lal Bahadur, perhaps, more than on any other senior Congress leader, has fallen the important, but unenviable responsibility of striving for a smooth transition. This is an obligation which is bound to be embarrassing to him in many ways, but which will nevertheless have to be discharged with wisdom and courage in the interest of the nation. His immediate task will no doubt be to act as an under-study to the convalescing Prime Minister. But that, surely, cannot be his most important task. On the contrary, he must now engage himself in building up a sufficiently solid team in terms of political status and administrative expertise. This, of course, is not a job for him alone, but a job to be shared with the Congress President, the Central Parliamentary Board of the Party and the various State Chief Ministers. It is a task which has to be undertaken sooner or later and the sooner it is attempted the better are the prospects and possibilities of Mr. Lal Bahadur and the Congress President receiving all the co-operation that they must have from their colleagues in the leadership of the Party as well as from the Party as a whole.

The Giant and the Dwarf

THE SYMPOSIUM on the "Importance of Family Planning in the Context of India's Development" which the Indian Chamber of Commerce, Calcutta, conducted last week is symptomatic of the spreading concern in informed circles over the consequences of the giant growth of population dwarfing such economic growth as we may be able to achieve through the five-year Plans. Interest in the population problem has lately been active. There was, for instance, the Asian Population Conference held here last December under the auspices of the Economic Commission for Asia and the Far East. That Conference naturally viewed the population problem in its regional context. The ECAFE region incorporates about 54 per cent of the world's population into one-sixth of the world's land area. Some 67 per cent of the region's population — and over one-third of the world's total — live in two countries, China and India. In each of the three countries — Indonesia, Japan and Pakistan — live more people than in any country outside the region except for the Soviet Union and the United States. The ECAFE Conference was prompted by the feeling that population growth and rapid rural-urban migration were having adverse effects on the region's economic development. Censuses taken around 1960 had shown that the region's population growth rate was accelerating and could be expected to increase still further during the present decade. The Conference underlined the fact that the achievement of an annual growth rate of five per cent in aggregate national income by 1970 in the developing countries (which is one of the basic goals of the United Nations Development Decade) depended to a large degree on the extent to which population increase could be prevented from eating up economic gains.

Within the enormous womb of this Asian population problem, India's own population puzzle is spread out in monstrous proportions. As the Indian Chamber of Commerce, Calcutta, has noted, next to China India is the most heavily populated country in the world. It has to support about 14 per cent of the world's population with but 2.3 per cent of the world's total land area. A World Bank document presents the situation even more graphically:

"The presumed rate of India's population — less than 0.2 per cent a year between 1881 and 1921 — was 1.2 per cent a year between 1921 and 1951 and rose to 2.1 per cent a year during the past decade. The acceleration is the combined result of a very sharp decrease in the mortality rate with no change in the fertility rate. Despite the substantial drop over the last 30 years, the mortality rate of the Indian population is still high and should reasonably be expected to continue falling for some time. Fertility has not increased but is not likely to fall spontaneously until the per capita income has reached a level far beyond the reach of the Indian economy for the next two or three decades, or until the bulk of the population moves away from the rural areas, which is equally out of the question in the foreseeable future.

"Recent official projections of Indian population show a dramatic explosion between 1961 and 1976 when population is assumed to grow at an average rate of 2.4 per cent a year. A net increase of 187 million people is forecast by 1976 which would bring the total population to 625 million. By that time the population of working age would be about 100 million greater than now, and the likely increase in the labour force is in the region of 70 million, which is equal to the size of the present total labour force of the United States and two-and-a-half times the size of the labour force of Britain. Clearly, the task of providing employment for all this additional manpower is well-nigh impossible.

"As far as the employment problem over the next 15 years is concerned, little can be done now apart from stepping up investment in the economy, since the entire addition to the labour force that will be seeking employment by 1966 has already been born. But action is still necessary to prevent the position from deteriorating further after that date. In any case, the prospective growth of population poses many other problems besides employment. The primary object of economic development is to raise consumption per head. In doing so, there is no sense in concentrating exclusively on measures to raise production while ignoring measures to check population. The huge existing population of India means that a failure to slow down the rate of population increase would in the long run be disastrous."

There has recently been impressive Indian endorsement of this diagnosis. Thus, inaugurating the Asian Conference on Population on December 10 last, the Prime Minister pointed out that, if the alarming growth of population in India and other Asian countries were not checked, it would ultimately lead to all kinds of tremendous political and social conflicts. On the following day, Mr. G. L. Nanda, presiding over that Conference, admitted that the impact of economic growth on the standard of living in this country had been rendered negligible by the constant addition to the population. Earlier this month, Mr. Asoka Mehta, Deputy Chairman of the Planning Commission, addressing the fifth All-India Conference on Family Planning, held in Patna, emphasized the disagreeable truth that unchecked population could and did make a mockery of the best plans for India's economic growth. He pointed to our recent experience which has shown that a rapid rise in the number of people "can use up increments in income that would otherwise have been used in the provision of education and productive equipment — that is, intangible and tangible tools of growth."

The question now is: where do we go from here? Having recognised the gravity of the problem, are we essaying a solution which could be regarded as realistic and adequate? It ought to be said at once that the gains made so far are certainly encouraging. After all there are very few governments which have adopted population control as a deliberate act of policy. The Government of India has the distinction of belonging to the select few which have done so. This in itself is a major advance. Secondly, not only has the policy been adopted but its implementation has been included among the more important programmes of the five-year Plans and its financial and organisational requirements made a charge on the nation's resources. This too is a considerable step forward. Thirdly, a recent review of the family planning measures taken in the last 10 years has indicated that widespread awareness of the need for family planning has been created in the country and that simultaneously an organisation is being evolved to provide instructions as well as contraceptives to the people.

One very encouraging factor is the responsiveness from the people. Studies on family planning practices and attitudes show that 70 per cent of adults desire a limited number of children at an interval of from three to four years. About 75 per cent women of 30 and above with four children appear to be ready to learn family planning methods. Even in rural India between 10 and 20 per cent of married women have some knowledge of contraception. A recent National Sample Survey round showed that the average number of children born in urban areas was 2.6 when the wife was Intermediate, 4.2 if Matriculate, 4.5 if Middle School and over 6 if illiterate. Nearly 70 per cent of urban husbands are aware of family planning methods, 27 per cent have knowledge of at least one method and 12 per cent have used some method, while 14 per cent were found indifferent. An analysis of cases at eight Central Health Service clinics in Delhi during 1955-58 showed that in 1,515 cases the pregnancy rate was 63 per 100 before use of contraceptives, but came down to 9.6 per 100 after use, which meant a reduction of pregnancy rate by about 85 per cent. During the period 1955-61 the birth rate for an experimental population of 8,000 in Singur near Calcutta was reduced by 18 per cent from 1956 level or about 14 per cent when compared to the 1961 birth rate of the controlled population.

Rather remarkable has been the response to the facilities made available for free voluntary sterilization. In 1956 the number of operations reported was 8,753 (2,333 male and 6,420 female). In 1962 this number increased to 129,514 (96,418 male and 33,096 female). From January, 1956 till the end of November, 1963 over 400,000 people have been operated, including over 250,000 males. It is possible, however, that these figures are conservative. In any case, in limited areas the recourse to sterilization operations has certainly been of impressive proportions. One district has reported for two consecutive years the achievement of the target of 5 sterilization operations for one thousand persons in each year. Some other districts have done nearly half as well.

The number of centres where contraceptives and advice on their use are now available is over 9,000, including over 7,000 in rural areas. The off-take of diaphragms has gone up over 19 times, condoms about 125 times, jellies seven times and foam tablets 31 times since 1956.

All these developments bring into bold relief two very significant factors. One is that the people as a whole are inclined towards family planning and that where education, instructions and facilities are being provided, they are not only being availed of but are also being reflected in the moderation of the fertility rate. It follows, therefore, that this country, its people and its Government are entitled to take a positive view of the practicability of an organised nation-wide family planning programme and its vast potentialities. At the same time, it is necessary to realize that the scale on which the family planning effort has so far been carried out or is evidently being proposed to be carried out in the future may not be adequate in terms of the challenge posed.

As the World Bank report points out, of all the countries that have consciously attempted to control

Eastern Economist 20 Years Ago

FEBRUARY 4, 1944

The most disquieting feature of the economic conditions in our country is perhaps the progressive deterioration in the occupational distribution in the face of the great pressure of population on our economy in recent years. The net reproduction rate in our country cannot be properly calculated from existing data but the absolute growth in our population during the last inter-censal period has been at the enormous rate of about 5 million per annum. In the face of this terrific pressure of population, our economic system has failed to show sufficient growth of classification adopted in the earlier censuses; it has been estimated that the percentage of population dependent on agriculture has been steadily increasing from 61.1 in 1891 to 65.5 in 1901, 72.2 in 1911, 73.0 in 1921 and 75.0 in 1931. In an old, thickly populated country the scope for extension of the area of cultivation has been limited, food production has been unable to keep pace with growth of population, and the pressure on soil has been progressively increasing. Ours has been predominantly an agricultural country and the rate of growth of industries has been totally unable to check the "progressive ruralization" or lift the excessive pressure on land . ..... The experience of the last two decades has made it abundantly clear that the vicious circle of our rapidly deteriorating demographic and economic trend could be broken only by determined and concerted measures of heroic dimensions and "small means do not merely produce small effects; they produce no effects at all". The dimensions of the Bombay Plan have to be judged not by the insignificant efforts of programmes of a Government unused to thinking in a big way, but by the essential adequacies of our demographic-economic set-up.

increasing population, Japan is the only one that has done it on a scale even faintly comparable with what is required in India. The Deputy Chairman of the Planning Commission recently claimed in Patna that funds would not be a bottleneck. We are not so sure. It is true, of course, that a petty provision of Rs. 65 lakhs for family planning in the first Plan was stepped up to Rs. 5 crores in the second and has been raised further to Rs. 27 crores in the third Plan. It is also true that during the first three years of the third Plan the amount utilised has not added up even to Rs. 10 crores. In this sense, perhaps finance is not immediately a bottleneck. But it does not follow that the Government has in fact provided enough finance for an adequate family planning drive. The small financial provision, as a matter of fact, reflects the absence of "big thinking" on a positive population control policy. The point is that the large organisation needed for an adequate family planning effort should be conceived in sufficient dimensions and the financial provision should be matched with it. Only then can it be truthfully said that finance is not a bottleneck.

In the World Bank report there is the interesting observation that "it has been estimated that expenditure of up to Rs. 600 per prevented birth would be a cheaper way of attaining a given level of per capita consumption in India over the next two or three decades than comparable investment in activities needed to generate the extra income that would otherwise be required. On this basis, an annual average investment of Rs. 200 crores a year on measures to restrain the growth of population over the next 15 years could be justified if it resulted in reducing the rate of increase in population by one-third". We are today providing roughly some Rs. 2,000 crores a year for development expenditure. The amount of Rs. 200 crores a year for family planning which is mentioned in the above passage would amount to 10 per cent of our total development expenditure. Even if we cannot at once find funds on this scale for family planning programmes, we should at least make available, to start with, some Rs. 50 crores annually if our intentions of dealing with the population problem are to be taken seriously at all. A financial provision of that order would, of course, directly imply that the programme itself should be so drawn up and implemented that the utilisation of the funds would be at a rate and on the scale assumed in the provision.

Once the finance is provided, it will be necessary to think of the organisation that would employ the money effectively. Here we should give up thinking in terms of a few thousand field workers and start organizing in terms of some hundreds of thousands of field workers who, among themselves, could reach a significantly high percentage, say, about 60 per cent, of the adult population in the country over the next five years.

Then comes the question of the contraceptives and contraception techniques which are to be selected for mass propagation. At the present time, family planning propaganda and facilities are concentrated on chemical and mechanical contraceptives, with some marginal attention being given to voluntary sterilization. In our view this approach will have to be considerably revised. We publish elsewhere in this issue a review of a report on contraception techniques which was brought out last year by "Which?", a consumer research organisation in Britain. This study has made it clear that there is a wide choice in contraceptives and contraception techniques. Given the massive dimensions of our population problem, it is only reasonable that the family planning campaign should be a multi-pronged attack which would use every weapon and instrument in its armoury. At the same time, for concerted effort over a short period of time, a certain degree of selection has to be exercised.

We have no doubt that propaganda and facilities relating to chemical and mechanical contraceptives should continue on a large scale and schemes should be undertaken on a high priority basis for the large-scale manufacture of chemical and mechanical contraceptives in the country. There are currently many crash programmes for the expansion of production of essential or scarce commodities. A crash programme for the manufacture of chemical and mechanical contraceptives does seem entitled to such special attention. Secondly, a bolder and more positive approach than is presently prevailing should be adopted towards the popularisation of surgical sterilization. As we have mentioned earlier, sterilization has already found a certain measure of acceptance and this advantage should be vigorously pursued by the government family planning machinery as well as the voluntary organisations associated with it.

Unfortunately, there has been some confused thinking here and an attempt has been made to mix up questions of voluntary sterilization and State-regulated eugenics. We strongly protest against this muddled thinking. The question of selective human breeding does not at all enter the picture at this stage. What we have to deal with is a simple quantitative problem of population and our only concern ought to be to select and concentrate on all the practicable techniques which could reduce the overall fertility rate in the short period. We are sure that current official or officially-sponsored family planning schemes, where the popularisation of sterilization is concerned, are still unnecessarily feeble or apologetic. Between wholly voluntary sterilization and State-enforced compulsory sterilization, there is a wide area where positive propaganda and persuasion could play a legitimate role in influencing people and their attitudes. We strongly recommend that decisive advice in favour of sterilization should be given in all cases where there are already two children in the family

and it appears unlikely that the parents concerned would or could regularly accept the discipline of mechanical or chemical contraceptives.

Some token money grants are already being given to those who volunteer for sterilization. It should be possible to increase the amount offered. We would recommend a graduated scale beginning with, say, Rs. 200, where sterilization is undergone after the second child and proceeding with progressively smaller sums for larger families until a minimum of Rs. 50 is reached. Again, free sterilization operations are at present being performed only in government hospitals or other public or semi-public hospitals, apart from special hospitals run for the benefit of their employees by industrial or other establishments. It is worth considering whether private medical practitioners with the appropriate qualifications should not also be brought into the scheme so that individuals who go to them would be entitled to the incentives admissible. Under this arrangement the Government would of course bear the operating surgeon's fees. Here, it is interesting to recall that, long before surgical sterilization was given the publicity that has now become its, the operation was not by any means uncommon in, for instance, Bombay City where, in the late Forties, it was in fact known among mill workers as "the sixty-rupee operation", the "sixty rupees" being the fee usually charged by the surgeon. Perhaps this amount could now be adopted as the standard payment by the Government or local bodies for surgical sterilization operations carried out by private medical practitioners. Incidentally, some enlightened business houses have started the practice of giving special increments to staff who volunteer for surgical sterilization. This is an example which should certainly be emulated widely and here is a matter where industrial managements and trade unions should co-operate to the benefit of the workers.

The World Bank document to which we have referred earlier, had mentioned the impressive Japanese effort in population control. The legalisation of abortion has played a prominent role in that effort. In this country, however, there has been a certain squeamishness even in discussing this matter. We are unable to understand this. In almost every country in the world where abortion is illegal, a certain number of abortions, nevertheless, take place clandestinely. This is also the case in this country. Here, in the Capital, for instance, many family planning clinics do certainly undertake this operation on the sly and both the medical profession and authorities are winking at the practice. The disadvantage in this situation is that, where expert medical assistance is sought, it has to be paid a very high fee commensurate with the risk which the surgeon takes in violating the law. It appears that as much as Rs. 300 per surgical abortion is being demanded and paid in this country. This places an intolerable and entirely unnecessary financial burden on middle or lower middle class families which choose to seek this particular solution of their own individual population problems. Worse still, where abortion is illegal, the temptation to go to quacks and back-street practitioners is strong. The amateurish and unhygienic operations which are performed under such conditions constitute a grave hazard to life or health. Surely, there is no reason why in any civilized community a more rational attitude should not be adopted towards surgical abortion.

It is, of course, necessary to take steps to discourage abortion being adopted as a regular substitute for other methods of family planning. But where an unwanted pregnancy has occurred, it is desirable that the family planning agencies should render all assistance and facilities to the mother desiring its surgical termination. In such cases certain conditions could be insisted upon. For instance, abortion could be legalized where the mother already has two children living and where the mother or the father is prepared to undergo surgical sterilization. In such situations, the public health services or specially scheduled private medical practitioners should be authorised to perform surgical abortions, consistent with maximum protection to the mother's life and health, at a moderate fee which, in special circumstances, might be met fully or in part out of public funds provided for the family planning schemes. It must be realized here that in many countries, notably Britain, informed opinion is buildng up in favour of legalising abortion and a country such as ours, which has a colossal population problem to deal with, cannot afford not to consider this matter rationally.

Finally, we come to the highly interesting theme of oral contraceptives, more popularly known as "birth control pills". These pills have now definitely left the phase of experimentation behind and are being produced on a commercial scale and used by large communities in quite a few parts of the world. There are three questions which arise in connection with the pills: (a) whether they are effective; (b) whether they are safe; and (c) whether they are economical. On the first two points answers already obtained are quite reassuring. On the third, the situation is fast improving.

About the effectiveness of birth control pills no reasonable doubt exists now. According to authoritative medical opinion, based on large-scale statistical studies, the pills have been successful in reducing the chances of unwanted pregnancies to about one in one hundred. On one important question whether the pills are a health hazard, it was recently stated at a meeting in New York of the American Chemical Society that there is no evidence that the pills increase the chances of embolisms or blood clots or that they have any effect on blood pressure. Rather interestingly, several helpful advantages seem to have been experienced by regular users of the pills. For instance, marked reductions in the development of varicose veins

have been reported as also greater cyclic regularity attended, in the majority of cases, with reduction in discomfort or pain. A three-year study of several hundred women, it is claimed, has shown that the development of uterine cancer among those who use the pills regularly is only about one-third that of non-users. It is also reported that there is evidence that the pills may stimulate the activity of thyroid glands, an important regulator of metabolism. Finally — and this is a double-edged effect — the pills have "a pregnancy rebound effect", that is, if a woman discontinues using the pills she has twice as great a chance of becoming pregnant as a non-user.

We now come to the cost factor which is critical to the issue of popularisation of birth control pills through Government subsidy in a vast and poor country such as ours. Currently eight different compounds have been widely tested and are being made available to millions of people. Already growing competition among manufacturers and steady improvement in production methods have succeeded in lowering costs which now seem to range between Rs. 18 and Rs. 25 per month per user. So far as families with incomes of Rs. 500 or more per month are concerned, an expenditure of even up to Rs. 25 per month for the avoidance of unwanted children may not only not be regarded as an unreasonable imposition but could be reckoned as an exceedingly profitable investment, or, rather, insurance. This is for the simple reason that raising even one additional child would make a much deeper dent on family finances than Rs. 25 per month.

In the case of what may be described as "middle-middle" or "upper-middle" classes, it should be possible for the State to popularise oral contraceptives by subsidizing them for an initial period of, say two years in respect of each couple after which that family might be expected to buy them in the market in the normal way. Once the habit is established and its effectiveness is shown, such families may generally be expected not to give it up. In the case of lower-middle class families and the still poorer sections of the community, the Government should not hesitate to undertake a large-scale programme of subsidies. If the argument is accepted that this country could afford to spend up to Rs. 50 crores a year on family planning and, in fact, cannot afford to do less, a massive subsidization of oral contraceptives becomes a reasonable part of national population control policies and programmes. It is of course desirable that steps should be taken to organise the manufacture of oral contraceptives within the country and here we should take whatever assistance is available or can be made available by other countries, either through their governments or through their pharmaceutical industries and from the various international agencies, such as the World Health Organisation. The important point is that we should stop regarding oral contraceptives as still an experimental proposition and boldly accept the experience of other countries as a basis for our employing this aid to family planning as one of the main means of population control in this country.

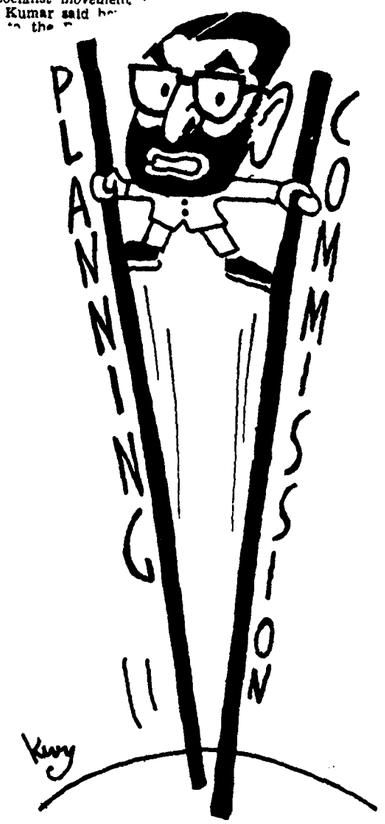
Finally, we cannot too strongly emphasize that it is just not enough if we have the conviction that the growth of population in this country should be drastically controlled. We ought to have the courage of our conviction as well and proceed to take all those measures which promise to be effective in achieving a substantial moderation of the fertility rate of our people. There is no room here for sentimentality. On the contrary, we should be savagely realistic. Population control, indeed, is an issue of life or death for the nation and no government or individual has the right to deny to the nation its right to survive.

Asoka Mehta accused of creating personality cult

PATNA, Jan 16 (PTI)—Mr Sisir Kumar, Joint Secretary of the All India Praja Socialist Party, today accused Mr Asoka Mehta of trying to build a new personality cult in the Socialist movement [illegible]

Mr Kumar said he [illegible] of "responsive cooperation with the Government.

"In view of the decision of the party (asking Mr Mehta for having [illegible]



Highlights of the Week

THE REPUBLIC

THE ANNIVERSARY of the Republic, more solemn than festive, induces the historical mood. Pageants and parades are, of course, a necessary reminder for the mass of the people who have either no access to history or cannot meaningfully recall the events that gave the State of today its political character; a reminder, too, that the obligation to the authority represented by the State has been the highest since the time of Aristotle and before is rooted in Man's innermost nature. The Government of the day gives reality and content to the concept, but the State itself can do no wrong. While the achievements of Government add to this stature of the State, it lies beyond indiscretion and misdemeanour. In that role, the parade and the pageant are indeed an attribute of sovereignty. That is the simple and truthful rationale for the "overheads" of government of which cavilling criticism speaks so often. For the same reason also, the occasion ought never to be misused by those in power who can only add but not take away from the State. The thought at once justifies and limits.

The historical mood must be used with caution for memory is not Man's most creative faculty. Of course, literature is in a sense the art of remembering and memoirs have a place in the literature of a nation. Mr. Sri Prakasa, for instance, usefully remembers that it was on the 26th day of this month in 1929 that the Indian National Congress pledged itself to Purna Swaraj. It is useful to return to history, re-learn and reflect on our origin and so refresh the mind, beset as it is with the confusion of practical affairs, so that we may be truer to our nature and our character. Thinkers in the United States thus often speak reverentially of the Founding Fathers and their intentions — a posture of the mind in which it becomes easier to resolve the conflicts and uncertainties of the present. Our own Republic Day is marked by the advent of the Constitution which we gave ourselves on this day in 1950 and by which we seek and consent to govern ourselves.

Without postulating a state of nature, it is easy to see that the monarchy was the first organized natural authority to emerge. Man's cupidity soon ended personal rule, which perhaps best accorded with the temperament and needs of civil society of the time. Either because a ruler lost touch with or defied the interests of his people or more venally, because of a failure of imagination, he soon encountered resistance to his authority. In some places, however, the hereditary monarchy even survived while kings over a period of time assented to and acquiesced in legitimate and just limits to their power until they eventually became no more than symbols. The Republic is, however, the more natural correlate of democracy which, as the President emphasized the other day, does not believe in the infallibility of an individual or a group. The Republic has its origin in less happy circumstance for assistance to authority in the name of a principle always throws up a plurality of representative leaders. For us in India, however, it is a happy thought that our republicanism was not marred by any hatred of monarchy but simply seemed to us to be the most natural form of political organization in our own times. It is thanks to Gandhiji that the day of our freedom as indeed the anniversaries of that occasion and of the Republic, are remarkably free from any hatred that so burden and narrow the mind. Mr. Rajagopalachari, one of our elder statesmen, rightly pointed out that the republicanism of the Congress did not suffer from any negative relationship and reflected the truly democratic character of the struggle for independence. There is no call to dramatize but for the first time after 1950, the Government of India ceased to be an ornate superstructure over a society to which it was quite unrelated. Within a short time the idea of civil government spread to remote villages creating a new sense of identity and belonging.

The fifteenth Republic Day was an occasion for mixed feelings. The Prime Minister, whose illness caused much anxiety, is now well and watched the parade, which he has done regularly for fifteen years now. The assassination of President Kennedy is still remembered in this country with shock and indignation at the "senselessness" of it all and admiration for the cause of liberalism which he so helped to enrich. Along with Mr. Khrushchev, he boldly helped to create a climate of international peace which is especially valuable to the underdeveloped world. The danger of further aggression on our northern borders appears to have receded, but the Chinese have intensified diplomatic manoeuvrings in the capitals of the world. There has arisen the periodical crisis in Indo-Pakistan relations. If Chinese misbehaviour revealed grave weakness in our defence, the "mid-term appraisal" showed up the faults in our planning which still has to justify and establish itself in this country. If the idea underlying the Republic is to be realized, life must become more meaningful in the villages which is where — let us remind ourselves — the bulk of Indians still live. What difference has the Republic made — on may well ask — to agriculture in this country?

One perhaps ought also to mention the Bhubaneshwar session of the Congress for in many ways it was a unique one. The leaders in this country have still to learn the simple art of relating pious intention to social action; folk wisdom suggests the ideal adjustment which consists in doing more and talking less. It was surely a most unconventional Republic Day message that came from the President: "...the tolerance of our society for weak, inefficient and unclean administration is not unlimited....We have barely made a beginning at transforming ourselves into a modern industrial society". Who is the accuser? And who the accused? We may not pause for an answer.

AIR's AGRICULTURAL EXTENSION WORK

AN INTERNATIONAL seminar was held last week in New Delhi under the auspices of FAO to discuss the techniques of broadcasting used for agricultural extension work. The seminar, which was paid for by the National Committee of the Australian Freedom for Hunger Campaign and the Oxford Committee for Famine Relief and was attended by delegates from the predominantly agrarian countries of the Far and Near East, helped, as Mr. Swaran Singh pointed out, to emphasize the common pre-occupation of the participants. They are all poor countries whose populations are excessive in relation to their unexploited resources and are dependent, for the most part, on the land for a living. Subsistence agriculture is the rule and physical productivity low. The diet of urban and rural people alike is starch-based and deficient in animal proteins, minerals and vitamins. Dietetic experts believe that these deficiencies lead to apathy and indifference in the mass of the people which are a primary cause of inefficient exploitation of natural resources. These people are underfed because they are poor which, in turn, makes them less efficient — the classic vicious circle. The countries, which grow food for the market, do so with the aid of highly developed fertilizer and agricultural engineering industries whose production is sufficiently large for their products to be inexpensive. Advanced agriculture is, to speak metaphorically, aided by an invisible infra-structure consisting variously of cash subsidies, cheap, if not free, education and research in agriculture.

The preparation of the farmer in developing countries for risk-taking, commercial agriculture need not, thanks to audio-visual aids such as the cinema and the radio, wait on the fruits of policies designed to spread literacy and education although the latter alone can furnish an abiding solution in

the long run. For India, the farm forum programmes of AIR, inaugurated 25 years ago and further expanded and strengthened under a UNESCO project in 1956, have sought to carry the light and findings of science from the laboratory to the farm. In 959, there were 8,000 rural forums in the country (to be increased to 25000 by 1966) in which farm broadcasts having a distinctive listener-bias are listened to by large groups of people. These broadcasts disseminate scientific information which cater for felt needs and include programmes intended to entertain and inform. The follow-up work is entrusted to extension staff (village-level workers in India) who watch the farmer, help him and refer his difficulties back to the extension and broadcasting centres. It is true that the success of AIR programmes has evoked international attention and that, from all accounts with which the delegates to the seminar were regaled, all the agencies on the spot associated with agriculture work in perfect co-ordination although they function under the control of a number of ministries of the State and Central Governments.

THE PEACE CORPS IN INDIA

MR. R. SARGENT Shriver, Director of the US Peace Corps, who was recently visiting India to discuss Peace Corps affairs with Planning Commission officials among others, declared that the number of volunteers in this country would be increased from 168 to 250. While their aggregate number was to be increased from 3800 to 7200 in the 46 countries where these volunteers were deployed, these would be used primarily to concentrate existing strengths rather than to extend the programme. At a Press Conference in the Capital, Mr. Shriver claimed that the volunteers were doing a fine job and that their morale was high.

We owe the Peace Corps to the liberal inspiration of the late President Kennedy who set up the service in March 1961 for the benefit of developing countries. Since December, 1961, when the programme was inaugurated, 193 persons have been here. Twenty-five of them completed their 21-month tenure last autumn before leaving and the remaining 168 are still here doing valuable work in such diverse fields as poultry-farming, animal husbandry, agricultural extension, nursing, teaching and physical education. These trained Americans have volunteered for a variety of social and educational tasks, go where they are needed, live and work with the common people whom they seek to help. Incidentally, they function as simple unofficial ambassadors of their country, uninhibited by diplomatic or consular discipline, both in their work and personal lives.

According to Mr. Shriver, the Peace Corps seeks (a) to provide qualified volunteers in developing countries so as to meet some of their needs for skilled man-power; (b) to create a better understanding of American people among the nations abroad; and (c) to provide a better understanding of other people to the Americans.

EAST AFRICA

FOLLOWING THE Zanzibar coup, disturbances broke out in Tanganyika, Kenya and Uganda where two thousand mutineers from the Army rioted for higher pay. The three new members of the Commonwealth promptly appealed to the British Government for help and Nairobi reports dated January 25 say that the riots had been put down. Both Mr. Kenyatta, Prime Minister of Kenya and Mr. Julius Nyerere, President of Tanganyika, broadcast to their respective nations during the emergency. Mr. Kenyatta refused to deal with the mutineers and President Nyerere declared that "no popular Government can tolerate an army which disobeyed instructions". On January 24, Sir Alec Douglas-Home said in a television interview in London that it "looked very likely" as though Communists were behind the disturbances in East Africa. Earlier, the American State Department was reported to have denied that Cuba nationals had had a hand in the Zanzibar incident. The Tanganyikan Government issued a statement on January 27 to say that there was no evidence to suggest that Communists had anything to do with the events, in the East African mainland, of the previous week. On January 26, Russia had warned that any "forcible acts" towards the new Zanzibar regime "by those who do not wish to abandon their former colonial privileges" (Britain clearly in this case) would be "full of dangerous consequences". These are the published facts about the East African situation in which developments have been rapid during the last week, but the highly personal accounts that continue to emanate from Dar-es-Salam, Nairobi, London and elsewhere often hopelessly contradict one another.

As was argued in an earlier issue, the events in East Africa, as indeed those in the entire African mainland itself over the last twelve months, can be explained in terms of the low standards of living of Africans and of their expectations heightened by the attainment of independence without invoking incitement by Russia or Cuba. For instance, Communist aid in Guinea and Ghana was not as well received as one might have expected. In some of these countries, Indian nationals, who are traders for the most part, have been involved in these incidents. Yet it would only be fair to acknowledge that President Nyerere insisted, even before his country became free, in the face of opposition from his followers that people of any race who chose to become Tanganyikan citizens should be free to do so. Only recently he ordered that discrimination in favour of Africans for civil service appointments in the country should cease.

On January 27, he called for an emergency meeting of the Organization for African Unity to discuss the grave danger created by Army revolts in East Africa. The Organization of African Unity was formed during the conference at Addis Ababa, in May last, of the heads of 34 independent African States. However, one cannot evade the truth that the Addis Ababa organization for African unity is still inhibited from any constructive action by a number of contradictory forces and pressures brought to bear on it.



LEFT OUT!

Fatigue and Industrial Efficiency—II

RAJA RAM JAIPURIA

(The first part of this article appeared in the issue of "Eastern Economist" dated January 24.)

UNNECESSARY FATIGUE, however, can be thought of as that decreased capacity for work which is caused by unfavourable conditions of work and can be greatly reduced. Over-exertion is one such that comes readily to mind but it is by no means the major condition. Others that are relevant to the reduction of fatigue are postures, inadequate ventilation, uncomfortable temperature, cramped working spaces, insufficient or glaring illumination and resulting eye strain, excessive noise and vibration, uncomfortable clothing and lack of sanitation and rest-rooms. In short we can say that there is a correlation between working conditions and fatigue. To make working conditions favourable, proper ventilation, normal temperature, adequate humidification, adequate lighting arrangements and a comparatively noiseless place of work are needed. Studies on time and motion have shown that, with economy of movement, achieved by eliminating unnecessary movements, fatigue can be reduced and efficiency increased.

It sometimes also happens that, because of boredom, monotony and lack of interest, fatigue sets in. Ordinarily, men like work and if they do not, it is more because the psychological and social conditions of work are unsatisfactory than because there is anything wrong with the workers. The fatigued worker first experiences loss of interest in his work followed by boredom. If he continues working, he experiences increasing annoyance and irritation and finds it impossible to carry on even with the greatest amount of effort. Production is adversely affected and the output reduced. That fatigue also predisposes the individual to illness or accident or neurosis has been shown by experiments.

Influencing Factors

One's working environment is an important aspect of one's vocational satisfaction. Admittedly fatigue results from work and so cannot be eliminated. But proper setting of pace as by a long-distance runner will enable one to maintain a good level of production throughout the day. Control of industrial fatigue can increase production, decrease waste of materials, reduce accidents and save days lost due to illness. Fatigue is caused by muscular work more specifically by contractions which are so rapid that certain chemical changes take place faster than their reverse action which can bring about recovery. Fatigue, therefore, is accumulated; the longer one works, the more fatigue products accumulate and the less energy is available. The theory sometimes advanced that fatigue will be relieved if one changes the activity is obviously false. If one is genuinely tired — not so much bored as cramped — nothing but rest will suffice for restoration.

Modern methods of production have lightened the burden of human toil, but have not reduced fatigue in the worker. In the competition of sensitive nerve and muscle with the insensitive, the former succumbs to the evergrowing demands of a mechanism that knows neither time nor tiredness. According to Mosso, "Machines are not made to lessen human fatigue as poets were wont to dream; the velocity of the flying wheels, the whirling of the hammers and the furious speed at which everything moves: these things tell us that time is an important factor in the progress of industry and that here in the factory the activity of the workers must conquer the forces of nature."

With the introduction of machinery and the specialization of labour, it has become possible considerably to increase the speed of the individual worker. Mechanical aids to increased speed are supplemented by piece-rate and other financial incentives which further urge on the worker. The increased tension under such conditions of work appears to offset the savings in muscular force made possible by the machine. Tension, speed, specialisation of work and rythm uncontrolled by the individual cause fatigue, characterised by "a decreased power to work, decrease in pleasure taken in work and decrease in the enjoyment of the hours spent away from work".

Social Consequences

With the objective effects of industrial fatigue, in the form of decreased production, increased spoilage of work etc., are combined certain less tangible but equally real adverse influences on individual and social affairs. An individual's entire emotional nature may change under the effects of continued fatigue. Things which were important tend to become trivial and trival things take on undue importance. The "cross" behaviour so commonly observed in the fatigued child is duplicated in the unreasonable attitudes and the changed behaviour-patterns of the adult under the influence of fatigue. "When a man is tired out, he not only broods darkly but he does not think clearly. He does things he would not do when rested. He is easily depressed. He readily imagines injustices. He cannot turn his mind from imaginary wrongs against himself to focus it upon the wrong in what he is doing. Worst of all, a tired man is as quick to anger as he is slow and stupid in thought... An angry man does without hesitation things which he would never do when he is in his right mind." Much labour unrest and hostile employee-employer relationship may be due to grievances, and injustices thus imagined. If employee-employer relationship is to be made more cordial the influence of fatigue should be reduced to the minimum.

A physically exhausted worker is incapable of performing adequately the functions of the head of the household. This applies not only to the manual worker, but is true of the "tired businessman", who fatigued by the demands of an over-charged daily programme becomes the proverbial unpleasant tyrant of the family circle. According to early investigators industrial fatigue affects not only the adjustment of the individual, but influences very directly the welfare of society at large. It is quite likely that factors other than fatigue, such as living conditions in industrial centres, are in large part responsible for many of the evils attributed to it by the crusaders against the long working day. At the same time industrial fatigue remains one of the most important problems in the scientific organization of work. Its elimination or prevention, its utilization as a source of knowledge of the factors involved in adaptation to work are among the fundamental questions for economic and industrial psychological enquiry in the industrial plant. The word fatigue, refers to three related phenomena already explained above: (1) An overt manifestation in the form of reduced output on the task, known as work decrement; (2) a physiological state involving changes in organic functions and the production of chemical products of fatigue; and (3) a feeling of fatigue or tiredness.

Recovery from fatigue is effected through rest. It is equally true that nature's own cure is sleep. The efficiency of industrial workers will greatly depend on the conditions

under which the worker obtains his nightly sleep. Fatigue is influenced not only by hours of work but by the opportunity provided for rest in the course of the work. Efficiency engineers in England and America have come to the conclusion that "in general more output can be achieved by applying oneself steadily for short periods, and then resting, than by applying oneself less steadily and having no rest periods." It is no wonder, therefore, that rest pauses have been universally accepted as an aid to increasing production and reducing fatigue by employers in industrialised countries in the West.

Many investigations on the effect of rest pauses have been conducted by industrial psychologists but such work has not even been attempted in this country. The investigators considered employees engaged in both heavy and light work as well as those paid wages by the hour and others paid under a wage-incentive plan. The work of Vernon and his associates in this field is outstanding. They found that rest pauses usually result in increased production though causing reduction in working time. Miles and Skillback discovered that "two 15-minutes change of work periods resulted in a 14.2 per cent efficiency increase."

Duration of Rest

The time required for work to reach its maximum will vary with the work, the environment and the individual worker. The time and the manner in which fatigue shows itself will be similarly conditioned. The introduction of pauses at proper intervals and of the right duration will enable a high level of efficiency to be maintained. The right intervals and the duration of the pause can be practically determined for different types of work and for different individuals. The investigations by Griffith, Kerr, Mayo and Topal can often be helpful in determining the proper time. On the basis of the replies to a questionnaire received from about 379 employees in an industrial concern, these investigators concluded that the workers experienced fatigue during the fourth and eighth hours of an eight-hour shift. The results were remarkably similar for the manual, office and supervisory employees covered by this study. Suitably distributed rests produced tremendous results by way of increased efficiency. This proposition has been admirably illustrated by a trench-digging competition cited by Muscio, Myers and others in which two squads of soldiers were put to a test as to which could dig a greater length of trench. The leader of one squad divided his men into three sections each of which was asked to work for five minutes at the top of its strength and was thereafter rested for ten minutes. There was thus only a third of the men working at a time. The leader of the second squad adopted no definite system at all but employed all his men on the work until they were tired out. As soon as they felt that they had sufficiently rested, they resumed work. The competition resulted in an easy win for the first group.

Improper spacing of pauses may actually decrease production without reducing fatigue. It is generally agreed, however, that rest periods should be brought in before serious fatigue sets in. Most outstanding, perhaps in the literature of rest-period experimentation, is the one carried out by Taylor in respect of pig-iron carriers, representative of the heaviest type of physical labour. This was found to be most efficiently performed when the men worked only 42 per cent of the time and rested for the remainder at frequent intervals. The result was that the output increased from 12.5 to 47.5 tons per man per day. Generally the more exacting the work, the longer should be the rest relatively to the duration of work. At the Bethlehem Steel Works in England, men employed in loading pig-iron into railway trucks reported that men should not be worked under the necessary load — 92 lb. — for more than 43 per cent of the working day of 9 hours i.e. for a total time of 3¾ hours. The men had been specially selected for the work and were kept working for periods of seven minutes and after each such period were required to rest for 10 minutes. They were trained to lift the pigs of iron most efficiently and in a variety of other details. This scheme of work brought about an increase of 300 per cent in output, a decrease of 66 per cent in costs and an increase of 60 per cent in wages. Above all, the worker who could only lift 12.5 tons per day previously was now able to lift without any increase of fatigue an average of 47.5 tons. The duration of the rest period should vary with the type of work, the possibilities of the work situation, the estimated time for recovering from fatigue. Too brief a pause may cause considerable loss of swing and incitement and only a slight recovery from fatigue. Too long a pause may be equally unfavourable. The rest pause should be long enough to restore the worker but should not so hinder continuity that warming up after the pause becomes necessary. There should be a balance between the time lost and the gain resulting from fatigue deduction. Each job should be studied empirically to arrive at optimum arrangement. Generally the location of the rest period should be at mid-morning and mid-afternoon. In individual cases, it can be determined only by a careful study of the working situation and the output curve. Rest pauses have, however, proved most beneficial when they are introduced at the point of maximization of output. These then act in a preventive rather than a curative capacity. It helps to retard the onset of factors that are detrimental to output and will help maintain working activity at a high level throughout working hours. The most beneficial duration of rest periods has varied from two to 15 minutes under different conditions and the number of rest periods during the day have varied from one to five or even more.

Mental Work

Many laboratory investigations have been carried out in the West to fix the optimal length of the rest pause. The earliest of these was concerned primarily with mental work. Graf discovered that in a 40-minute period of mental work two minutes' rest was found to be most beneficial and five minutes' was ideal when the duration of work was 80 minutes. We have an authority in Ambargo on the same subject. According to him a pause of five minutes had a salutary effect on productoin. He, however, contended that a pause of 15 minutes introduced half-way during a work-period of one hour had an adverse effect on production.

Any one concerned with such investigation should not become impatient with his findings because the beneficial effects of rest periods on fatigue, boredom or output are usually not observed immediately; in fact it may take months for the results to appear.

The type of rest is also of importance. Rest-pauses, availed of or given at random such as waiting for material or for some other uncontrolled reason, have been found likely to produce fatigue because of tension specially in the case of a piece-rate worker who cannot relax during a random pause because he does not know when he may start work again.

Herbert Moore has pointed out that rest pauses are necessary for the worker under the following conditions:

(1) when the work is repetitive and monotonous, or when it is such that intense concentration of attention is necessary;
(2) when the work is such that continuous sitting or standing is necessary;
(3) when workers are under constant severe physical strain;
(4) when workers are exposed to extreme heat or unfavourable ventilation conditions.

We can by experiment find a pause of such length that the efficiency of work before and after will be exactly equal. This has been termed as the "equilibrial pause". A pause of



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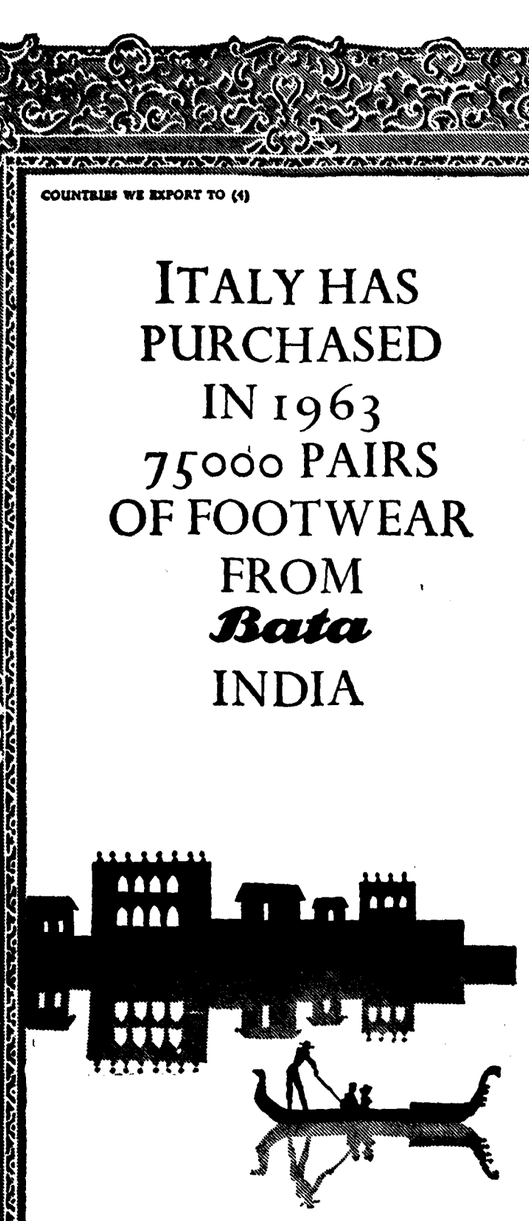
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such duration which gives greatest gain in efficiency can also be experimentally found. Such a pause is termed as "most favourable pause".

Many of the effects of the length and number of rest periods on long term production and trends were first studied in a systematic manner by the British during the World War I. The result of the investigations was that not only had the worker worked harder and faster when rest-pauses were introduced but he also took fewer single days off so that he was found actually working a higher proportion of the time.

Rest Pauses

We have now to study the problem of systematic, authorized or planned rest-periods as opposed to unauthorized and haphazard rest-pauses. It has been observed that, if rest periods are not provided, the workers take time off any way whether management approves or not. Practical conditions in a factory do not involve truly continuous work. Consequently in estimating the effects of rest periods under industrial conditions, it is a matter of comparing discontinuous with continuous work, work interrupted by rest at definite times of definite duration with work interrupted by unrecognized rests. The latter does little or no good to the worker or to his output or efficiency. Undoubtedly, many of the workers did need some rest but the trouble is that the schedule of unofficial pauses that the tired worker sets for himself may not be the most efficient. On the other hand it has been found that planned, systematic and authorized rest periods have tended to increase the rates of production. A worker who avails himself of an informal pause when the supervisor is not looking, actually experiences emotional tension and does not really relax but in cases of authorized pauses the worker tends to cut down his unauthorized breaks more than the actual time which he has given in the authorized periods. It has been, therefore, suggested to make the pauses official and authorized.

Intelligent Tasks

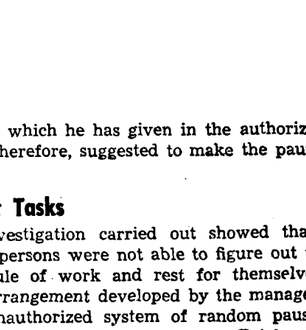
An investigation carried out showed that even highly intelligent persons were not able to figure out the most effective schedule of work and rest for themselves. Hence, a scientific arrangement developed by the management is better than an unauthorized system of random pauses. There is sufficient evidence to show that after official pauses are introduced, the unofficial ones tend to decrease. In one case clerks had been taking out about three minutes per hour unofficially but after the management introduced regular pauses, the unofficial time of rest dropped to 1.2 minutes but production jumped from 20 to 26 units.

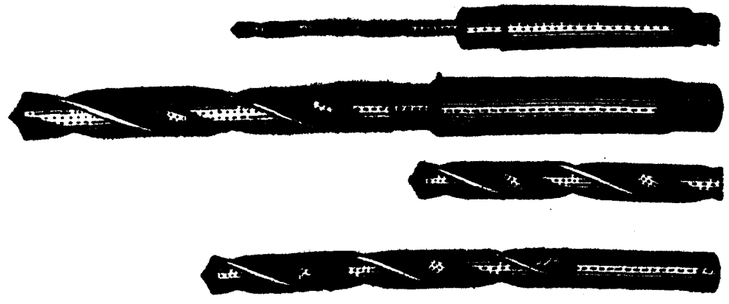
Rest periods can be effective only when a favourable atmosphere has been created for introducing them. The management needs to be convinced that the introduction of rest pauses will enhance the morale, improve the condition of the worker and even increase output. It should be introduced only after arrangements have been made for utilising the rest period in the manner which would be satisfactory to all concerned.

Only one of the many factors which affect efficiency of workers has been discussed in this paper. Fatigue is no doubt a great impediment and it must be reduced if not eliminated. There are many questions still left unanswered about the efficiency of workers. A concerted effort to raise the efficiency of the worker should be the ultimate goal. "A car will not run without gasoline, but neither will it run very well if the springs are broken. The whole car needs to be kept in good shape."

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WINDOW ON THE WORLD

A Budget of 'Economy & Progress'

WASHINGTON:

The following are excerpts from President Johnson's budget message to Congress:

This is the budget of the United States Government for 1965....I am satisfied that the budget which I am sending to the Congress will advance our nation toward greater national security, a stronger economy, and realization of the American dream of individual security and equal opportunity for all of our people.

In formulating my budget, I have been guided by two principles: I have been guided by the principle that spending by the Federal Government, in and of itself, is neither bad nor good. It can be bad when it involves overstaffing of government agencies, or needless duplication of functions, or poor management, or public services which cost more than they are worth, or the intrusion of government into areas where it does not belong. It can be good when it is put to work efficiently in the interests of our national strength, economic progress, and human compassion.

I have been guided by the principle that an austere budget need not be and should not be a standstill budget. When budgetary restraint leads the government to turn its back on new needs and new problems, economy becomes but another word for stagnation. But when vigorous pruning of old programmes and procedures releases the funds to meet new challenges and opportunities, economy becomes the companion of progress.

This is, I believe, a budget of economy and progress. On the one hand, it calls for a reduction from the preceding year in total administrative budget expenditures—and it is only the second budget in nine years to do so. It calls for a substantial reduction in total civilian employment in the executive branch — and it is the first budget to do so since the practice of totalling the employment estimates in the budget was initiated in January 1956. It cuts the deficit in half, and carries us a giant step forward in the achievement of a balanced budget in a full-employment, full-prosperity economy.

Safeguarding the Peace

On the other hand, this budget safeguards the peace by providing for the further strengthening of the most formidable defence establishment the world has ever known; it recommends continued military assistance to those nations menaced by Communist aggression, direct and indirect; it includes economic assistance to those nations which are willing to take the steps necessary to guard their freedom and independence through economic self-help; it provides the funds necessary to advance our mastery of space toward the achievement of a manned lunar landing in this decade; it provides for the sound management and development of our natural and agricultural resources and in its recommendations relating to education, housing, manpower training, health, and employment opportunities for youth, it provides more funds than ever before in our history for the fuller development of our nation's most important resource — its people. Moreover, this budget makes provision for the initiation of a new and major effort to break the vicious circle of chronic poverty which denies to millions of our fellow citizens a just participation in the benefits of life in our country.

I will shortly send to the Congress a special message conveying my recommendations for the attack on poverty. The urgent and necessary programme increases recommended in this budget will be financed out of the savings made possible by strict economy measures and by an exhaustive screening of existing programmes. My proposals call for administrative budget expenditures in 1965 of $97.9 billion — $900 million less than was requested in the 1964 budget and $500 million less than I now estimate will be spent in 1964....

Administrative budget receipts are expected to increase in 1965 to $93.0 billion, $4.6 billion over 1964. This increase, reflecting the expectation of a strongly growing economy spurred by prompt enactment of the tax programme, takes into account the estimated revenue losses from the new tax rates.

The resulting administrative budget deficit of $4.9 billion for 1965 is $5.1 billion below the deficit now estimated for the current year and marks an important first step toward a balanced budget.

I believe — as did President Kennedy — that the primary impetus needed to move our economy ahead should come, in present circumstances, from an expansion of the private sector rather than the public sector. Therefore, the earliest possible enactment of the tax reduction bill now before the Congress is an integral and vital part of my budgetary proposals.

Our country is currently in its fourth post-war period of economic expansion — a period which started in February 1961, and has now lasted nearly 3 years.

Preliminary estimates indicate that the nation's total output of goods and services — our gross national product — rose to $585 billion in calendar year 1963, an increase of 5.4 per cent over 1962.

Over the same period, personal income rose 4.7 per cent, industrial production 5.1 per cent, and corporate profits 10.5 per cent.

Price stability has been maintained for the sixth consecutive year.

This is a record of strong expansion — and yet the expansion has not been strong enough to absorb the margin of idle workers and idle plant capacity which continues to tarnish our economy's performance.

Almost three years after the trough of the last recession, and despite the creation of 2½ million new jobs in our economy, the unemployment rate now stands at 5½ per cent. Our factories continue to produce below their optimum rate.

As a nation we are producing at a rate at least $30 billion below our comfortable capacity. This is a gap for which we are paying high price in idle resources, both human and physical.

This gap must be closed. It must be closed — as President Kennedy urged a year ago — by loosening "the checkrein of taxes on private expending and productive incentives." It must be closed promptly, for the unemployed have already waited too long for jobs which can be created simply by allowing our people to spend and invest a greater part of the money they earn...

Economic Expansion

With prompt enactment of the tax programme, economic expansion in 1964 should proceed briskly. Reflecting the effects of the first stage of the tax reduction, the gross national product in calendar year 1964 should rise to about $623 billion, plus or minus $5 billion. This is substantially higher than the GNP which could be expected in the absence of prompt enactment of the tax legislation. In fact, since expectations of a tax reduction have been incorporated into the forward planning of many business firms, the effect on the economy of failure to pass the legislation swiftly might be deeply disturbing.

As the tax reduction takes full effect, its stimulus to private consumption and investment will shrink the $30 billion gap between the nation's actual and potential output, and provide approximately 2 million additional jobs for the unemployed and the new workers entering the labour force. As economic activity expands, and personal and business incomes increase, Federal revenues will also rise. The higher revenues, combined with continuing pressure for economic efficiency in Federal expenditure programmes, should hasten the achievement of a balanced budget in an economy of a full prosperity....

Between 1955 and 1965, our population will grow by almost 30 million people, about 17 per cent, with largest increases in the very young and the very old age groups....

We will continue to experience rapid population growth while we ask to improve the rate of economic growth, and over the long run this will put upward pressure on government expenditures for civilian purposes. Nevertheless, wherever and whenever possible, we should try to reduce costs, curtail less urgent activities, and find other savings to permit essential new or growing services to be financed at the least cost to the tax payer. That has been the policy in this budget. Essential services have been provided while administrative budget expenditures decline by over one-half billion dollars between the fiscal years 1964 and 1965.

In this budget I have provided over $1 billion in new obligational authority to begin an all-out attack on the problem of poverty in the United States. In a nation as rich and productive as ours we cannot tolerate a situation in which millions of Americans do not have the education, health, and job opportunities for a decent and respected place as productive citizens. The vicious circle of poverty—in which one generation's poverty, ignorance, and disease breed the same problems for the next—must be broken. I shall shortly transmit the Congress legislation initiating this attack and authorizing, in 1965, $500 million of new obligational authority specifically for this purpose.....

National Defence

To preserve freedom and protect our vital national interests in these recent years of uneasy peace, this nation has invested heavily in the improvement of its defence. We have chosen not to concede our opponents supremacy in any type of potential conflict, be it nuclear war, conventional warfare, or guerrilla conflict. During the past 3 years, we have achieved notable increases in military readiness, including a 100 per cent increase in the number of nuclear weapons available in the strategic alert forces; a 60 per cent increase in the tactical nuclear forces deployed in Western Europe; a 45 per cent increase in the number of combat-ready army divisions; a 35 per cent increase in the number of tactical fighter squadrons; and a 75 per cent increase in airlift capability to improve mobility.

National defence expenditures will remain high. These payments, estimated at $55.2 billion (54.0 billion in the administrative budget) in 1965, will provide for all essential military purposes, including substantial improvements in our present and planned military capabilities. For example, the 1965 budget provides for additional Minuteman missiles, further improvements in our air, land, and sea tactical forces, procurement of additional airlift aircraft, and continued research and development to ensure our ability to counter new threats..... Although, we continue to seek a relaxation of tensions, we cannot relax our guard. While the nuclear test ban treaty is a hopeful sign, neither that treaty nor other developments to date have, by themselves, reduced our defence requirements. We will continue underground nuclear testing, maintain our above ground test facilities in ready condition, maintain strong weapons laboratories, and continue the development of detection devices. However, because of the nuclear strength we have achieved, it will be possible to cut production of enriched uranium by 25% and to shut down four plutonium piles...Our inventories of strategic and critical materials are being reviewed to assure that they are necessary for current civil and military defence requirements.....

International Affairs

The less-developed nations are engaged in a critical struggle for political independence and economic betterment. Through our programmes of foreign assistance, we provide aid to these free peoples and thereby advance our own vital interests. It is essential that we continue, with a small portion of our great resources and technical knowledge, to promote in the emerging nations hope and orderly progress, replacing misery, hostility, and violence..... The 1965 request reflects the success we have had in reducing the dependence of some nations upon the low-cost foreign aid loans made by the Agency for International Development; by 1965 a number of countries will have turned to other sources and types of loans more consistent with their increasing economic strength. ....

Our partners in the Alliance for Progress will continue to receive our most determined support and generous cooperation. Recent improvements in the organization of the Alliance should permit an acceleration of this programme

U.S. BUDGET AT A GLANCE

For the 1965 fiscal year (beginning July 1, 1964 and ending June 30, 1965) President Johnson is proposing, for regular government programmes financed out of treasury revenues, $97,900 million — to pay bills, contracts, and other obligations as they become due. (This figure, $500 million less than that of last year, is called "administrative budget expenditures.")

From Trust Fund transactions and other special programmes having their own sources of revenue (such as the Highway Trust Fund and the Social Security System), his programme would result in projected fiscal year 1965 outlays of $29,400 million.

Adding those two figures together (and subtracting $4,600 million that would otherwise be counted twice) shows that Mr. Johnson is proposing total government outlays of: $122,700 million — for all Federal Government programme ("total cash payments to the public"). This figure is the same as that for the fiscal year 1964.

Of the $122,700 million, 44 per cent would be for national defence; 2 per cent for conduct of international relations; 24 per cent would be for Social Security payments and other Trust Fund transactions; 7 per cent would be for interest charges on Federal Government debt; 4 per cent would be for space research; 4 per cent would be for agricultural programmes; 4 per cent would be for veterans' benefits; 11 per cent would be for other programmes, including natural resources, commerce, transportation, housing, community development, health, labour, Federal aid for education and general government.

Of the money needed to finance these payments, 40 per cent would come from individual income taxes; 21 per cent would come from corporation income taxes; 14 per cent would be employment taxes paid into Trust Funds that finance workers' benefits; 23 per cent would come from other taxes; 2 per cent would be borrowed from the public.

The estimated administrative budget deficit for 1965 is $4,900 million, compared to a deficit of $10,000 million in fiscal 1964.

The proposed 1965 budget is the first in nine years to reduce administrative budget spending below the previous year's total, and the first in at least eight years to call for a reduction in civilian government employment.

and foster for greater hemispheric unity. I am therefore proposing an expanded bilateral programme for the Alliance in 1965. ....

Space Research

Our plan to place a man on the moon in this decade remains unchanged. It is an ambitious and important goal. In addition to providing great scientific benefits, it will demonstrate that our capabality of space is second to no other nation's. However, it is clear that no matter how brilliant our scientists and engineers, how far-sighted planners and managers, or how frugal our administrators and contracting personnel, we cannot reach this goal without sufficient funds. There is no second-class ticket to space. Appropriations enacted for 1964 for the National Aeronautics and Space Administration were $600 million below the amount requested. As a result, major development programmes leading to the manned lunar landing have fallen behind schedule.

For 1965, I am requesting appropriations of $5.3 billion, $63 million above the 1964 amount, including the proposed supplemental appropriation. The 1964 and 1965 recommendations represent the minimum amount needed to achieve our goals in space..... In addition to the manned space flight programme, though related to it, funds are included to support unmanned space flights for lunar exploration and supporting research and development. Funds are also included for scientific satellites, planetary probes, and experiments with meteorological and communications satellites.....

The recent improvement in the U.S. balance of international payments represents progress toward eliminating our persistent payments deficit.

Preliminary estimates indicate that the gross balance of payments deficit in the second half of calendar year 1963 was roughly one-third that of the first half. For the year as a whole, these estimates show the deficit to be the lowest since 1957.

Three factors in particular have contributed to the improvement during the past year: the continued price stability of U.S. products, a proposed interest-equalization tax on foreign securities which would be effective as of July 1963, and an increase in short-term interest rates. Anticipation of the proposed tax, which is intended only as a temporary measure, has already had a favourable effect.

Balance of Payments

During the past one and a half years, all Federal Government activities affecting the balance of payments have been under continuing scrutiny for the purpose of finding savings —large and small—which can be made in payments abroad. In some cases, purchases or activities formerly conducted overseas have been restricted to the United States. In others, they have been eliminated. Over 80 per cent of the current obligations by the Agency for International Development for loans and grants to developing countries now must be spent for goods and services produced in the United States. In addition, defence offset agreements with certain of our European allies, the prepayment of funds previously loaned to foreign governments, and the sale of special non-marketable, medium-term treasury bonds to foreign central banks have been particularly helpful to our balance of payments.

As a result of the reviews and actions undertaken, the net annual outflow from Federal Government programme—payments less regular receipts—is estimated to drop by $800 million between 1963 and 1965.....

E.C.M. Development Aid

From Our Special Correspondent

PARIS

THE JEANNENEY report, of which a preview was given on this page earlier this month, was published in Paris on Jan. 14 under the title "The Policy of Co-operation with Developing Countries". Although its main lines were known in advance, its appearance is worth noting on several scores. First, the fact that it is immediately made public by the French Government shows that, if it has not entirely adopted the conclusions of this independent commission, it at least finds nothing in them contrary to its policy. This is significant because, for reasons of international political strategy, the question of Western aid for development is expected to be made a major issue by General de Gaulle in the course of this year; the first signs of that may be forthcoming in his Jan. 31 Press conference. He has several motives for placing emphasis on this question. Certain conflicts of interest between the USA and the Common Market (for example, over the disposal of food surpluses) could, it is hoped, be resolved by setting disagreements between these industrialised nations in the wider context of their common responsibilities to developing countries. Moreover, the Common Market could not easily assert its "individual personality", i.e. its independence of American policy, in the matter of development aid, where US action is bound by dogmas to which most Europeans do not subscribe (for example, aid to socialist regimes in backward economies). The Jeanneney report, then, in so far as it reflects official thought in Paris, could foreshadow the direction in which de Gaulle will seek to inflect Western action generally, and specifically that of the Common Market Six.

Second, and taking the document on its intrinsic merits before seeing what effect it has on Western policy, it ranks as one of the most thorough examinations of the aid problem so far undertaken. The commission was required to answer three questions, which are primarily of interest to the French Government: what are the reasons for a French policy of co-operation with developing nations?; how much can France devote to that purpose without compromising her own development?; and finally, to what countries and by what channels should French aid be directed? In answering them, the commission has, however, largely and correctly exceeded these national terms of reference, to offer a comprehensive study of the problems of under-development, the role of foreign aid of whatever source and nature in resolving those problems, and lastly the connections between French assistance and that of all Western nations. In other words, to the French Government's question "What should we do?" it is answered: "That cannot be separated from the wider question of relations between the developed and under-developed worlds generally".

Hence the interest of the technical reports attached to the commission's own document, reproducing the opinions of the experts it consulted on such matters as rural development and economic growth, big firms and little nations, the capital needs of all developing countries, the geography of underdevelopment, and monetary areas like the franc zone. Written by specialists like the agronomist Dumont and the economist Francois Perroux, these studies make the commission's report a veritable encyclopedia of the development question. Perhaps these studies will concern mostly other specialists, so it is useful—that he who runs may read—that Professor Jeanneney should have given the outlines of this commission's conclusions at a Press conference on the occasion of the official publication.

His principal recommendation to the Government, he indicated, was that the present proportion between development aid and the nation's gross national product should be maintained. This proportion is variously calculated at 1.5 or 2.41 per cent but it is in any event the highest of any industrialised nation. To maintain it would assure, given the annual growth of the French national product, an absolute increase of about 5 per cent a year in the sums distributed as development aid, which would attain Rs. 580 crores by 1965 and Rs. 750 crores by 1970. There would be a doubling of aid allocations between 1963 and 1975, granted that French expansion was as planned in that period. This seems a sufficiently generous effort to Professor Jeanneney, in relation to what the country's industrial rivals are doing; to increase the percentage of the nation's wealth allocated to aid would require a heavier tax burden and thus further disadvantage in the industrial competition inside the West.

Effective Aid

French aid, on the contrary, could be made much more effective without increasing in proportion to the national product. In recent years, 95 per cent of State aid and 85 per cent of bilateral assistance has gone to countries in the franc zone, and almost half of that (45 per cent) has gone to Algeria (which includes the Sahara). This concentration on a limited list of beneficiaries seems excessive to the commission, which recommends that assistance be more widely distributed, though Africa would continue to enjoy a certain preference. Such a wider scatter of assistance would no doubt fit in with General de Gaulle's notions of an extension of French interest and influence beyond the bounds of the former African empire, but that is not the reason the commission has for suggesting it. Rather, it points out that part of the money spent in territories that were till recently colonies is not really development aid at all but expresses perpetuation of relations of dependence and domination after attainment of political sovereignty.

That is why a new geographical distribution of aid implies new methods of assistance, for a European nation does not help China or India in the same way as it helps Dahomey or Tunisia. The commission goes into great detail about the types of aid, the choice of projects, the various priorities in different development situations and so on, everywhere suggesting that a modernisation (a "decolonisation") of development assistance could produce, at the same cost, better results both for the donor and the beneficiary. The general principle should be, it urges, that where France is acting alone the stress should be on light projects and the provision of intellectual assistance (the training of administrators, rural betterment, the revival of handicrafts, etc.); but once major, heavy projects are in view, Western aid should come from a pool, formed by the industrialised nations and in the first place by the Common Market Six. On this point, then, the commission foreshadows a French proposal in favour of a single development aid policy for the Common Market.

Thus when it speaks of the advantages, in many circumstances, of multilateral over bilateral aid, it is thinking less of the global organisations (World Bank, and the like) than of the existing institutions of the Six. Here again, one recognises a line of thought that would be endorsed, though for more political motives, by the Gaullists. "To promote collective (as against bilateral) assistance", said Professor Jeanneney, "we could increase the resources and widen the geographical scope of the Common Market's institutions. At present, the European Investment Bank operates only inside the Common Market, while the European Development Fund is concerned only with the former colonies of members. Just as the Common Market is required by the Rome Treaty to have a single commercial policy vis-a-vis the rest of the world, so it should have a common development aid policy". He evidently considers that this can be attained by empowering the above-mentioned European Bank and Fund to lend outside the Common Market and its former dependent territories.

Cumbersome Procedures

This is a suggestion that will get careful attention not only in the Continental capitals but in those of developing nations, for it obviously carries with it at least a faint suggestion of the familiar Gaullist criticism of global organisations in which the USA dominates, and the equally familiar preference for an independent European venture. Professor Jeanneney indirectly criticised the Washington-based institutions when he said, "Multilateral aid passing via international organisations better respects the susceptibilities of the assisted nations, as well as making spoliation by them more difficult, but existing procedures are cumbersome and sometimes inefficacious. The narrower and less rigid European framework would often be preferable to the global framework. That is why the commission recommends an extension of multilateral aid by way of an improvement of European mechanisms". This is the first time that it is authoritatively claimed that the Six could make a better fist of development aid than US-dominated bodies, and could just as well escape the charge of neo-colonialism.

To support that latter point, the professor stressed the political aspect of development aid just where French attitudes differ most from American: "It is a matter of coming to the help of poor nations for reasons of human solidarity while respecting their sovereign choice. It is not a matter of carrying on a crusade in favour of one sort of economic system. Our aid should be maintained in countries that choose socialist structures and could be extended to those that already are socialist...French aid should aim at reinforcing economic independence in the countries assisted, by promoting whatever political and social structures fit in best with their exact possibilities". These European and political parts of the report may be further developed in the months to come.

The Battle for the Middle of the Road

JOSSLEYN HENNESSY

LONDON:

WEEK BY WEEK political commentators emphasise, with an air of surprise, that the differences between Conservative and Labour policies are being narrowed as both parties hotly pursue the middle vote or the uncommitted or loosely committed vote, so that, as the "Times" said, neither Sir Alec nor Mr. Wilson can go for a bath without losing a garment or two. It may throw some light on the present and future of contemporary British politics to recall the circumstances of, and the sequel to, the allusion here made, which is, of course to Benjamin Disraeli's speech in the Commons in 1845, when he said of the Premier, Sir Robert Peel, "The right honourable gentleman caught the Whigs bathing and walked away with their clothes".

Peel's premiership witnessed the agitation of the Chartists for political and social reforms and the controversy over the abolition of the laws which kept up the price of corn. Although steadfastly anti-radical, Peel saw that the Conservatives would be driven into the wildnerness if they opposed social reform, especially if they tried to maintain high prices for the corn grown by Conservative land owners. The reason why everybody is familiar with the names of the great historic families of England — the Cecils, Churchills, Douglas Homes and others — and why the historic families of France — like the Gontaut-Birons — are unknown, is that whereas the old French aristocracy clung to their privileges, and shirked the

responsibilities of public life, until Revolution swept them into obscurity, the British ruling class has kept its position by its readiness at all times to admit able new men to its ranks — today, for example, such influential Conservative figures as Reginald Maudling, Iain Macleod, and Enoch Powell are meritocrats — and by its readiness to withdraw from untenable positions rather than be driven out of them. Thus the Tory Peel stole the Whigs' clothes by administrative reforms and by abolishing the Corn Laws.

Political Realism

But the Tories have no monopoly of political realism. For all his fieryiness against the House of Lords, the radical Whig Lloyd George was glad to end up in it, and Clem Attlee is there today. In the short run, British politics look like a mad battle between irreconcilables. In the longer historical run, they emerge as a pendulum swinging into a middle course.

In these pre-election months, Conservatives and Labour are competing in promises to spend more public money on health, education, pensions, houses, roads, ports and so on. It would seem, therefore, that they are as alike as Tweedledum and Tweedledee. In what ways, then, do they differ?

The aim of the Conservatives, who fear that the electors may be bored with twelve years of their government and ready for not too drastic change, is to show that they can plan an economy as well as, or more probably (as they would argue) better than, inexperienced Socialists. The aim of Labour, who fear that the electors may think them too doctrinaire, too keen on controls, and on the nationalisation, which has proved so frustrating to the workers and so inefficient in nearly all spheres, is to persuade the voters that Labour can be progressive without being doctrinaire.

In foreign affairs, Mr. Wilson would put an arms embargo on South Africa at once. This would, in fact, only carry Tory policy to its logical conclusion with an added flourish. Then the Tories believe in the UK's continued possession of the nuclear deterrent. Labour's middle-of-the-way retort to this is that while they will not add to the UK's nuclear amoury, they will retain its present contents, and they will seek to share political control of the West's nuclear deterrent rather than uphold the UK's claim to independent bombs of her own.

In the economic sphere, Mr. Wilson would abolish the National Incomes Commission, but this would not indicate that he would not hope to achieve the unpopular Nicky's aims by other means. Mr. Wilson is as convinced as Mr. Maudling of the imperative need to keep wage increases in line with productivity. He must hope against hope that, in order to keep Labour in office, the unions will agree to moderate their demands, providing the profits are also kept in line by agreement or by taxation. This is the biggest, and as yet wholly unanswered, conundrum facing both parties.

Biggest Headache

As in every other Western country, farmers remain the politicians' biggest headache. Somehow or other a way must be found to set a limit to the national burden of maintaining farmers in that state of comfort to which their strategically distributed voting rights entitle them. Both Tories and Labour see a solution in the restriction of temperate zone agricultural imports. Labour, however, rejects the Conservative scheme for import levies, which they denounce as preparations for another attempt to get the UK into the EEC, and as a tax on food. Labour would create commodity commissions to fix import levels, and they hope to get low Commonwealth prices in return for long-term agreements. (It is an ironic swing of the pendulum that whereas the Tories stole the Whigs' clothes by abolishing import duties on corn in 1945, today both parties are seeking to dish each other by restoring them!) It seems to me that if the EEC, the USA, and the Commonwealth, are all going to create artificial high prices for their farmers, we shall see world agricultural over-production on a scale that would bankrupt the most affluent nations. Perhaps this possibility will force abolition of the world's Corn Laws in favour of the counter-cyclical lending, and international insurance funds, envisaged in the United Nations publication "International Compensation for Fluctuations in Commodity Trade" (New York. March 1961).

What the middle range of uncommitted voters will make of all this middle of the road "me-too-ism" remains to be seen. (I am frivolously reminded of the two drunks who were standing outside the front door of a house on which a brass plate said "Knock and ring". After studying this, the first drunk said to the second. "Don't let's do either. Let's keep them waiting").

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LISTENING POSTS

Planners at Play

By Our Special Correspondent

NEW DELHI:

IT WAS claimed by Falstaff for Falstaff that he was not only witty in himself but the cause that wit was in other men. Of the new Deputy Chairman of the Planning Commission, it could be said, perhaps, that not only is Mr. Asoka Mehta brimful of bright ideas, but he also seems to be the cause that there is so much scintillating cerebration among his colleagues. A meeting of the Planning Commission held last Saturday, for instance, was reportedly seething with intellectual adventurism of a very impressive kind. Mr. Pitambar Pant, for instance, seems to have come out with the suggestion that this country should plan for consumption of fertilizers of the order of six million tons of nitrogen by the year 1975-76. Once we decide to indulge in tall talk there is, of course, no reason why we should be prevented from getting up on the Qutab and shouting.

It may not be proper perhaps to blame Mr. Pitambar Pant too much. After all, as years go, he is a young man and his elders in the Planning Commission, I am afraid, are not setting any too good an example. Take, for instance, Dr. V. K. R. V. Rao. It would be no exaggeration to say that he is forgetting his economics as fast as he is learning his politics and now that Bhubaneswar has let go a war-cry for democratic socialism, what else can Dr. Rao do but go one better and say that we must have socialism, democracy or no democracy. At the meeting to which I referred, this economist-member of the Planning Commission is reported to have argued that disparities in income and wealth are bound to increase as economic development takes place unless measures are deliberately taken to redistribute income. Pursuing this line of thought, he seems to have offered the rather original suggestion that it should be the policy of the State to take away the wealth and incomes of the top tenth of the population and distribute them among the bottom tenth. I had said a little while ago that Dr. Rao seemed to be educating himself in politics at the expense of his past learning in economics. Perhaps it is also true that he never had much use for arithmetic and is not going to begin having any at this time of his life. A simple calculation will show that if money is taken away from the top tenth to be given to the bottom tenth, all that would happen is that a tenth of the population would be changing places with the disparities themselves remaining as before. It is possible that Dr. Rao could find some peculiar satisfaction in this re-arrangement, but to less gifted minds the only merit of his suggestion would be that it is an obviously disinterested one, since Dr. Rao, I know, does not belong to the bottom tenth, nor does he belong, I presume, to the top tenth.

**

According to an official spokesman, the next meeting of the Aid-India Consortium will be held in Paris on March 17 and 18, instead of on March 10 and 11 as reported earlier. The Union Ministry of Finance, it is understood, is anxious that at least 50 per cent of the aid that may be committed by the Consortium for the fourth year of the current Plan should be in untied form. This is considered necessary in view of the greater flexibility or pragmatism that is proposed to be imparted to the industrial policy of the country in the interest of stepping up production during the next two years.

Official sources have indicated that India will be presenting to the forthcoming meeting of the Consortium a detailed picture of the next year's foreign exchange requirements and rough estimates for the subsequent two or three years. The development plans of the next two years are proposed to be phased in such a way that the fourth Plan may start with the different sectors of the economy reasonably balanced.

No commitments are expected to be made by the members of the Consortium at the Paris meeting; these will follow later. At the Paris meeting, only discussions will take place on India's foreign exchange requirements. The exact demands that are to be made on the Consortium are being finalised.

**

The Union Government's decision on increase in coal prices is likely to be announced in about two weeks' time. The Swaminathan Committee, which went into this question last year, is believed to have refrained from making any clear cut recommendation on the quantum of increase that should be allowed in coal prices, presumably in view of the opposition this proposal encountered from the Ministries of Railways, Steel and Industry, when it was mooted early last year by the then Minister for Mines and Fuel, Mr. K. D. Malaviya. The Committee is understood to have confined itself to explaining the adverse consequences that would follow if an increase in coal prices is not sanctioned.

The decision on how much increase in prices should be allowed and for which grades of coal, is likely to be finalised after the Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, holds discussions next week with representatives of the three organisations of coal interests—the Indian Mining Association, the Indian Colliery - owners' Associafion and the Indian Mining Federation.

**

A twelve-member team, consisting of Government officials and technical experts from both the public and private sector steel plants in India, is expected to visit Japan during the latter half of next month for a three-week tour of that country. The team will be led by Mr. N. N. Wanchoo, Secretary, Department of Iron and Steel in the Union Ministry of Steel, Mines and Heavy Engineering.

Special interest is attached to this team's visit to Japan at the present juncture in view of the fact that India's fourth Plan steel expansion programme is now due for finalisation. The team will study the cost structure and operation of the Japanese steel industry which during the fifties has registered a phenomenal progress. It is felt that India can profitably draw upon this experience.

During his stay in Japan, Mr. Wanchoo is also likely to hold talks with the Japanese steel manufacturers who have shown interest in assisting us in the establishment of the Bokaro steel plant. Japan is also helping this country in putting up an alloy and special steels plant at Durgapur. Problems relating to this public sector unit are likely to figure prominently in the discussions Mr. Wanchoo will have in Japan.

**

It has been decided to set up in the Ministry of International Trade, a composite organisation for effecting complete integration in planning, follow-up action and periodic appraisal of the iron ore export programme. The responsibility for actual execution of the various schemes under this programme, however, will continue to rest with the Ministries concerned, namely, the Ministry of International Trade,

the Ministry of Steel, Mines and Heavy Engineering, the Railway Board and the Departments of Transport, Shipping and Ports. A Joint Secretary is understood to have been already entrusted with the task of building up this composite organisation. The decision follows the recommendation of the Secretaries Committee to the effect that if the 30 million tonne iron ore export target is to be achieved by 1970-71, concerted action will have to be taken for an orderly implementation of the development programmes connected with these exports.

The 30 million tonne iron ore export target implies stepping up of these exports by 14 million tonnes over the likely exports at the end of the current Plan period. This is estimated to involve an outlay of approximately Rs. 330 crores over and above the cost of the schemes already included in the third Plan. The foreign exchange component in the additional outlay is estimated around Rs. 70 crores. An approach is likely to be made soon to the World Bank and its affiliate, the International Development Association, for extension of assistance for this purpose. The Planning Commission is understood to have had discussions in this connection last week with the two World Bank experts, Mr. Peter Wright and Mr. Pentanalli, who are currently in Delhi for making an assessment of the present state of India's economy and its requirements of assistance from the Aid-India Consortium for the next financial year. The World Bank experts are reported to have opined that creation of facilities for accelerating operation of iron ore mines and development of transport and ports, especially Pradeep and Haldia, should be accorded priority. Mechanisation of mining operations has been particularly stressed.

**

Details are now available of the eight fourth Plan power projects accepted by the Planning Commission in principle for advance action during the current Plan period. The total cost on these schemes is estimated around Rs. 91 crores.

Two of these projects—Kothagudam Extension and Ramagundam Extension—will benefit Andhra Pradesh. The Kothagudam Extension Scheme is estimated to cost Rs. 10 crores and will create a generating capacity of 120 MW. It is likely to be commissioned by 1967-68. The Ramagundam Extension Scheme will cost Rs. 18 crores. It will have a total capacity of 200 MW. Capacity to the tune of 66 MW is likely to be commissioned by 1967-68 and the remaining 134 MW by 1968-69.

Two schemes have been accepted for Madras. These are the Kodayar Power Project and the Basin Bridge Power Scheme. The former will have a capacity of 75 MW and will cost Rs. 8 crores. The latter, with a capacity of 30 MW, is anticipated to cost Rs. 3 crores. Both these projects are expected to be completed by 1968-69.

The other four projects are located in Gujarat, Maharashtra, Uttar Pradesh and West Bengal. The Dhuvaran Scheme in Gujarat is expected to cost Rs. 23 crores and will have a capacity of 250 MW. Fifty per cent of this capacity is likely to be commissioned in 1967-68 and the remaining half in 1968-69. The Purli Power Project, costing approximately Rs. 7 crores, will have a capacity of 60 MW. It is envisaged to be completed in 1968-69. The Harduaganj Extension Project of U.P. will have a capacity of 100 MW and will cost Rs. 10 crores. The West Bengal Durgapur Extension Scheme will provide capacity to the tune of 140 MW and will be implemented at a cost of Rs. 12 crores. Both these schemes are scheduled for completion by 1967-68.

The preliminary work on all the eight schemes is stated to have already been taken on hand. The State Governments concerned have been asked to submit detailed proposals.

Many other power projects have also been finalised by the Union Ministry of Irrigation and Power for authorisation in 1964-65 and 1965-66. The Planning Commission will be approached shortly for clearance of these schemes.

According to the mid-term appraisal of the power programmes included in the third Plan, the total generating capacity in the country by the end of the third Plan period will be of the order of 12.5 million KW. The benefits in the fourth Plan from the schemes continuing from the third Plan are estimated at about 5 million KW, bringing the total capacity to about 17.5 million KW.

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Following an agreement reached by the Union Government and the U.S. Administration last week, the Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India have been given each a credit of Rs. 10 crores out of the sale proceeds of the agricultural commodities supplied to this country under the U.S. Public Law 480. With these new lines of credits, the borrowings of either of the two Corporations from this source amount to Rs. 20 crores. The IFC and the ICICI utilise these loans for extending assistance to the private sector industries.

Besides providing credits out of the P.L. 480 funds, the U.S. Administration has also made available to the two Corporations foreign exchange loans. The IFC has till now received two loans in U.S. currency totalling $30 million from the U.S. Agency for International Development and its predecessor the Development Loan Fund. The ICICI has been the recipient of a foreign exchange loan of $5 million from the Development Loan Fund. It has also utilised a credit of Rs. 7.5 crores from the sale proceeds of steel supplied to India under the USAID Fund.

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In addition to building a fertiliser factory at Gorakhpur (U.P.), Japan will be constructing a fertiliser plant near Baroda in Gujarat State. The deal with the Gujarat State Fertiliser Company has already been put through. It is now awaiting the sanction of the Central Government. The Fertiliser project in Gujarat will cost $30 million. Japan is prepared to give a part of the yen credit for this project this year and a part of it from the next yen credit that may be decided at the Aid-India Consortium meeting to be held in March. The Japanese yen credit is at present running at the rate of $48 million a year. The total yen credit at the end of 1963 amounted to $240 million. The first yen credit to the tune of $50 million was extended in 1958.

The fertiliser factory at Gorakhpur will cost $25 million and the finance is being provided in three stages. Already the Japanese Government has given $10 million, $7 million is being given this year and the rest amounting to $8 million will be provided next year. Machinery for this project is expected to arrive by the end of this year or early next year. Another major project which Japan is assisting under the yen credit is the Durgapur Alloy and Special Steels Plant. This project will cost $40 million. Japan is giving for this project $16 million this year. The rest of the funds will be provided next year. Construction has started and the Japanese technicians and machinery are expected to arrive by the end of the year. The other projects being assisted by Japan under the yen credit are the rayon plant at Baroda, poly-vinyl chloride plants at Kotah and Madras and the caustic soda plant at Calcutta. Several items of power equipment are also being supplied by Japan for various other projects such as Bhakra in Punjab, Hirakud in Orissa, Kosi in Bihar, Harduaganj in U.P. and the watch factory in Bangalore. Electric locomotives for Indian Railways are also being supplied by Japan. Recently a floating crane was provided by Japan for Bombay Port Trust.

Besides these credits, there are two more credits made available by Japan for the development of iron ore mines in India. One of these is a credit of $8 million for Kiriburu iron ore mines (completed and now awaiting inauguration) and the other amounting to $21 million for Belladilla iron ore mines. An expert team from Japan made a survey of Orissa State last year. With the increasing demand for iron ore by Japan from India, the key point is the development of iron ore resources in this State, the construction of a hundred-mile inland road and the improvement of Pradeep Port. Japanese officials are hopeful that talks regarding the development of Orissa State will be resumed again this year.

The talks between the Japanese Government and the Government of India regarding the construction of a shipyard at Cochin are stated to be progressing satisfactorily. It is expected that a decision on this collaboration arrangement will be announced soon. The Cochin shipyard will be the second State shipyard in India, the first one was established at Vizag.

There are indications that Japan might also construct many power stations in Assam and Andhra Pradesh. The capacity of the Harduaganj power project in U.P. is also expected to be increased with Japanese assistance. The main hurdle at present is that the current yen credit is not considered sufficient by the Government of India and its stand is that Japan should either increase the yen credit or provide facilities under the deferred payment formula. Meanwhile, deferred payment facilities for the import of textile machinery and big ocean-going ships from Japan have been extended to India from time to time.

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The shipping agreement signed recently between India and the United Arab Republic will establish a permanent and regular shipping service between the ports of the two countries. The service will commence as soon as the competent authorities come to an agreement on various issues still to be settled. The main point to be thrashed out pertains to the taxation on freight earned in Indian ports.

All payments arising out of this agreement will be made in accordance with the provisions of the Trade and Payments Agreements between the two contracting parties that may be in force from time to time. Any dispute arising from this agreement is to be settled by negotiation. The contracting parties will grant to each other "the most favoured nation" treatment, on equal terms with any other third party. Each contracting party will endeavour to grant the other contracting party for transportation by ships of its flags 50 per cent of the cargoes from the United Arab Republic to India and from India to the United Arab Republic, providing that the share of either party flag vessels of freight must be 50 per cent of the total freight resulting from the transportation of the cargoes moving between the two countries at the end of every year. Each contracting party will nominate the competent authorities to conclude appropriate agreements for the distribution of cargoes, for fixation of the tariff rates and for the settlement of other questions resulting from the present agreement. The shipping organisations of each contracting party shall independently manage the exploitation of its ships and bear the responsibility for both financial results and all claims which may arise in connection with the exploitation of the ships.

The contracting parties are to establish a Joint Committee for the purpose of evaluating and reviewing the working of this agreement and for the purpose of consultation between the two countries on further improvement of sea transportation in accordance with the principles determined by the present agreement. The Joint Committee will meet upon request by either party and at least once a year The Joint Committee shall be established by exchange of letters between the Egyptian General Organisation for Maritime Transport of the U.A.R. and the Ministry of Transport of India.

The agreement will remain in force until 1st January, 1969, unless either contracting party terminates it by giving the other party a notice in writing three months prior to the expiry date.

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The Birlas are understood to be working on a scheme to set up in collaboration with some well-known Western machinery manufacturers, various industrial units in the Far East, West Asia and Africa. The mechanism evolved envisages meeting the requirements of simpler types of machinery items of these units from India and of the more sophisticated categories from Western suppliers. If the machinery items made available from here are semi-processed, these will be finally processed by the concerned collaborators at their works abroad. This, it is hoped, will give a fillip to machinery exports from this country. The first project of this kind — a fertiliser factory — is proposed to be set up in Nigeria.

These machinery exports will be routed through Eastern India Services and Marketing (a Birla enterprise, located in Calcutta and New Delhi) which has been recently recognized as an export house. Besides handling machinery exports, the EISM will be specialising in the export of non-traditional items, particularly engineering goods, such as air-conditioners, refrigerators, electric fans, air-conditioning and refrigeration equipment and grey iron castings, manufactured by Birla industries as well as other manufacturers. Particular attention is proposed to be paid to the provision of after-sales service in regard to all these exports, in the importing countries. Arrangements are stated to be in progress for opening three branches of EISM in Kuwait, Beirut and Dusseldorf. A fourth branch at New York is also contemplated.

The EISM is stated to be of the view that confidence is growing in African and West Asian countries in regard to the quality of Indian engineering goods and about the competence of Indian manufacturers to supply know-how and technical collaboration for setting up industrial units there. Prejudice against Indian engineering goods on the Continent is also said to be wearing out.

The EISM, it is further learnt, has ambitious plans for undertaking exports of a wide range of handicrafts too.

Bonus Commission Reports

From Our Correspondent

BOMBAY:

THE BONUS COMMISSION signed its report on January 18 recommending that a minimum bonus of four per cent of the total annual wages should be paid to the workers irrespective of the fact whether an establishment makes a profit or loss. The definition of annual wages is given as the total emoluments consisting of basic wages plus dearness allowance. The maximum bonus limit is placed at 20 per cent of the total annual wages. The Commission has also recommended that bonus must be paid within eight months of the finalising of the accounts for the year concerned, and that the bonus payment should not be held over.

The Commission has accepted the definition of bonus as additional remuneration payable to workmen out of the available surplus so as to cover the difference between workers' actual earnings and the living wage. The employers had put forward the plea before the Commission that the surplus available after meeting the prior charges should be

distributed equally between the shareholders, the workers and the industry. The Commission has turned down this request and has recommended that 60 per cent of the surplus after meeting prior charges should be disbursed as bonus. Rehabilitation reserve has not been allowed to be included in the prior charges which will cover depreciation, taxation excluding the Super Profits Tax and return on owned capital, i.e. paid-up capital and the free reserves. The Commission has sanctioned a return of seven per cent on the paid-up capital as against six per cent permitted under the LAT formula. On reserves used as working capital, the Commission has allowed a return of four per cent against two per cent under the LAT formula. The exclusion of Super Profits Tax and the rehabilitation allowance from the calculation of the prior charges will reduce the volume of funds available for ploughing back into industry. In his note of dissent, Mr. N. Dandekar is reported to have suggested a rate of return of 8.5 per cent on paid-up capital and six per cent on reserves. He has also suggested that S.P.T. and the rehabilitation allowance should be taken into consideration while computing "prior charges."

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A few days ago, giving the third lecture under the auspices of the Economic Research and Training Foundation (B. F. Madon Memorial Lecture series), Mr. S. G. Barve, Maharashtra's Industries Minister, gave expression to certain points of view which are, to say the least, hardly appreciative, if not critical, of the policies of the Government of India and the Planning Commission. Although he qualified his observations by saying that the picture of our progress today is broadly not such as to generate alarm or despair, he had no doubt that it has been such as to cause serious concern. And he also acknowledged the urgent need for a critical self-analysis and a dispassionate re-appraisal of the position.

Perhaps one must thank the civilian background of Mr. Barve for his clear appreciation of the place of the mixed or, as he described, plural economy. "A clearer appreciation of the nature of the mixed or plural economy within which we have chosen to function," he averred, "is necessary amongst all those who rule our national economic destinies." It is significant that those who rule our national economic destinies, according to him, include not merely the politicians, (policy-makers and legislators) but also captains of industry, and leaders in banking, the commercial life of the community and the labour movement, all of whom have their own share and responsibility in determining the texture of our economic life in their respective spheres of authority. Coming as it does from a Government spokesman, the following viewpoint is noteworthy: "In the philosophy of the plural economy, private initiative is accepted and recognised as a valuable economic stimulus. There is nothing dishonourable about private profit legitimately earned within the laws, nor in the enterprise of starting industries or of owning shares in the country's productive equipment as permitted by law. In fact, what we want is a widespread blossoming out of enterprise among the people at large rather than its monopolisation by a few; we also desire for industrial shares a far wider and more popular base of ownership especially including the working classes than is the case today." At the same time, Mr. Barve maintained, but for some large State undertakings, the country could not have made the progress that it has recorded. Even so, he was frank enough to say: "We have yet to evolve appropriate methods and procedures for ensuring a sufficient degree of cost-consciousness and zeal for productive efficiency in the management of public sector undertakings." Here then is a spokesman of the party in power who can view things dispassionately and take note of both the merits and the demerits of the respective systems. More, he has the good judgment, too, to point out that these merits and demerits derive not so much from their innate virtues and pieties as from the operative systems of law, procedures, practices within which they respectively function and the personnel resources that each can command. This appraisal is as far a cry from Gopabandhunagar as one can conjure up. If more people were to come out and say so openly (provided, of course, they are convinced) that, if the benefit of private enterprise is to be derived, it must be allowed to operate on the terms appropriate to it, and also work for it, the economic advancement of this country would any day be more rapid and pronounced than it has been so far.

Arising from this appraisal, it was only to be expected that Mr. Barve would urge the abolition of all futile and frustrating controls. And so he did when he said: "A few strategical control measures, coherently conceived and competently administered, would seem to be the best pattern for us to work towards." It was really courageous of him to make the statement that the administration today is by no means "distinguished for its initiative, understanding and that touch of lightness without which a complicated system of economic controls cannot be satisfactorily administered ..... the tasks are pragmatic and not amenable to heroic ideological stances. What is wanted is realism, skill, a clear comprehension of objectives alongside full mastery of details and an unremitting disciplined enthusiasm."

Attitude to Technology

On the question of technology and our national attitude to productivity also, Maharashtra's Industries Minister was for affording a reasonable measure of shelter to the products of our artisans and village handicrafts, for social reasons, but he was not at all for perpetuating such treatment for all times. It was only till such time that our artisans and village handicraftsmen could improve their techniques and marketing organisations that he was prepared to intervene and cushion the sudden and unrestricted impact on them of modern technology. As regards organised industry, however, he had no doubt that it should keep abreast of the latest developments and technology. This ought to be especially so in the case of our export industries. It may be noted here that even in countries like America and Japan, where automation has advanced spectacularly almost to the point where they have begun to pose the threat of large-scale unemployment, labour unions are not opposed to the application of the most up-to-date automation techniques in respect of industries which have to cater to, and compete in, the world's markets.

Two other observations of Mr. Barve also deserve notice. The first is his criticism that, by and large, our economic system does not encourage productive industrial enterprise sufficiently as against trade or commerce or mere speculation. It is, therefore, imperative, as Mr. Barve says, that a conscious and deliberate effort be made if our investment resources are to be directed into socially fruitful channels. The second point that Mr. Barve made relates to the link between the rate of our economic growth with the rate of our new investment into the economy, and he blamed the existing banking structure for the lagging behind of the latter. The fact is that today there is no adequate provision for medium and long term credits by our commercial banks. This is, to some extent, a legacy of the British Rule and the system of British banking which we have chosen to follow. Moreover, our commercial banks have been deliberately shut out, as it were, from the spheres of medium and long-term investments, because the Government has its own agencies directly, as in the case of Central and State Industrial Finance Corporations, and indirectly as in the case of the agencies manned and managed by the Reserve Bank, such as the Refinance Corporation. The main snag, on the other hand, is the Government's attitude towards production. However fascinating and, from the point of view of achieving popularity, facile the unrelieved stress on distribution may be, it is the slant on production that yields and has yielded results even in the industrially advanced countries, whether of the West or the East. Unless this is realised by those in charge of our economic destinies and their policies re-oriented accordingly, we may not hope for that rate of accelerated growth of our economy as the compulsion of the present circumstances warrant.

Population Rise Retards Progress

From Our Correspondent

CALCUTTA:

IN A SYMPOSIUM organised by the Indian Chamber of Commerce on the importance of family planning in relation to India's plans for economic development, Mr. K. K. Birla pointed out that a spectacular rise in the rate of economic growth coupled with a decline in population was essential to improve sizably the living standard of the people within a reasonable period of time. He said that the rise in population in 1962-63 at more than two per cent completely wiped out the increase of two per cent in national income, thus lowering the per capita income slightly. It was this neutralization of the rise in national income by the increase in population which had not allowed the standard of living in general to rise, and it was in this context that the problem of family planning assumed greater urgency and importance.

Illustrating his point regarding the impact of steadily rising population, Mr. Birla said that the increase in India's population in the decade 1951-1961 was about 78 million which was equivalent to the almost total increase registered in the preceding two decades at 82 million. In the case of West Bengal, the rising population was swelling the numbers of the unemployed and was thus lowering the standard of living. Between 1951-61 the population in West Bengal increased by more than 8 million. According to the forecasts made by the demographers, it was expected to rise from about 35 million in 1961 to 40 million in 1966 and about 45 million in 1971. Because of the acuteness of the unemployment problem in West Bengal, it was necessary that the economic development schemes of the State should make adequate provision for effective implementation of the programme of family planning. The industry, Mr Birla said, had played a significant role in raising the standard of living of the workers. The wage increase in the first ten years of planning ranged from 33 per cent to 100 per cent in major industries such as textiles, cement, sugar and plantations. There was great need to make the workers conscious of the fact that they could enjoy a better standard of living only if they limited the size of their families. The symposium passed a resolution that industrial and trade organizations should participate actively in the family planning programmes. It also stressed the importance of greater co-operation between the Government and the industry for encouraging "planned parenthood" among the workers.

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According to a Press note issued by the Indian Jute Mills Association, a decision has been taken to scrap the working time agreement in view of the favourable long-term outlook for jute goods. This decision is not expected to result in any material change in the existing level of production; currently the industry is operating to full capacity. According to the existing agreement, working in the jute mills had been regulated on the basis of 49 hours a week. This agreement had been reviewed by the jute committee last year suggesting that the agreement should be scrapped as it was no longer necessary in view of the continued demand for jute products in the international markets. Two successive bumper jute crops have also made abundant supplies possible to the factories. The installation of additional productive capacity in terms of both spindles and looms required the proper approval of the Jute Commissioner and the Government of India; this requirement, however, remained unchanged.

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On January 22, 1964, Mr. Theodor Schwartz, Vice-President, Import and Export Division of the West German Bags and Canvas Importers Association, said that a committee had been set up in his country to deal in Indian imports and that the volume of imports of Indian jute goods was likely to increase three-fold in the next three years provided the quality of goods was maintained. West Germany had allowed unrestricted import of jute goods from July this year. Currently, Indian exports to West Germany were around 15,000 tons per annum. Mr Schwartz laid stress on the quality of Indian jute goods saying that West German buyers wanted this country to supply goods of at least the same quality as those supplied to the USA. There was a great need to study the requirements of West Germany and make the best use of the liberalization of the import policy if this country was keen to bridge the vast gap between imports and exports. He also dropped the hint that West German importers had experienced some difficulties in getting timely supplies from West Pakistan and, therefore, their interest in Indian jute products had increased.

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Mr. A. S. Bam, Chairman of the Tea Board, said in a message to the Tea Council of West Germany on the occasion of its tenth anniversary that it was necessary for it to dedicate itself to the task of reviewing its responsibility in the field of promoting consumption of quality teas. The Federal Government had generously removed the external tariff on all teas, thereby "giving tea a sacrosanct position among beverages." He, however, expressed concern over the increasing consumption of cheap teas at the expense of quality teas in the West German markets; the increasing use of herbal teas was jeopardising the position of quality teas. In the past the tea industry in the Federal Republic of West Germany had patronised the finest teas in the world coming from Darjeeling and Assam. It may be stated that the German Tea Council was founded by the Tea Board of India in 1964 in co-operation with some tea importers in W. Germany. Even though West Germany is a coffee drinking country, the intensive promotional activities of the Council had doubled the per capita annual consumption of tea from the pre-War level of 63 grams to 120 grams per head.

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The Engineering Export Promotion Council has taken a decision, which was long overdue, to open two offices in Western Europe; the places selected for this purpose are London and Dusseldorf. The Council believes that there is a wide range of engineering products such as cast iron components, special machinery or equipment (which may have become obsolete in Europe), hardware, stainless steel, cutlery, locks and sewing machines which this country can sell in the West

European markets. Ample evidence to support this view is provided by the figures of exports of these products. India's exports to the Common Market countries in the first ten months of 1963 at Rs. 6.5 million were nearly 3½ times the exports in the corresponding period in 1962 at Rs. 1.8 million. Similarly, exports to the EFTA countries multiplied 2½ times from Rs. 1.7 million during January-October, 1963. The new offices will provide direct contact between the Indian manufacturers and the European buyers and will assist in giving up-to-date market information to the suppliers.

Industrialisation in Kerala Active

From Our Correspondent

MADRAS:

IT IS GRATIFYING to note that the Governor of Kerala also struck an optimistic note regarding the implementation of third Plan schemes when he addressed the State Legislature a few days back. The tempo of development has gained momentum in the last two or three years and it is confidently expected that during the current financial year the targets will be substantially fulfilled and even exceeded in certain directions. More ambitious targets have been fixed for the next year and the outlay of Rs. 44.17 crores sanctioned by Planning Commission should result in a considerable boosting of agricultural and industrial production and power generation. The main bottleneck is power availability and the Governor, Mr. V. V. Giri, practically admitted that the position would have been even more difficult but for the supply of 21,000 kW of energy from the Madras State. There is need for completing urgently the various power projects though it is expected that by the end of 1966, 442 mW of hydel capacity would have been newly created. The first set of Pannaiyar project was commissioned recently while the Solayar scheme is in an advanced stage of construction and the first set is expected to be commissioned by the end of this year and the remaining two units by March, 1965. The construction work on the Sabarigiri project also is being expedited and the first unit will start generating power by the end of 1965 and all the six generators are scheduled to be in operation by 1966. With the completion of the second stage of this project and progress on the Edikki scheme which will ultimately have a capacity of 1,000,000 kW, there is the distinct possibility of exporting hydel power during 8 months in the year to neighbouring States, after two or three years. Meantime, Kerala's needs will probably have to be met to a greater extent by Madras as the difficulties might become more pronounced till the generators in the Sabarigiri power station begin to work. The year 1965 will truly be an important landmark in the history of hydel power generation in the South. The Sharavathi project also will start yielding results in a big way in that year. As two large thermal stations are being constructed at Ramagundam and Kothagudem in Andhra Pradesh and the Neyveli authorities are confident of being able to expand the capacity of the thermal station in an ambitious manner, the firming up of the regional grid in an intelligent way should be thought of from now. The Madras State Electricity Board also will have to concentrate its attention on the creation of thermal capacity.

Buzzing with Activity

As for Kerala, the Cochin-Alwaye area is becoming very important. It has been naturally claimed that the industrial complex in this region will make complete difference to the region's economy especially as it has been accepted that the proposal to erect an oil refinery at Cochin is "an event of major significance" in Kerala's industrialisation. With the Ship-yard and Machine Tool unit being implemented as Central projects, the whole area will be buzzing with activity in the next few years. Even now many big schemes in the private sector are being implemented and a petro-chemical complex may take shape before long. Consumer goods industries also are being developed and great priority has been accorded to the erection of medium-sized spinning units in different areas in order to cater to the requirements of the handloom weavers.

At the same time, a number of industrial estates are proposed to be established in Trivandrum, Ernakulam and Palghat while small industries are expected to spring up with the easier availability of power. With the proposal to develop railway communications as well, it is expected that in the next few years, the complexion of Kerala's economy will be changed vastly.

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Mr. R. Venkataraman, Madras Minister for Industries, is known for his pragmatic approach to the problem confronting industry and trade. At the meeting held last week to inaugurate the opening of the new building of the Indian Overseas Bank by Mr. C. Subramaniam, Mr. R. Venkataraman stated that the banking system cannot expect to make any significant progress if it is bound hand and foot by red-tape and regulations and could not extend credit freely to worthy borrowers by undertaking some healthy risk. When there is so much talk about nationalisation of banks and there is the cry that there should be regimentation of the credit structure and greater powers for the Reserve Bank, the observations of the Industries Minister seem to be somewhat out of tune with those made by other political leaders. Indeed, Mr. C. Subramaniam's speech was somewhat defensive as he was inclined to suggest that there would be no need to take over banks if they 'behaved' properly and conducted their affairs in a manner which did not invite criticism. Banks can obviously be a lot more helpful in mobilising resources if they were given greater freedom.

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The practical approach of Mr. R. Venkataraman to the problems relating to industrialisation is borne out by his statement in the Legislature that the objective of the Government was not so much to nationalise industries merely for nationalisation sake as the control over them in order to ensure that they were conducted for benefiting the general public. Actually, he stated that "our main objective is not nationalisation. It is not control, it is not free economy as such, but to maximise production by whatever means available". The difficulty in nationalisation arose from the fact that large sums had to be paid to the owners of industrial concerns, that were taken over, by way of compensation. If the road transport industry had to be nationalised, about 4,000 buses will be involved requiring probably the compensation of Rs. 200 crores while, according to Mr. R. Venkataraman again, with a fresh outlay of Rs. 50 crores it would be possible to run air-conditioned buses all over the Madras State. This same reason will bring out the impracticability of taking over the rice mills in the State in pursuance of the suggestion made at Bhabaneswar. The interests of growers are being sought to be safeguarded by having strict control over millers. As representations have been made by growers that the procurement policy has had a depressing effect on the market, it is being examined whether maximum prices can be fixed and direct purchase from the growers also effected so that the millers do not make any attempt to derive undue advantage of the easier position in regard to the availability of rice after the harvest. There has latterly been a downward trend in prices and it has even been suggested that, at the end of the current Plan period, Madras might be in a position to export as much as 500,000 tons of rice to neighbouring areas.

The moving finger writes

IT WAS wonderful of the Prime Minister that he should have braved the biting cold of the Republic Day morning and sat through the entire parade past the saluting base at Raj Path. Mr. Nehru, however, did make three concessions to human frailty. He did not take his usual brisk stroll past the saluting base before going into the VIP enclosure. Instead he drove down a short distance in his Cadillac, acknowledging the cheers of the people. Secondly, it was the Defence Minister who received the President and not, as was the practice in previous years, the Prime Minister. Finally, there was a woollen blanket over Mr. Nehru's knee which was about the only reminder of his recently having been ill. No one, incidentally, had to help Mr. Nehru out of the car when he left it to enter the VIP enclosure.

The Prime Minister's presence at Raj Path this Republic Day is perhaps his way of telling the world that he was not quitting. But I hope that the defiance will not be overdone. A country must, indeed, be in a desperate condition to demand of the oldest of its citizens in high office that, well or ill, he continues to stay at his post.

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The President's Republic Day broadcast, surely, had some rather unusual passages. I am referring, in particular, to his statement that "it would be well to recognise that the tolerance of our society for weak, inefficient and unclean administration is not unlimited". The implication of this remark can only be that the administration has become so weak, inefficient and unclean that there is danger of the people's patience being exhausted. I, for one, would say that such an assessment would be a gross exaggeration. It would not have surprised me to hear such words from Mr. C. Rajagopalachari, but it does surprise me to hear them uttered in the President's broadcast to the nation on Republic Day. In any case, to the extent that the President's public statements are, in Constitutional terms, to be taken as being made on the authority of the Cabinet, it is at least slightly ridiculous that the Government itself should describe its own functioning as "weak, inefficient and unclean". If it really believes that it is all this, it should have the decency to resign and get out.

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Since everybody these days seems determined to prove his patriotic bona fides by talking about the prevalence of corruption, it is highly likely that the reports which appeared in the Press in the last few days of the places of some Central Government officials being searched and incriminating evidence found will have a disproportionately serious impact on the public mind. The fact is that, out of the four officials who had been involved in these incidents, three are small fry and only one of them has been holding a post of any considerable responsibility or importance. Unfortunately, in the preliminary stages of investigation or inquiry, it is apparently not possible for the Government to publish the names and designations of the officials affected. In the circumstances there is wide and often irresponsible speculation and the names of the innocent and the guilty alike are bandied about in a most disturbing fashion. The Home Minister, who is so rightly concerned with cleaning up the administration, should give some attention to this aspect also and see whether anything can be done to avoid unnecessary and often damaging embarrassment to officials who might be blameless but might still be preyed upon by rumours.

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I see that Dr. V. K. R. V. Rao wants the Press to be run by public trusts so that Business pressures might be prevented from acting on the Government or the Legislature through newspapers and periodicals. I wonder whether something also should not be done about our economists so that some kind of distinction may be maintained between academic economists on the one hand, and professional economists of all kinds on the other, in order that, when any given economist makes a pronouncement, his audience might be enabled to know something of the "who" and the "why" of it.

Again, when we are talking about this business of who corrupts whom and how, it is just as well to remind Dr. Rao that prospects or positions in the administration might also be a means of the Government exercising pressure on the judgment of economists. I have great respect for Dr. V. K. R. V. Rao, but I do happen to remember that he was among the very few economists who "out-Morarjied" Mr Morarji Desai in inventing virtues for the super profits tax which, if it were to go, come February 29, would surely go unwept, unhonoured and unsung by virtually everyone. In any case, when a newspaper or a journal says something, the reader has means of being aware of who owns the publication, but when one of our many eminent economists, academic or otherwise engaged, gives an opinion or makes a judgment, it is far less easy for the public to find what might be behind it all.

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The Readers' Digest recently invited its subscribers in this country to say what factors they thought contributed most to public health. The questionnaire specified seven factors, but respondents were told that they might add any they thought "important." Out of the 1,191 respondents, 68 per cent, it appears, considered "more and better food" as the most important public health factor, giving it the first or the second place, while another 17 per cent gave it the third or the fourth place. "Better housing" followed close, 44 per cent placing it first or second and another 37 per cent placing it third or fourth. "Better health education of the public" was mentioned first or second by 36 per cent of the respondents, while another 37 per cent of them gave it the third or the fourth place. The fourth important public health factor was "better drainage," 64 per cent of the respondents placing it in one or the other of the first four places. Then came "better government health services and hospitals" which was mentioned for one or the other of the first four places by 41 per cent of the respondents.

I am rather inclined to applaud the results of the survey because it shows that the segment of public opinion reflected by it is certainly both intelligent and well-informed. The intimate connection between public health and economic progress, for instance, has been clearly recognised by the high importance given by respondents to "more and better food" and "better housing." Secondly, the "preventive" aspect of the public health campaign has received greater emphasis than the "curative" aspect. Thus, while "hospitals" figure as the fifth important factor determining public health, "better drainage," "better health education of the public," "better housing" and "more and better food" are all ranked above it. I am particularly attracted by the high place given to the health education of the public. This suggests a high sense of citizenship responsibility since it takes note of the fact that public health can be promoted only through the informed efforts of the people themselves.

V.B.

Trade Winds

ENGINEERING INDUSTRY PROTESTS

A MEMORANDUM has been submitted by the Indian Engineering Association to the Committee headed by Dr. V.K.R.V. Rao, which is currently enquiring into problems of external assistance. The increasing entry of the public sector into the sphere of various industries, according to the association, is likely to create difficulties for the private sector in its efforts to compete on equal terms with the public sector. There is apprehension that in cases where a public sector unit runs into difficulty because of its neglect of basic factors making for economic viability, the political pressure on the Government will be too heavy to be resisted, reducing the competition between the two to a farce.

The Association has given two concrete examples to support this point of view. The first case relates to an engineering firm in Bombay which is likely to be debarred from manufacturing electronic controls, despite the fact that a letter of intent has already been issued to it. It may be stopped from going ahead with its plans because two public sector units are currently being set up for the manufacture of industrial instruments and process controls. The preparations made by the Bombay firm — which received the letter of intent in 1961 — will go waste. It is in a position to commence production within the next eight months while the public sector units are not likely to materialise till 1967. The firm is planning to make use of its existing plant and resources. The equipment needed is valued at not more than Rs. 5 lakhs and only 20 per cent of its needs to be imported from abroad. It is estimated that after making allowance for the import of raw materials and components, the savings in foreign exchange in the first year will be equivalent to Rs. 12 lakhs and in the second and subsequent years at Rs. 35 lakhs. The foreign exchange cost of the plant will thus be recovered in the first two months.

In the second case which has been cited by the association, a private firm has put forward the claim that it can produce 300 tons of ophthalmic glass. The capital outlay is estimated at Rs. 60 lakhs and the unit can go into production within 15 months of the receipt of the Government approval. The Government is also simultaneously processing its plans for a State-owned unit with Soviet collaboration. The capital cost of this project will be Rs. 3 crores, while the volume of output of glass will be the same. It is claimed by the firm that Soviet collaboration for ophthalmic glass is unnecessary. Indian staff has been trained for the past seven years in glass technology and the British collaborators who assisted the firm to manufacture sheet glass in the past are willing to provide technical know-how for the manufacture of ophthalmic glass along with the necessary foreign exchange.

SUGAR INDUSTRY COMPLAINS

The Indian Sugar Mills' Association has expressed its concern regarding the policy being pursued by some of the States of taking over sugarcane farms from factories under the Land Ceiling Acts. Both in U.P. and Maharashtra, cane farms of factories have been brought within the purview of the Land Ceiling Act. The Maharashtra Government proposes to acquire the farm land held by the sugar companies to hand it over to the State Farming Corporation. The Bombay High Court recently gave the opinion that Section 28 of the State Act was ultra vires of the Constitution. Under Article 31A of the Constitution, taking over lands from the Corporation and handing them over to the State did not amount to "fairer distribution of land" according to the judges. To that extent, the Act itself was considered discriminatory in character.

The Association has referred to the recent statement of Mr. A. M. Thomas, Minister of State in the Union Ministry of Food and Agriculture, regarding the cycles of surpluses and shortages of sugar production. The Minister was right when he stated that increasing sugarcane output was possible only by intensifying cultivation and by application of better and more scientific methods. While the urgency of increasing cane productivity is realised by all, the measures taken by the State Governments are not conducive to the attainment of this objective. The sugar industry has brought to the notice of the Government on a number of occasions that the most practical, economical and speedy way to improve cane production in the country is by promoting and encouraging the function of large-scale composite mechanised farms attached to sugar factories. Such farms serve as practical research stations establishing the commercial importance of new cane varieties and new agricultural practices. They also serve as extension service centres to the neighbouring cane cultivators and induce them to adopt more scientific methods in cultivation. The sugar factories in the State of Maharashtra had done pioneering work in converting jungles into prosperous sugarcane farms. Their cane yields and sugar recovery were higher than in many parts of the country. The sucrose content of cane cultivated in the farms of such factories was also high. The average yield of cane in these farms was as much as 60 tons per acre — about four times of the all-India average. Unfortunately, acquisition of efficient and mechanized farms in Maharashtra and U.P. has taken place in utter disregard of the recommendations of the Planning Commission which favours exemption of sugar factory farms from the land ceiling legislation. The Association has therefore asked for the "free functioning" of the sugarcane farms attached to sugar factories if a long-term solution to the problems of the industry is to be found.

EXPORT MARKETING

Speaking at the concluding session of a two-day seminar on Export Marketing held at the Small Industries Service Institute, New Delhi, the US Counsellor for Economic Affairs, Mr. James Lanigan, said that there was no market in the world that India could not tap because, like Japan, India enjoyed the advantage of cheap labour. He encouraged the small industrialists present there by saying that his country would be willing to offer more technical assistance to the small units that engage in exports (not necessarily to the United States).

Dr. P. S. Lokanathan referred to the necessity of market information for exports and said that small-scale units should be constantly exposed to new processes and changes that are taking place in the demand pattern of the world. Citing the case of "Woolworth", he remarked that out of 35,000 products being sold by them, 15,000 were "new" in the sense that the same did not exist ten years ago. Therefore, production without reference to the people's wants would put the producers out of date. Commercial growth and exports did not depend so much on material factors as on information, education and training.

The seminar was organised by the Management Alumni Association of the Institute with the active co-operation of the Small Industries Associations, All-India Manufacturers' Organistion, exporters, marketing experts, Government officials and representatives of the Ford Foundation and the State Trading Corporation. The subjects discussed at the seminar included: Market Information for Exports, Cost Reduction, Sales Representation and Government Assistance to Small Units for Exports. The seminar was inaugurated by Mr. N. K. Mukarji, Development Commissioner, Small-Scale Industries. The prominent speakers included Mr. H. D. Shourie, Joint Secretary, Ministry of International Trade; Mr. Morton C. Crossman of Ford Foundation; Mr. Dass Gupta of Delhi University, Dr. S. L. Sharma, Director, Economic Investigation (Ministry of Industry); Mr. N. R. Thadani, Marketing Controller, D.C.M.; Mr. Robbins of the Institute of Management, Calcutta; Mr. G. A. Major of State [illegible]

Mr. Duleep Singh, Director National Productivity Council.

There were in all 130 participants. Some of the important suggestions made by the group after two days' deliberations were:

(i) The Central Small Industries Organisation, with a network of its Institutes all over the country, should immediately take up the responsibility of helping the small industrialists in the matter of specific market information for exports. In order to procure useful information regarding changes in the external demand and prices of the products of small industries as well as for exploration of new markets for such products, the Central Small Industries Organisation should make arrangements for sending abroad parties of experienced officers and representatives of small industries associations. These parties should also take with them samples and book orders for small industrial units;

(ii) Co-operative Export marketing for groups of industrialists should be encouraged by developing export houses; and

(iii) The Central Small Industries Organisation should create a cell of production engineers with a view to helping small units in cutting their cost of production by adopting better production processes and proper use of materials and equipment etc.

EXPORT FINANCE

In accordance with the recommendations of the Mathrani Committee on export finance, an Export Credit and Guarantee Corporation has been set up with a paid-up capital of Rs. 2 crores (authorised capital Rs. 5 crores). The ECGC would take over all the functions of the Export Risks Insurance Corporation. The new Corporation will grant credits and guarantees in foreign currencies to facilitate the import of raw materials or semi-finished goods for the manufacture or processing of export goods. The Corporation will grant these credits from a modest import-export revolving fund which had been suggested by the Ramaswami Mudaliar Committee. It will also furnish guarantees to banks and provide them with supplementary credit facilities. The Corporation will largely play a co-ordinating role and take up residuary functions. It will not compete, but collaborate, with banks in the provision of export credit facilities.

As stated by Mr. Manubhai Shah, the Government is also considering further steps to make export finance cheaper in terms of financing and interest charges.

ELECTRICALS INDUSTRY MEETS

Inaugurating the 16th Annual General Meeting of the Indian Electrical Manufacturers' Association held in the Capital recently, the Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, said that while the growth of indigenous content of the industry had been generally satisfactory, there were still some important products such as transformers which required a high import content, as high as 50 per cent. One of the main reasons for this is the shortage of virgin metals in the country. He said the Government programmes for the expansion of non-ferrous metals industry were being stepped up to meet the situation.

Mr. Subramaniam advised the manufacturers to consider and decide on methods of standardisation of the imported components of the industry as this will help build up ancillary industries. The Minister said that so far the industry had not been subjected to any price controls nor had the Government any intention of clamping down controls on this industry. But at the same time, the industry was urged to initiate suitable studies for cost reduction with a view to reducing prices. Regarding the fixation of prices, Mr. Subramaniam commended such standards as fixing the prices at certain percentages above or below the landed cost of the imported items. The Minister also advised the Association to organise a common designs organisation which can continually look into the various problems of designs imposed by Indian conditions.

In his presidential speech, Mr. B. P. Poddar said that the electrical industries have made considerable progress during the last 12 years and supported his statement by giving out figures for important items. During this period (1950-51 to 1962-63) the production of electric motors rose from 0.01 to 1.03 million h.p.; transformers from 0.18 to 2.42 million kVA; switch-gears and control-gears from nil to Rs. 6.50 crores; ACSR and all aluminium conductors from 1.7 thousand tons to 32,055 tonnes; VIR and PVC cables from 39.4 million yards to 306.7 million metres and paper insulated power cables from nil to 2,139 kilometres.

Mr. Poddar pointed out that in the field of storage battery industry, the emergency created by the Chinese aggression brought new demands and for the first time the manufacture of special W.T. batteries, which energise radio equipment, the only means of communication in forward areas, has been developed. So also has been developed the battery charging equipment suitable for use in forward areas. Similarly, the manufacture of fully aerobatic aircraft batteries has also been developed.

In the past, the electrical industry was not able to record any export performance partly because it was still developing and had not established itself and partly because the cost of goods manufactured in India was much higher than the ruling prices in international markets. However, during the last one year or so, Mr. Poddar pointed out, the industry has made substantial exports of electric motors, starters, and switch gears, cables and wires and even transformers. All this has been possible due to the reorientation introduced by the Government in their export promotion schemes.

Mr. Poddar said that the Association was thinking of setting up a co-ordinating committee which will advise the industry regarding the testing and research facilities available with the various research laboratories and institutions. This committee will also approach the various institutions to extend their services to manufacturers on an appropriate charge. It will keep abreast of developments and, where necessary, make suitable recommendations to Government and the industry. The committee will also be responsible for taking steps to secure national standard specifications for such items for which we have still to depend on foreign specifications.

Mr. P. R. Dheshpande of Crompton Parkinson Limited, Bombay, has been elected as Chairman in place of Mr. B. P. Poddar.

CONSUMPTION OF NITRO FERTILIZERS

In the fiscal year 1962-63, the world consumption of nitrogenous fertilizers amounted to 15.6 million tons, surpassing that of the previous year by five per cent. The increase in consumption was the greatest in the U.S.A., Western Europe, India and China. About 4.5 million tons each were consumed by the U.S.A. and Europe. Asia consumed three million tons, thereby showing an increase of 12 per cent over the previous years' consumption.

NEW LIGNITE DEPOSITS

A large amount of lignite coal has been found in Khari village, 20 miles from Bikaner, in Rajasthan. Five holes have so far been drilled and lignite was found in eight to ten feet layers in a wide area, at a depth of 257 to 340 feet. According to the State Mining Department, the brown fuel could be economically mined and put in the market for public consumption by May next.

Company Affairs

LAKSHMI MACHINE ISSUE

THE INDUSTRIALISATION of the Coimbatore area in new directions is progressing at a fast rate and many allied industries are being promoted. Lakshmi Machine Works Limited has a programme for manufacturing textile machinery of various kinds in collaboration with Rieter Machine Works of Switzerland, who are well-known for their products all over the world. There are already three units producing textile machinery in a big way. But with the licensing of a larger number of spinning units and the grant of permission to existing composite and spinning units for increasing their capacity, there is a large unsatisfied demand for textile machinery. In many cases, deliveries cannot be had earlier than 24 months and it is felt that indigenous production should be stepped up appreciably if large foreign exchange expenditure is to be avoided. The promoters of Lakshmi Machine Works, who are well experienced in the textile industry, hope that production in the first phase would commence before the end of this year. Considerable progress has been already made in regard to the construction of factory buildings at Periyanaickenpalayam, near Coimbatore. The foreign participants have agreed to take up equity shares for Rs. 30 lakhs towards the supply of know-how, plans and layout and for supplies of machine tools upto 12 per cent of the issued capital. The directors and their friends have already subscribed for equity shares amounting to Rs. 1 crore while the International Finance Corporation will be participating in the equity capital to the extent of Rs. 20 lakhs. The balance of Rs. 1 crore has been offered for public subscription and is underwritten. The foreign exchange content of expenditure will be met by the subscription to equity shares by the Rieter Machine Works as well as International Finance Corporation. Besides, there will be a loan of $960,000 from the International Finance Corporation and a loan for Rs. 40 lakhs in foreign currencies from the Industrial Credit and Investment Corporation. This institution will be giving additionally a loan of Rs. 15 lakhs in rupees. The first phase of the construction programme is expected to be completed by the middle of this year.

BHARAT STEEL OFFER

Bharat Steel Tubes Ltd. entered the market on January 28, 1964, to raise Rs. 42,90,000 through equity shares of Rs. 10 each and Rs. 30,00,000 through 9.3 per cent cumulative redeemable preference shares of Rs. 100 each. The applications for shares are required to be for a minimum of 50 shares or multiple thereof in the case of equity shares and five shares or multiple thereof in the case of preference shares. Only one-fourth of the total value of the shares need be sent on application while another one-fourth is payable on allotment. The balance will be payable by subsequent calls at the discretion of the directors. There will be, however, an interval of at least two months between the calls. The company was converted from a private limited company into a public limited company in August 1962 and is being expanded in order to manufacture steel tubes and pipes which form the arteries of every industry today. There is a growing demand for steel tubes and pipes for the flow of gas, water, steam, oil and petroleum. The needs of the country are being met by a smaller number of existing tube mills, but none of them happens to be in the northern region.

Bharat Steel has entered into an agreement with Messrs. Abbey Etna Machine Company, Perrysburg, Ohio, U.S.A., for technical and financial collaboration. This company has a standing of about 60 years in this line and has developed valuable manufacturing technology and data for the establishment of manufacturing facilities and the manufacture of these products. The collaboration agreement has already been approved by the Government of India. The collaborators will assist the company in various respects for a consideration of U.S. $200,000. The factory will be established near the railway station Ganaur, Punjab, which is at a distance of 30 miles from Delhi. The Punjab Electricity Board has agreed to make available 25,000 KW of power, which is expected to be sufficient for the requirements of the factory as well as the colony.

JAYANTI SHIPPING'S SIXTH

The sixth bulk carrier "Kanishka Jayanti" was delivered to the representatives of Jayanti Shipping Company Ltd. in Japan on January 16, 1964. Jayanti Shipping placed orders for eight such vessels with Mitsubishi Engineering Company Ltd. of Japan; the remaining two are under construction. "Kanishka Jayanti" is one of the largest Indian vessels. It can carry about 32,000 tons of ore, has a draft of about 33 feet and is equipped with some of the most modern navigational devices including radar and "loadicator." It has been chartered even before delivery: it will earn foreign exchange equivalent to about Rs. 50 lakhs per year. The total capacity of Jayanti Shipping Company Ltd. with the acquisition of "Kanishka" will be more than 3,65,000 DWT which is nearly 20 per cent of the total Indian registry. Jayanti Shipping now commands six bulk carriers including Kanishka, one oil tanker, and 12 cargo vessels making a total of 19 vessels. The plans of the company for 1964 include acquiring of one more oil tanker, the super-size 54,000 DWT Vikram Jayanti, two more bulk carriers and three combined oil (or ore) carriers of about 21,000 tons each.

WAVERLEY JUTE

The audited accounts of Wavverley Jute Mills Company Ltd. for the year ended May 31, 1963, disclosed a profit after providing for depreciation, taxation and Super Profits Tax at Rs. 3,02,633. Taking into account the balance brought forward from the previous year, the total sum available totalled Rs 3,68,905 out of which Rs. 1,50,000 have been transferred to General Reserve. The directors have recommended a dividend of 6.5 per cent on 15,000 preference shares and additional 5 per cent on these shares, absorbing Rs 86,250. On ordinary shares the directors have recommended 30 nP per share absorbing Rs. 25,000. The balance of Rs. 57,655 is proposed to be carried forward.

EAST ANGLIA PLASTICS

The Visakhapatnam area in Andhra Pradesh is being developed in a big way. Apart from Andhra Sugars which has expansion plans and which recently commissioned its units for producing acetic acid and acetic anhydride, East Anglia Plastics has a scheme for establishing a six crore rupees cellulose acetate flake factory at Visakhapatnam. The foundation-stone for this factory was laid on January 13, 1964 by Mr Lal Bahadur, the Chief Minister Mr N. Sanjiva Reddy presiding on the occasion. The raw materials required for cellulose acetate flakes are alcohol and cotton linters which are available in plenty within the State. The company has arranged for the import of plant and machinery with the help of French credit for Rs. 2.90 crores. This credit is repayable over a period of 13 years and has been guaranteed by the Andhra Pradesh Industrial Development Corporation.

MCKEE IN INDIA

Mr. Merrill Cox, well-known in the world of steel, has been elected President of Arthur G. McKee & Co. In 1945 the McKee organisation was invited by Government of India to investigate and report on India's steel potential. Its report is considered to be the basis of many developments of the steel industry in the country since then. The McKee organisation continues to maintain a live interest in the progress of our steel projects, including Bokaro. One of its subsidiaries, Western Knapp Engineering Co., is now designing and will build the Khetri Copper Refinery, India's first 20,000 ton capacity outfit which is estimated to cost about 35 million dollars. Through its Petroleum & Chemical Division, it is also active in India's plans for development of oil refineries. The McKee organisation is one of the pioneers in the field of petro-chemical industry and under the leadership of its recently elected President, Mr. Merrill Cox, it is confident of playing an increasing part in the building of industries around the world.

WELLMAN INCANDESCENT

At a meeting of the board of directors of Wellman Incandescent India Ltd., held on January 22, 1964, the directors decided to make the first and final call of Rs. 5 per share to make the equity shares fully paid. Call notices have already been issued to the shareholders.

NIMAR MILLS

The foundation-stone of Nimar Textile Mills was laid at Khandwa on January 20, 1964. With a capacity of 25,000 spindles, it is the first spindle mill at Khandwa, which has been selected because of its being a rich cotton growing centre and having adequate power and water facilities. It is only 43 miles from Burhanpur, which is a big consuming market for cotton yarn. The mill is expected to go into production by the end of the current year. I.F.C. has agreed to extend a loan; the company is expected to enter the capital market very shortly.

DEV.DAYAL TUBE

The governing board of the Bombay Stock Exchange has approved the application of Devidayal Tube Industries Ltd. for its share to be dealt in on the exchange. The general permission to do business in the share of the company will be notified to the members of the Stock Exchange shortly.

BANK RESULTS

CENTRAL BANK: The working results of the Central Bank of India for the year 1963 showed a net profit of Rs. 189.26 lakhs as compared to Rs. 179.6 lakhs in 1962. Taking into account the balance brought forward from the previous year, total funds available for distribution came to Rs. 190.19 lakhs as against Rs. 203.33 lakhs in the preceding year. The appropriation for the reserve fund was raised from Rs. 38.71 lakhs to Rs. 40 lakhs while the allocation for the special reserve was reduced from Rs. 58 lakhs to Rs. 39 lakhs. The bonus to staff will cost Rs. 5 lakhs more and will rise from Rs. 65 lakhs to Rs. 70 lakhs. The dividend has been maintained at 20 per cent, absorbing Rs. 63.28 lakhs. Final dividend of Rs. 32.77 lakhs was paid out of special reserves for 1962 and a sum of Rs. 33 lakhs will be drawn for this purpose.

UNION BANK: The net profit of the Union Bank of India Ltd. for 1963 after providing for taxation was placed at Rs. 27.38 lakhs as against Rs. 22.07 lakhs for 1962. The directors have appropriated Rs. 6 lakhs for the reserve fund and Rs. 50,000 for depreciation on bank's building. The equity dividend was maintained on the increased capital at 57 nP. per share, subject to tax. The total dividend amounted to Rs. 11.40 lakhs against Rs. 7.96 lakhs. A sum of Rs. 10.88 lakhs was carried forward after adjustments, subject to the payment of bonus to staff as against Rs. 1.40 lakhs brought in after providing for bonus in 1962

SYNDICATE BANK: The Syndicate Bank Ltd. (formerly the Canara Industrial & Banking Syndicate Ltd.) has made considerable progress during the year ended December 31, 1963. Its deposits went up from Rs. 32.65 crores in 1962 to Rs. 45.11 crores and advances from Rs. 18.27 crores to Rs. 27.83 crores. Investments on approved securities increased from Rs. 12.03 crores to Rs. 16.47 crores. The net profit, subject to audit, before providing for tax was Rs. 40 lakhs as against last year's Rs. 30 lakhs. The directors propose to transfer Rs. 9 lakhs to the general reserve, raising it to Rs. 75 lakhs as against a paid-up capital of Rs. 80 lakhs, set apart Rs. 14 lakhs for taxation and Rs. 5 lakhs for bonus to staff. The dividend will be maintained at 20% (less tax) on equity shares. The resources of the bank stand at Rs. 57 crores at the end of 1963 as against Rs. 39 crores in the preceding year.

INDIAN OVERSEAS: The net profit of the Indian Overseas Bank Ltd. for the year 1963 was Rs. 26.96 lakhs after providing for taxation including the amount brought forward as against Rs. 22.22 lakhs in preceding year. A sum of Rs. 6.75 lakhs has been transferred to the reserve fund against Rs. 4 lakhs only in 1962. The bonus to the staff will absorb Rs. 6 lakhs against Rs. 4 lakhs in the previous year. The equity dividend of the bank has been raised from 12 per cent to 14 per cent, absorbing Rs. 13.19 lakhs against Rs. 10.19 lakhs in the preceding year. The deposits of the bank at the end of 1963 were higher at Rs. 41.50 crores against Rs. 37.13 crores at the end of the previous year.

INDIAN BANK: The working results of the Indian Bank Ltd. showed an improvement in its net profit from Rs. 15.25 lakhs in 1962 to Rs. 17 lakhs in 1963. With the surplus of Rs. 1.44 lakhs brought forward from the previous year, the total amount available for distribution was Rs. 18.44 lakhs out of which the directors had transferred to the reserve fund Rs. 3.40 lakhs against Rs. 3.10 lakhs. The directors have recommended an increase in the final distribution from 6.5 per cent to 8 per cent by raising the bonus part from 1.5 per cent to 3 per cent. The bank had already paid an interim dividend of 7 per cent against 7.5 per cent distributed in 1962. This brought the total dividend and bonus for the year to 15 per cent.

STATE BANK OF PATIALA: The State Bank of Patiala, which is a subsidiary of the State Bank of India, earned a net profit of Rs. 5.35 lakhs in 1963 as against Rs. 3.12 lakhs in 1962. The directors have provided a sum of Rs. 1.97 lakhs for bonus to the staff and Rs. 10,000 for the staff welfare fund. The gross income increased from Rs. 74.42 lakhs in 1962 to Rs. 88.08 lakhs. The bank has opened seven new branches during the year taking the total to 63.

BANK OF AMERICA: The year 1963 witnessed a substantial growth in the case of the Bank of America. In a year-end report, President of the Bank, Mr. Rudolph Peterson outlined various elements of its progress. Its total resources approached the 15,000 million mark showing an increase during the year of $1,277 million. Deposits towards the end of the year were $13,243 million and outstanding loans $8,365 million. Investments in securities increased by nearly $87.97 million to $3,192 million and transactions in securities yielded a net profit of $1.46 million. Mr Peterson reported that a sum of $56.96 million was paid by way of dividends to more than 200,000 shareholders at an annual rate of $2 per share. The bank advanced more than 1.5 million loans to individuals and business institutions during the year.

CAPITAL ISSUES

Six companies have been authorised to raise capital amounting to Rs. 3.34 crores. Of these, one is a news agency issuing debentures to construct a multi-storied building in the Capital. The rest are issuing equities.

Press Trust of India, Ltd., is to issue debentures of the value of Rs. 35 lakhs divided into 3,500 7½ per cent debentures of Rs. 1,000 each for cash at par. The proceeds of the issue will be utilised for constructing a multi-storied building on the company's plot in Parliament Street, New Delhi.

Papanasam Paper Mills Ltd., a company incorporated in the State of Madras, is to issue capital of Rs. 1,99,93,400 in equity shares of Rs. 100 each for cash at par. Of the issue such number of shares as would qualify the scrip to be listed on recognised stock exchanges will be offered for public subscription by prospectus. The money will be utilised for setting up a paper and pulp mill.

National Buildings Construction Corporation Ltd., Delhi, a Central Government undertaking, will issue further capital

of Rs. 15 lakhs divided into 1,500 equity shares of Rs. 1,000 each for cash at par. The capital will be utilised for construction of buildings, roads and other civil works throughout India.

Asfalt Roofings India Ltd., a new company proposed to be incorporated in the State of Madras, is to issue capital of Rs. 30 lakhs, divided into three lakh equity shares of Rs. 10 each, for cash at par. Of the issue, such number of shares as would enable the company's shares to be listed on recognised stock exchanges will be offered for public subscription by prospectus. The money will be utilised for setting up an industrial undertaking for the manufacture of asphaltic roofings and allied products with foreign collaboration.

English Indian Clays Ltd., Kottayam, will issue capital of Rs. 30 lakhs divided into 30,000 equity shares of Rs. 100 each to be subscribed privately. Of this, shares of the value of not more than Rs. 15 lakhs will be offered at par to English China Clays Ltd., U.K., towards import of plant and machinery and technical know-how. The capital will be utilised for setting up of a China clay washing plant.

The Maharashtra State Farming Corporation Ltd., Bombay, a State Government undertaking, is to issue capital of Rs. 25 lakhs divided into 25,000 equity shares of Rs. 100 each to be subscribed privately. The money will be utilised for meeting the cost of movable assets of a capital nature taken over from the sugar factories.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951, during the week ending January 10, 1964. The list contains the names and addresses of the licensees, the articles of manufacture and annual installed capacity.

NON-FERROUS METALS AND ALLOYS

Natwarlal Shamaldass and Company, 94, Medows Street, Fort, Bombay-1. (Srikakulam, Andhra Pradesh). — Electrolytic manganese metal — 1,800 metric tons per annum; Manganese dioxide — 1,800 metric tons per annum. Indian Copper Corporation Limited, C|o. M|s. Gillanders Arbuthnot & Co. Ltd., P.B.No. 38, Regal Buildings, New Delhi (Bihar) — Blister Copper — 16,560 metric tons per annum; Sulphuric Acid — 54,000 metric tons per annum.

COAL

West Phularitand Colliery Co., "Sita Nomac", P.O. Dhanbad Distt. Dhanbad. (Dhanbad, Bihar) — Coal — 36,000 tonnes per annum. G. K. Gorai & Co., P.O. Chirkunda, Distt. Dhanbad, Bihar. **Name of the Undertaking.** Shree Lakhimata Colliery (Dhanbad, Bihar) — Coal — 21,000 tonnes, per annum.

ELECTRICITY EQUIPMENT

Beni Limited, 1, Crooked Lane, Calcutta-1 (West Bengal) — Train lighting dynamos — 150 Nos. per annum. Switchgears — 750 Nos. per annum. Kerala State Industrial Development Corporation Limited, Valleyambalam, P.B.No. 105, Trivandrum. **Proposed name:** Transformers & Electricals Kerala Ltd. (Eranakulam Distt., Kerala) — Transformers (1000 KVA — 50,000 KV A) — 6 lakhs KVA per annum. New Government Electric Factory, Byappana-Halli, P.B.No. 84, Bangalore-1. (Bangalore Mysore) — Transformers — 5,16,000 KVA per annum. Switch gears & Control gears — Rs. 1,20,000 worth per annum. Electric motors — 4,80,000 H.P. per annum.

ELECTRICAL CABLES

The Indian Cable Co. Ltd., 9, Hare Street, P.B. No. 514, Calcutta-1 (Bihar) — Railway signalling cables, 6 lakhs metres per annum.

RAILWAY ROLLING STOCK

K.T. Steel Industries (P) Ltd., K.T. Building, Broach Street, Bombay-9 (Ambernath, Maharashtra) — Automatic Vacuum Brake Cylinders for Railway Wagons, 6,000 Nos. per annum.

CHEMICAL MACHINERY

Investment Corporation of India Limited, Ewart House, Bruce Street, Fort, Bombay-1, Proposed name: Glasstek Ltd. (Poona Distt., Maharashtra) — (Capacity p.a.) Glass lined equipment, worth Rs. 55 lakhs; Water treatment equipment, worth Rs. 31 lakhs; Stainless steel and corrosion resistant Alloy Equipment, worth Rs. 8 lakhs. Arthur Import Export Co., 166, Dadabhai Naoroji Road, Bombay-1, Proposed name: R.K. Cardclothing Manufacturers' Ltd. (Punjab) — Card clothing for cotton waste woollen and worsted, wool waste and shoddy spinning industry, 1 lakh metres per annum.

CONVEYING EQUIPMENT

Electric Construction & Equipment Co. Ltd., P.O. Parbangla, Via Batanagar, 24, Parganas (Budge Budge, West Bengal) — Industrial lifting platform, 120 to 180 Nos. per annum.

BALL ROLLER AND TAPERED BEARINGS

Shri P. S. Jain, Rajpur Road, Delhi-8, Proposed name: P.S. Ball Bearing Co. Ltd. (Faridabad, Punjab) — Ball bearings Internal bore diameter 8 mm to 100 mm, 7,20,000 Nos. per annum; Thrust Ball Bearings, 1,80,000 Nos. per annum; Tapered roller bearings bore diameter 8 mm to 100 mm. 6,00,000 Nos. per annum; Cylindrical roller bearings, 2,40,000 Nos. per annum.

SEWING & KNITTING MACHINES

T.V. Sundaram Iyengar and Sons Pvt. Ltd., P. B. No. 21, Madurai, Proposed name: Singer Sundaram Ltd. (Madurai, Madras) — Domestic Sewing Machines components, 1,25,000 sets per annum; Industrial components, 20,000 sets per annum for model 103K10; Industrial components for model 31K15, 5,000 sets per annum.

INORGANIC HEAVY CHEMICALS

The Andhra Sugars Ltd., 28, Sarojini Devi Road, Secunderabad-26, — Chlorosulphonic Acid, 4950 tonnes per annum.

DRUGS AND PHARMACEUTICALS

Lepetite Ranboxy Laboratories Ltd., Okhla Industrial Area, New Delhi (Okhla, Delhi) — (New Articles, Annual Capacity): Nisolone Acetate 1 per cent Ointment for dermatologic use (5gm tubes) 120,000 tubes; Lepitiron 12,200 c.c. bottles (as per the revised formula, 1,20,000 bottles; Solvent ampoules (a) 10 c.c., (b) 5 c.c. 7,20,000 ampoules for each type. Substantial Expansion (After Expansion, annual Capacity); Ambramycin capsules 250 mg., 14,40,000 capsules (360 kg.), Nisone tablets (5 mg), 48,00,000 tablets; Pertranquil tablets (400 mg), 24,00,000 tablets; Vitamin 'C' injectable (5 ml. - 500 mg), 12,00,000 ampoules (6000 litres). Sandoz (India) Ltd., 3, Wittet Road, Ballard Estate, Bombay-1 (Maharashtra) — Intestopan tablets, 20 million tablets per annum; Nutrisan capsules, 4 million capsules per annum; Metules capsules — 8 million capsules (per annum).

COTTON TEXTILES

Shri B. C. Ghose, Gopalpur House, Jalpaiguri, Proposed name: North Bengal Co-operative Spinning & Sugar Mills and Industries Ltd. (Jalpaiguri, W. Bengal) — Cotton yarn, 12,500 spindles.

GLASS WOOL

Anil Hardboards Ltd., P.B. No. 10056, Lakshmi Insurance Building, Sir P.M. Road, Bombay-1 (Bhandup, Maharashtra) — Granulated Rock Wool (Mineral wool), 12,000 tonnes p.a.

PLYWOOD

Madhya Pradesh Timber Industries, Bhopal (Bastar, Madhya Pradesh) — Commercial plywood, 18 million sq. ft. p.a.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 10th January, 1964

(This information pertains to particular licences only.)

From M|s. Prem Industrial Corporation, Ahmedabad to M|s. Prem Conductors Private Ltd., Ahmedabad. From M|s. D.M.R. Auto Industries Ltd., Calcutta to M|s. Chopra Motors Private Ltd., Calcutta. From M|s. Indian Electrical Manufacturing Co. Ltd., Bombay to M|s. Premier Meters and Instruments Co. Ltd., Bombay.

BOOKS BRIEFLY

Conception and Contraception

JOSSLEYN HENNESSY

THE CONSUMERS' Association (14, Buckingham Street, London, W.C.2.) is a non-profit making private body, which carries out exhaustive tests on the quality, reliability, durability, and comparative costs of selected consumers' goods and publishes the results in its monthly review "Which?" (available to members only). Membership — subscription Rs. 13 a year — is open to anyone on written application.

C.A.'s latest report (Price Rs. 7 and available only by becoming a member) is on contraception. It compares the reliability, safety, and costs of twelve methods: the use of condoms and washable sheaths for men, diaphragms, cervicles, vault caps, and sponges for women, surgical sterilisation for men and women, the safe period, oral contraceptives, intrauterine rings, the douche, and prolonged lactation for women, and withdrawal for men. The main part of the report gives test results, brand comparisons, and "best buys", for 164 brands of chemicals and contraceptive apparatuses.

The report begins by describing the mechanism of human conception and the various methods of preventing it — with their advantages and disadvantages — and it ends with a section on the various courses open to childless couples anxious to have a child.

People have disagreed violently about birth control. The subject is, however, becoming better understood, and more calmly and sensibly discussed. C.A.'s only aim is to provide information for those people who want it. The report, which takes no sides in religious, or other, arguments for or against birth control, reveals that the user of contraceptives can easily be paying too much and be buying an unreliable product at the same time. Advertising is often misleading, and often disguised to look like disinterested medical advice; meaningless claims are made for products; prices bear no relation to effectiveness, and so on

No Ideal Method

The basic point which emerges from C.A.'s study of twelve methods of contraception is that not one is fool-proof or automatic; each requires some intelligence and care in its use. If you do not understand the bodily mechanism of conception, nor how the particular method selected works, there are ample chances that you will have an unwanted child. There is not one ideal method for everybody; the best method will differ for each individual. According, for example, as to whether you are willing, or unwilling, to go to a doctor or a clinic, whether you find certain methods troublesome or distasteful, or are bound by certain religious observances, say, Roman Catholic or Jewish, some methods will be open to you, others not.

While the full range of choice of the methods, chemicals and apparatuses discussed in C.A.'s report will be open to educated Indians, able to afford expenditure of between Rs. 20 to Rs. 100 a year, most of them are likely to be beyond the financial reach of villagers, or else impractical in the conditions of mofussil life.

Oral contraceptives — pills taken by the women — were found to give maximum reliability, but they require prescription and supervision by a doctor, and can cost up to Rs. 100 a year. The combination of a cap for the woman or a condom for the man plus, in each case, a chemical contraceptive, is given "very high reliability", with the use of a condom, or a washable sheath, for the man "slightly less reliable". From the viewpoint of the mofussil, the condom is probably the simplest form of birth control, although it is by no means infallible if carelessly used, and the percentage of defective condoms (with minute holes) ranges (according to brand) from 3 per cent to as high as 20 per cent. Moreover, condoms would seem to be particularly risky in India because they deteriorate if kept in hot or damp climates, and the annual cost may be up to Rs. 100.

Described by C.A. as "moderately reliable" are the use by the woman of (1) a sponge and a chemical, (2) a chemical alone, (3) the "safe period", and (4) withdrawal by the man. The cost of (1) and (2) is put at between Rs. 20 and Rs. 60 per annum.

Costs Nothing

From the villagers' point of view, the safe period (the only form of birth control permitted to Roman Catholics) should be ideal, because it costs nothing. But it requires intelligence, care, paper and pencil, and the ability to perform simple arithmetical calculations. The unsafe period is between the 12th and 16th day inclusive before the beginning of the monthly period and for 3½ days afterwards, so that the woman needs to know when the next period will start. Few can be sure about this. They therefore must know the earliest and latest dates, so that they can work out each month the range of days over which they may be fertile. This involves careful recording in a diary, or on a calendar, of first and last days over many months, preferably over a year. Even so, this is not a certain guide, because illness can disrupt the pattern. Having recorded the data, further calculations (simple for an educated woman) are needed to work out the safe period. One imagines that many village women would find all this too complicated and, of course, the method needs the husband's co-operation in abstinence for at least ten consecutive days in each cycle.

The practice of withdrawal by the man before his climax costs nothing and C.A. reports that many people are satisfied with it, although it has been condemned by many doctors and psychiatrists as putting too much emotional strain on both partners, and it requires great alertness and care. It is perhaps a somewhat too sophisticated a method to advocate among villagers.

The whole subject of birth control remains, even today, so embarrassing to so many people that proportionately many are likely to learn a great deal about the mechanics of human conception, the twelve ways of countering it, and the advantages and disadvantages of each, from this soberly factual C.A. report of 96 profusely illustrated pages.

(Note that prices quoted above are those in the U.K. and will doubtless differ from those current in India).

CORRECTION

The publications "Elements of Indian Income Tax" and "Practical Problems of Income Tax" reviewed last week have been published by Asha Publishing House, 74|6A, Baghbazar Street, Calcutta, and not by "Asia Publishing House, Calcutta", as was mentioned in error.

CHAIRMAN'S STATEMENT

INDIAN OXYGEN LIMITED

Sales Improve, But Rising Costs Affect Profit

PROGRAMME OF SUBSTANTIAL DEVELOPMENT AND EXPANSION DRAWN UP

The following is the statement circulated by Mr. N. Dandeker, Chairman, Indian Oxygen Limited, to the members of the Company with the annual report for the year 1963.

It is a pleasure and a privilege for me to have the opportunity of addressing you for the first time as Chairman of your Company since my appointment on 1st April, 1963.

The year under review began with a short, sharp but undeclared war with China, which ended as abruptly as it began. While it exposed large and unexpected areas of unpreparedness on our side in Weapons, Transport Equipment and Communications, it also disclosed to a surprising and welcome degree the underlying unity and resolve among the people at large, throughout the country, to resist the unprovoked aggression by every means and at whatever cost. In this context, the task for industry was to mobilise the national material resources without avoidable delay and to place at the disposal of our Government and our Armed Forces everything they needed to resist aggression. In this effort your Company has played its part to the best of its ability and resources.

PROFITS, TAXATION AND DIVIDEND

The result of the year's operations, before taxation but after providing depreciation of Rs. 59,66,478 (previous year Rs. 49,83,816), was a profit of Rs. 1,40,40,263 as against Rs. 1,35,49,869 last year. Compared to a sales advance from Rs. 8.88 crores to Rs. 10.21 crores the profit increase was indeed small. Considering, however the substantial increase in depreciation, coupled with the severely curtailed production at the Electrode Factory where activity was inhibited by acute shortage of core wire, and the general rise in costs resulting partly from the national emergency and partly out of inflation and the impact of the Finance Act, 1963, the trading results may be regarded as satisfactory.

The tax provision for the year including Rs. 9,00,000 for Super Profits Tax, amounts to Rs. 69,33,996, leaving a net profit of Rs. 71,06,267 as against Rs. 60,62,869 in the previous year. Out of this, a sum of Rs. 19,00,000 (previous year Rs. 6,50,000) has been transferred to the Development Rebate Reserve; this includes a further provision of Rs. 6,00,000 for the previous year. After adding Rs. 17,61,389 brought forward from the previous year, and transferring Rs. 32,069 to the Fixed Assets Replacement Reserve, almost the whole of the balance amounting to Rs. 69,00,000 has been transferred to General Reserve, as against only Rs. 10,00,000 so transferred last year.

After careful consideration of the Company's present and prospective resources position, and all other relevant circumstances including, in particular, the increasing burden of taxation in the context of the continuing situation of national emergency, your Directors have decided to recommend that the rate of dividend (subject to deduction of tax) should be maintained at 12 per cent. If this recommendation is accepted the dividend will be paid out of General Reserve.

SALES

Sales for the year totalled Rs. 10.21 crores, an increase of 15 per cent over the last year's figure of Rs. 8.88 crores. In view of the difficulties your Company had to encounter during the year under review, this was indeed very satisfactory. Acute shortage of core wire persisted almost throughout the year, severely curtailing the output of electrodes at our factory at Khardah near Calcutta. It is a matter of great regret that despite the continuance of the national emergency timely attention was not given by the authorities to ensure the availability of core wire, with the result that electrode production in the country suffered a very severe set-back and caused considerable inconvenience to the engineering industry. There was also occasional failure of power which interrupted production activities at several of our factories, notably at the Electrode Factory, and also at Asansol and Madras.

Oxygen and dissolved acetylene sales showed considerable increases and the sales of gas-user equipment, electric welding equipment and medical products also improved substantially.

FINANCE

Capital expenditure incurred during the year was financed largely out of the Company's internal resources and amounted to Rs. 85,50,601 covering a number of projects throughout the country.

I am glad to report that the agreement with The British Oxygen Company Limited for a Sterling Loan of £500,000 to which reference was made by my predecessor in his statement last year has now been finalised; and it has also received the approval of the Government of India. With the support of this foreign exchange loan, the Company is now in a position to take in hand a major expansion programme covering a number of projects to which I shall refer in some detail in the paragraphs which follow. This expansion programme is expected to cost about Rs. 6 crores, spread over four years. It has been estimated that after taking into account the internal resources which will be generated over that period and the loan of £500,000, the Company will require additional rupee finance of about Rs. 2 crores for the expansion programme. I am glad to report that subject to the consent of the Controller of Capital Issues, arrangements have been made with The Punjab National Bank Limited, to provide us with this amount by way of medium term loan secured by the pledge of Debenture Stock.

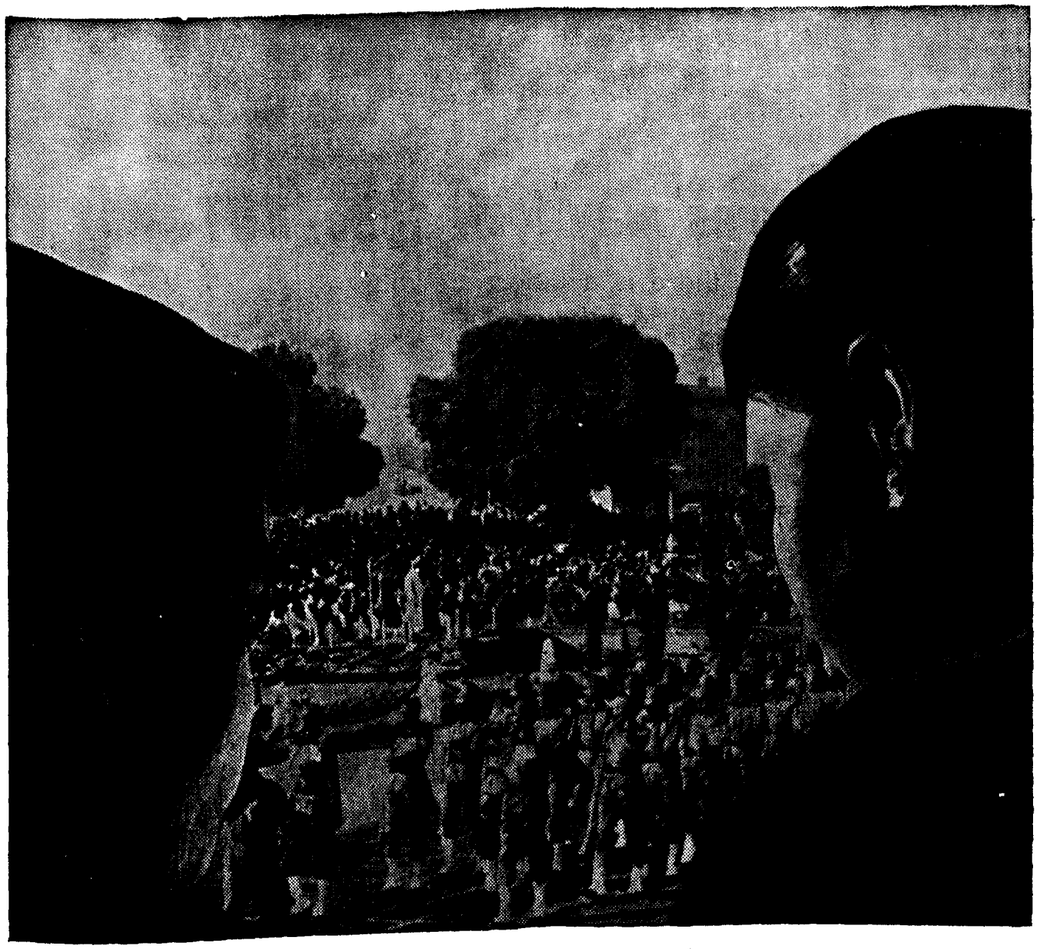
DEVELOPMENT AND EXPANSION

In his statement last year my predecessor had mentioned that the second 400M3 oxygen plant was under erection at Bombay. That plant went into commercial production in May.

The buildings for the new factory at Hyderabad are in an advanced stage of construction. The dissolved acetylene plant is expected to go into production there within the next two months and the oxygen plant by July, 1964.

Construction of the Loxite Factory at Ranchi is expected to be completed early in 1964. Production activities were discontinued at the Burnpur Loxite Factory in January, 1963 and taken up partly (in a temporary structure) at the Ranchi site and partly at Bermo.

Keeping in view the general trend of demand for your Company's products in the near future, we have drawn up a programme of substantial development and expansion for the



The parade of freedom that never ends....

Fourteen years ago she watched the first Republic Day Parade, in her arms her baby son. The years have passed. Once again she watches the march past. Beside her stands her fourteen year-old boy, symbol in his eager youth of the young India he is part of. ☐ In those fourteen years for mother, for son, and for millions like them the world has changed. They have learnt new needs, achieved new fulfilments, accepted the new responsibilities of Freedom. ☐ Year by year has grown the ever-deepening awareness of a national unity, an integration reaching through and beyond the division of locality and language. ☐ The Parade of Freedom is a living symbol of national oneness. This Parade must never end..



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four years ending 30th September, 1967. Several new projects have been proposed covering additional facilities for production and distribution of gases, production of user equipment and electrodes, and also for manufacture of plants. Our schemes include, of course, plans for reorganisation and modernisation of existing factories also.

In the field of industrial gases, the new projects include the installation of an argon purification plant at Bombay (for which an industrial licence has already been received), two 400M3 liquid oxygen plants one each at Calcutta and Madras, and many new installations at customers' works in various parts of the country.

An industrial licence has been obtained for the manufacture of welding and cutting equipment at our new factory for which land has been acquired at Taratala Road, Calcutta. Construction work will begin soon and it is hoped that the project will be completed by the end of 1966. It is intended ultimately to shift the activities of present Equipment Factory at Beliaghatta, Calcutta, also to the new factory.

In the sphere of electrode production, the Company has been granted an industrial licence for substantial expansion at Khardah Factory as also for a new Electrode Factory at Madras. The work of expansion at Khardah will commence soon; and as regards the industrial licence for the proposed Madras factory, clarification is awaited from the Government on certain points. Meanwhile, the land required for the Madras factory has already been acquired and it is hoped that it will be possible to commence construction work during the second quarter of 1964.

Mention was made last year of the Company's intention to undertake the manufacture of plant and machinery for producing and using gases. Your Company's application for an industrial licence for the manufacture of air separation plants and associated cryogenic equipment is now under the consideration of the Government.

Each manufacturing venture, whether for gas-producing plants, electrodes or equipment, will take the country one further step towards self-sufficiency for these essential products besides effecting valuable saving in foreign exchange. We hope therefore that the urgency and desirability of the projects outlined above will bring forth from the authorities concerned support and co-operation in full measure.

COMPETITION

The pressing demands for Industrial oxygen and dissolved acetylene thrown up by the national emergency were brought to your notice last year. I record with satisfaction that in spite of insufficiency of cylinders the Government demands on us for additional supply of gases were on the whole satisfactorily met and despite the shortage of core wire, our contractual obligation to Government for the supply of electrodes was fulfilled, although inevitably in both cases often at the cost of non-Government customers. It is hoped that the inadequacy of oxygen and dissolved acetylene supplies in the country, and also of electrodes which already existed and was highlighted in the difficult initial days of the national emergency and which still persists will persuade the Government to adopt a more practical policy of industrial licensing of new manufacturing units for these vital products. While the Government continues to be influenced by illusory fears concerning a supposed monopoly situation in these fields, your Company accepts the necessity for, and the fact of, competition. But it is only natural to hope that in view of your Company's resources, experience and stature in this field, as also in recognition of the quality of the services it has provided over the years, the Company's expansion schemes will not be held in check by the Government's restrictive policies.

I am glad to say that the Company has been entrusted with the management and operation of the tonnage oxygen plant, the first in the private sector, put up by the Tata Iron and Steel Company Limited, at Jamshedpur. This arrangement with Tatas is in pursuance of the power taken by your Company under one of the new Object Clauses adopted at a

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meeting of the shareholders held on 27th September, 1962, and since approved by the Calcutta High Court.

We have also been approached by other producers of industrial gases to render them assistance 'inter alia' by way of technical advice on their plant and factory. In three cases we have already agreed to render such assistance. All this goes to emphasise that we are not in the least averse to the emergence of genuine competitors. Indeed, we hope that our standing and experience will, by helping others, foster a happy spirit of co-operation and healthy competition among the producers of industrial gases in this country.

PROSPECTS

From what I have said above it will be evident that I entertain a feeling of confidence and restrained optimism about the future prospects for the Company. We are about to enter upon a period of fairly heavy capital expenditure with full confidence and faith in the future of our country. It is a faith shared by The British Oxygen Company Limited also; in this connection we had the privilege of a visit in November this year by their Vice-Chairman, Lord Reith, who toured India extensively and visited five of your Company's factories in different parts of the country. But while investment of such magnitude as we have in view implies favourable long-term prospects, both as regards profits and growth generally, the short-term prospect must necessarily be viewed somewhat more conservatively because of the increasing debt and interest load until the new investments become fully productive.

MANAGEMENT AND PERSONNEL

On his retirement from India, Sir John Brown relinquished on 31st March, 1963, the office which as Chairman of your Company he had occupied since 11th June, 1958. Under his distinguished stewardship there have been remarkable developments of your Company's undertaking and the ground has been prepared for further expansion in future. I offer Sir John Brown our sincere thanks for his services to the Company and I also extend to him our warn wishes for further success in his new life in England.

Mr. P. C. Kavanagh, who had been the Company's Assistant Managing Director since 1st June, 1959, also vacated his office on 31st March, 1963. Mr. Kavanagh left us in order to take up a position with The British Oxygen Company Limited. Mr. Kavanagh's association with the Company extended over a period of more than 14 years, and I take this opportunity of wishing him success in the years to come.

Mr. S. K. Sinha, one of your Directors since 26th October, 1956, will retire at the Annual General Meeting; and though eligible for re-election he has, on personal grounds, decided not to seek it. In Mr. Sinha's retirement the Company will suffer a distinct loss. I thank him for his services to the Company, and would like him to know that he carries with him our sincere good wishes for the future.

In the Chairman's Statement on the 27th Annual Report and Accounts mention was made of the publication of a house journal called "Oxygen News". The employees' reaction to this mode of communication was so encouraging that "Oxygen News" commenced monthly publication in January, 1963. This house journal is fast becoming an effective medium of self-expression for the employees as also a secure channel of communication between the management and the employees.

I take this opportunity of recording with pride the contributions made individually by members of the Company's staff in furthering the national effort during the emergency. In particular I would mention the warm and generous response to the appeals for contributions both to the National Defence Fund and the Blood Bank. Sixteen employees were called up for active service, while their colleagues, working in factories and elsewhere, were also contributing towards the defence efforts.

21st December, 1963.

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

EASTERN ECONOMIST
Annual Number 1964

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This is an Announcement of intention to make Public Issue of Shares and not a Prospectus. Persons interested are requested to apply for a copy of the Prospectus for full details. Copies are available from the Company's Registered Office, Bankers and Brokers.

LAKSHMI MACHINE WORKS LIMITED

(Incorporated in India on 14th September, 1962 as a Public Limited Company Under the Companies Act, 1956).

Registered Office: 348, AVANASHI ROAD, PAPPANAICKENPALAYAM, COIMBATORE - 1.

SHARE CAPITAL

AUTHORISED CAPITAL

3,00,000 Equity shares of Rs. 100 each	Rs.	3,00,00,000
50,000 9% Cumulative Preference shares of Rs. 100 each	Rs.	50,00,000
	Rs.	3,50,00,000

ISSUED CAPITAL: Present Issue —

2,50,000 Equity Shares of Rs. 100 each	Rs.	2,50,00,000

SUBSCRIBED CAPITAL

1,00,000 Equity Shares of Rs. 100 each Subscribed by Promoters, Directors, their Friends and relatives:	Rs.	1,00,00,000

AGREED TO BE SUBSCRIBED :

1. Reserved for allotment to Messrs. Rieter Machine Works Ltd., — Technical Collaborators of the Company — for the supply of Know-how, Plans and Lay-out, and for supplies of machine tools upto 12% of the Issued Capital	Rs.	30,00,000
2. 20,000 Equity shares of Rs. 100 each reserved for allotment to International Finance Corporation, Washington	Rs.	20,00,000
3. Now Offered to the Public for subscription at par in cash, in terms of this Prospectus 1,00,000 equity shares of Rs. 100 each	Rs.	1,00,00,000
Total Issued Capital	Rs.	2,50,00,000

TERMS OF PAYMENT :

The share moneys are payable as follows: On application Rs. 25 per share: On allotment Rs. 25 per share within 45 days of the date of allotment: The balance of Rs. 50 per share in two calls of Rs. 25 each per share as and when the Directors call.

Application for shares: Application for Equity shares must be made for a minimum of 5 shares or multiples of 5 shares and must be made in the form attached to the Prospectus.

BOARD OF DIRECTORS

Sri A. M. M. MURUGAPPA CHETTIAR, "Chamundeswari Baugh," 9, Santhome High Road, Madras-4. (**Chairman**).
Managing Director: Carborundum Universal Ltd. Tube Investments of India Ltd.
Chairman: The Madras Industrial Investment Corporation Ltd. Sri Sarvaraya Sugars Ltd., Madras. Mysore Cements Ltd., Bangalore.
Director: Madras Alloy & Stainless Steels Ltd. Ashok Leyland Ltd. EID Parry Ltd., etc., etc.

Mr. FRITZ PREYSCH, 43, Buelrainstrasse, Winterthur, Switzerland.
Director: Rieter Machine Works Ltd. Winterthur.

Alternate Director to Mr. Fritz Preysch Sri C. DORAISWAMY, No. 7, East Spur Tank Road, Madras-31.
Director: Needle Industries (India) Pte. Ltd. Chelpark Co. Ltd. Mettur Industries Ltd. T.I. Diamond Chain Ltd.

Mr. MAX R. EPPRECHT, 11, Elchweg, WinterthurSeen Switzerland.
Engineer-Director: Rieter Machine Works Ltd.

Sri G. VENKATASWAMY NAIDU, 4|261, Avanashi Road, Coimbatore.
Managing Agent: The Lakshmi Mills Co. Ltd. The Coimbatore Cotton Mills Ltd.
Director: The Rajalakshmi Mills Ltd. The Premier Mills (CBE) Ltd., etc., etc.

Sri G. K. DEVARAJULU, "Shell House" Avanashi Road, Coimbatore.
Managing Agent: The Lakshmi Mills Co. Ltd. The Coimbatore Cotton Mills Ltd.
Managing Director: South India Viscose Ltd.
Director: The Madras Aluminium Co. Ltd. The Premier Mills (CBE) Ltd. Sivananda Mills Ltd. The Indian Overseas Bank Ltd., etc., etc.

Sri K. SUNDARAM, "Rasakondalu," Circuit House Road, Coimbatore.
Managing Agent: The Lakshmi Mills Co. Ltd. The Coimbatore Cotton Mills Ltd. The Textool Co. Ltd.
Director: South India Viscose Ltd. Madras Machine-tool Manufacturers Ltd., etc., etc.

Sri K. RAJAGOPAL, 2|239, Avanashi Road, Coimbatore.
Managing Agent: The Lakshmi Mills Co. Ltd. The Coimbatore Cotton Mills Ltd.
Director: Rajalakshmi Mills Ltd. Bell Alloys Steel (P) Ltd., etc., etc.

Sri V. N. RAMACHANDRAN, "Vijaya," 5-A, A.T.T. Colony, Avanashi Road, Coimbatore.
Managing Agent: The Premier Mills (CBE) Ltd. Premier Cotton Spg. Mills Ltd. Super Spinning Mills Ltd.
Director: The Textool Co. Ltd. South India Viscose Ltd. The Madras Aluminium Co. Ltd., etc., etc.

Sri G. R. DAMODARAN, "Anbarangam," Kamaraj Nadar Road, Redfields, Coimbatore.
Managing Agent: The Coimbatore Pioneer Mills Ltd. Sree Rangavilas Ginning, Spg. & Wvg. Mills Ltd. Kumaran Mills Ltd. Coimbatore Pioneer Fertilisers Ltd.
Director: Pioneer Fire & Genl. Ins. Co. Ltd. Neiveli Lignite Corporation Ltd., etc., etc.

Sri S. R. P. PONNUSWAMY CHETTIAR, "Ram Prakash," R.S. Puram, Coimbatore.
Managing Agent: Sivananda Mills Ltd.
Managing Director: Essorpe Mills Private Ltd.
Director: The Premier Mills (CBE) Ltd. South India Viscose Ltd., etc., etc.

Sri R. KRISHNASWAMY, 6|675, Trichy Road, Singanallur P.O. Coimbatore-5.
Managing Agent: The Rajalakshmi Mills Ltd. The Coimbatore Cotton Mills Ltd.
Managing Director: B. Rangaswamy Naidu Orchards Private Ltd.
Director: South India Viscose Ltd. B. Rangaswamy Naidu Cattle Farm Private Ltd., etc., etc.

Sri V. RAMASWAMY NAIDU, 131, Uppilipalayam, Singanallur P.O., Coimbatore-5.
Managing Agent: Kadri Mills (CBE) Ltd. The Pankaja Mills Ltd.
Managing Director: Sri Ambal Mills Private Ltd.
Director: The Madras Aluminium Co. Ltd. Coimbatore Pioneer Fertilisers Ltd.

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Managing Agent: The Sri Venkatesa Mills Ltd. Amaravathi Sri Venkatesa Paper Mills Ltd.
Director: The Sri Venkatesa Mills Ltd. Amaravathi Sri Venkatesa Paper Mills Ltd., etc., etc.

Sri P. C. CHERYAN, Technical Director & General Manager (Engg.), M|s. Voltas Ltd., 19, Graham Road, Ballard Estate, Bombay-1.
Director: Voltas Limited. Lakshmi Card Clothing Mfg. Co. Private Ltd.

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PROPOSED ACTIVITIES

To manufacture complete Blowroom Lines, Carding Engines, Lap Formers, Ribbon Lap Machines, High Speed Combers, High Speed Draw Frames, Speed Frames, Ring Spinning Frames, Double Apron Drafting Arrangements, and manufacture of the complete range of spinning machinery, accessories and Spare Parts to spin cotton and staple fibre yarns and allied kindred materials or products of the same design as those of **M|s. Rieter Machine Works Ltd., Winterthur, Switzerland.**

TECHNICAL COLLABORATION

The Company will embark on the manufacture of textile spinning machinery of all description in collaboration with the World renowned Swiss Firm of textile machinery manufacturers namely. **M|s. RIETER MACHINE WORKS LTD., WINTERTHUR, SWITZERLAND.** The collaboration Agreement is valid up to 31-3-1975.

BUSINESS PROSPECTS OF THE COMPANY

While a number of established units are producing textile machinery and are straining at the leash to meet the country's requirements, the demands are far from being met. Experience of existing manufacturing units has proved that specialised skill and meticulous training make all the difference in securing a proper output and maintaining quality in production. With the foreign collaboration of such a veteran among textile machinery manufacturers as RIETER MACHINE WORKS LTD., WINTERTHUR, SWITZERLAND, the Company can ensure the highest efficiency in output, the incorporation of the latest refinements in textile machine making, and the maintenance of quality. The company hopes to place on the market textile machines of the same standard and quality as Rieters are themselves producing over the years, the first stage of production to commence in the latter half of 1964. It is expected that based on the present estimates, the Company will make sufficient profits to enable a fair dividend to be paid to the shareholders of the Company after meeting other obligations.

LOAN CAPITAL

The Industrial Credit & Investment Corporation of India Ltd., have agreed in principle to grant a loan to the Company in foreign currencies equivalent to U.S. $840,000 (about Rs. 40 lakhs) and a rupee loan of Rs. 15 lakhs. The International Finance Corporation, Washington, has also agreed in principle to grant a foreign exchange loan of U.S. $960,000 and they will also participate in our equity capital (in foreign exchange) for a sum of Rs. 20 lakhs. Scheduled banks have agreed to advance a block loan of Rs. 65 lakhs. All these loans will be secured by a legal mortgage ranking **pari passu** for all the institutions. The repayment will be in sixteen half-yearly instalments ending in 1975.

LOCATION OF THE FACTORY

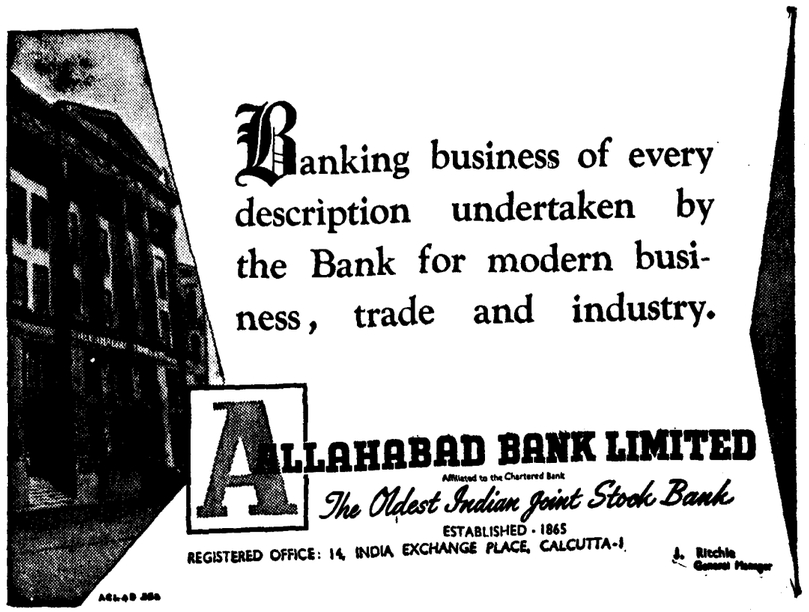
The factory will be located at Perianaickenpalayam, about 11 miles from Coimbatore on the Coimbatore-Mettupalayam Railway route near the Railway Station. There will be a railway siding and easy access by roads. The Company has already purchased 111 acres 74½ cents of land. Adequate supply of water and power have been ensured.

PROGRESS MADE

Import licences for machine tools, component parts and raw materials have been obtained for Rs. 37,80,587. Essentiality Certificates also for the same for a total value of Rs. 34,86,247 have been received and necessary applications have been made for getting the import licences. Model machines from M|s. Rieter Machine Works Ltd., have been ordered and these will be got shortly. Indigenous machineries for the first stage of the project have also been ordered for. Building constructions are expected to be ready by April 1964 and the first stage of production is anticipated to commence in the latter half of 1964.

DATES OF OPENING AND CLOSING OF SUBSCRIPTION LIST:

The subscription list will open at 10 A.M. on Monday 3rd February, 1964 and will close at 5 P.M. on Wednesday 19th February, 1964 or earlier at the discretion of the Directors as soon as subscriptions approximating to the amount issued hereunder to the public have been received but not earlier than 5 P.M. on Thursday 6th February, 1964.



RECORDS AND STATISTICS

Foreign Collaborations

THE LIST of the foreign collaboration agreements entered into by Indian firms during the October-December quarter for 1963 released recently shows that of the 74 agreements, 16 were with British firms, 12 with American firms, 11 with West German firms, eight with Japanese firms, seven with French firms, three each with Italian and Swiss firms, two each with Belgian, Dutch, Yugoslav, Czechoslovak, Polish and East German firms and one each with Danish and East African firms. There is a wide variety of items taken up for manufacture which include power cables, automobile ancillaries, refractories, hand tools, heavy structurals, pipes of various types, cement making machinery, etc. The list below gives the names of Indian firms as well as foreign firms along with the items taken up for manufacture.

FOREIGN COLLABORATIONS—OCTOBER-DECEMBER 1963

S. No.	Name of Indian firm	Name of Foreign Firm	Item of Manufacture
		INDIA — U.K.	
1.	M|s. Binani Metal Works Ltd., Binani Building, 38, Strand Road, Calcutta.	M|s. Multicore Solders Ltd., Multicore Works, Maylands — Avenue, Hemel Hempstead, Hertford, England.	Solid and flux cored solder.
2.	M|s. Bell's Asbestos & Engg. (India) Pvt. Ltd., 24, Chittaranjan Avenue, Calcutta-12.	M|s. Sir W. H. Balley & Co., U.K.	Balley's Pressure Reducing Valves.
3.	M|s. The Daily Tej Pvt. Ltd., P. O. Box 1112, Naya Bazar, Delhi-6.	M|s. Purnell & Sons Ltd., London.	Reprinting and publication of three Weeklies — 'Finding Out', 'Knowledge' and 'Understanding Science'.
4.	M|s. Emcipi Electronics (P) Ltd., 6-L, Connaught Place, New Delhi.	M|s. Compagnie Francaise Thomson-Houston of France and M|s. Mining and Chemical Products, London, U.K.	Transistors.
5.	M|s. General Machinery Stores, Rajabahaur Compound, 24-BD, Hamam Street, Fort, Bombay-1.	M|s. R. H. Windson Ltd., Leatherhead Road, Chessington, Surrey, U.K.	Plastic breaking machines.
6.	M|s. Industrial Cables (India) Ltd., National Insurance Building, Parliament Street, P.O. Box No. 464, New Delhi-1.	M|s. Hackbridge Cable Co. Ltd., Hackbridge, Surrey, England.	Power Cables.
7.	M|s. India Pistons Ltd., Sembiam, Madras-11.	M|s. Associated Engg. Ltd. England.	Pistons, Piston rings, Cylinder liners etc.
8.	M|s.. Kirloskar Pneumatic Co. Ltd., Hadapsar Industrial Estate, Poona.	M|s. Westinghouse Brake & Signal Co. Ltd., U.K.	Compressors.
9.	M's. Kulkarni Foundries (P) Ltd., Hadaspar Indus.	M|s. Monometer Mfg. Co. Ltd., Savoy House, 115-116, Strand, London W.C.; and	Rotary Oil, Fired Furnaces.
		M|s. Whiting International, Harvey, Illinois, U.S.A.	Electric direct arc melting furnaces.
10.	M|s. Mahindra Owen Ltd., Gateway Building, Apollo Bunder, Bombay-1.	M|s. British Trailer Co. Ltd., Phoenix Works, Richmond Road, Trafford Part, Manchester-17, U.K.	Automobile ancillaries.
11.	M|s. Nestler Boilers Pvt. Ltd., Love Lane, Cross Lane, Byculla,	M|s. Nu-Way Heating Plants Ltd., U.K.	Oil burners.
12.	M|s. Octavious Steel & Co. Ltd., 14, Old Court House Street, Calcutta-1.	M|s. Becorit (C.B.) Ltd., 2, Leslie Road, Gregoory Boulevard, Nottingham, England.	Mechanical Steel Pit Props Greetschel Steel Link Roof Bars.
13.	(With an Indian party)	M|s. Permutit Co. Ltd., Gunnersbury, London W-4.	Ion Exchange resins and water treatment plants.
14.	Shri C. Ramabhupal Reddy, 'Challa House', Kurnool.	M|s. J. Brockhouse & Co. Ltd., U.K.	Leaf and coil springs for automobile and railways.

FOREIGN COLLABORATIONS—OCTOBER-DECEMBER 1963—Contd.

S. No.	Name of Indian Firm	Name of Foreign Firm	Item of Manufacture
15.	M|s. Tak Machinery Ltd., Janmabhoomi Bhavan, Ghoga St., Fort, Bombay-1.	M|s. Nayler Bros. Ltd., Golborne, Lancashire, U.K.	Conveying equipment.
16.	M|s. Usha Automobile & Engg. Ltd., 14, Princep Street, Calcutta-13.	M|s. Silent Channel Co. Ltd., Ferrers Road, Huntingdon, England.	Automobile ancillaries — window channelling and weather strips.
		INDIA — U.S.A.	
17.	M|s. Bell's Asbestos & Engg. (Inia) Pvt. Ltd., 24, Chittaranjan Avenue Calcutta-12.	M|s. Graphic Controls Corporation, U.S.A.	Roll Charts.
18.	M|s. Coromandel Fertilizers Pvt. Ltd., P. B. No. 12, Madras-1.	Consortium consisting of the EID-Parry Ltd., California Chemical Co and the International Minerals & Chemical Corporation.	Visakhapatanam Fertilizer Project.
19.	M|s. India Cements Ltd., Bhun Buildings, Mount Road, Madras.	M|s. B. F. Goodrich & Co., 3135, Euclid Avenue, Cleveland, Ohio, U.S.A.	P. V. C. resins.
20.	M|s. The Kuljian Corpn. (India) Pvt. Ltd., 24-B, Park St., Calcutta-16.	M|s. Kuljian Corpn., 1200, North Broad Street, Philadelphia, Pa, U.S.A.	Estt. of Consultancy Engg. firm.
21.	M|s. Mettur Chemical & Industrial Corpn. Ltd., Mettur Dam (R.S.), Madras.	M|s. Stauffer Chemical Co., New York, U.S.A.	Chloromethanes.
22.	M|s. Moti Thadhani, "Shivaenumh", 205, Dr. A. Besant Road, Worli, Bombay-18.	M|s. Ramseyer & Miller Inc., 11, West 42nd Street, New York, 36, N.Y., U.S.A.	Estt. of Consultancy Engg. firm.
23.	M|s. McNally-Bird Engg. Co. Ltd., Chartered Bank Building, Calcutta-1.	M|s. McNally Pittsburg Mfg. Corpn., Pittsburg, Kansas, U.S.A.	Complete cement plant (wet & dry process).
24.	Shri Purshotamlal Jhunjhunwala, 59, Apollo St., Fort, Bombay-1.	M|s. Singmaster & Breyer, U.S.A.	Peanut Butter.
25.	M|s. Photophone Equipments Ltd., Industry Manor, Worli & Cadell Road, Jn., Bombay-28.	M|s. Radio Corporation of America, U.S.A.	'Contract Apparatus'.
26.	M|s. Prestolite of India Ltd., M-132, Con. Circus, New Delhi-1.	M|s. Electric Autolite Co., Ohio, U.S.A.	Automobile components—windscreen wiper assembly and distributors (complete).
27.	M|s. Sharco Industries Pvt. Ltd., P. B. No. 1467, Delhi-6.	M|s. Lee Filter Corpn., U.S.A.	Oil Fuel Filters.
28.	M|s. Watmir Industries, 249, Dr. Dadabhai Naoroji Road, Bombay-1.	M|s. Columbia Records. U.S.A.	Gramophone records.
		INDIA — WEST GERMANY	
29.	M|s. Bengal Enamel Works Ltd., 60|2, Dharamtala Street, Calcutta-13.	M|s. A. Linn of Hersbruck, West Germany.	Furnaces.
30.	Shri R. D. Bangur, C|o. M|s. Apex Electricals, Katra Purohitji, Jaipur.	M|s.| Mierisch & Co., Munich, West Germany.	Electricity meters.
31.	M|s. Bajaj Tempo Ltd., 134, Dr. Annie Besant Rd.,	M|s. Vidal & Sohn Tempo-Werk, GmbH, Hamburg-Harburg, West Germany; and M|s. Zahnradfabrik Friedrichshafen Aktiengesellschaft. Friedrichshafen, W. Germany.	4-wheelers (tempo viking).
			Gear Boxes for the above 4-wheelers.

FOREIGN COLLABORATIONS—OCTOBER-DECEMBER 1963—Contd.

S. No.	Name of Indian Firm	Name of Foreign Firm	Item of Manufacture
32.	Shri Dinkay Co Chinai, C|o. Mash Trading Co., Odeon Building, Con. Circus, New Delhi.	Mrs. Arjan Lall (a German citizon).	Wearing apparel.
33.	M|s. Escorts Ltd., Partap Building, Con. Circus, New Delhi.	M|s. Scharfenbergkupplung GmbH., Salzgitter-Watenstedt, West Germany.	Centre Buffer Couplers for Diesel Traction, Box Wagons etc.
34.	Shri Harshad Kapadia, 'Ocean View' Annexe, 3rd Floor, Marden Road, Bombay-16.	M|s. Kloeokaer-Humbeldt-Duetz A. G. of West Germany.	Air Cooled Diesel Engines.
35.	M|s. Kocks India Pvt. Ltd., C|o. M|s. Kalinga Industries Ltd., 33, Chittaranjan Avenue, Calcutta-12.	M|s. Friedrick Kocks, Dusseldorf, West Germany.	Estt. of Consultancy Engg. Firm.
36.	M|s. Salem Magnesite Pvt. Ltd., Noble Chambers, Parsi Bazar St., Bombay-1.	M|s. Didier Werke AG, West Germany.	Basic refractories.
37.	M|s. Telepole Mfg. Co. Ltd., Jeevan Vihar, Parliament Street, New Delhi.	M|s. Josef Steinbichler of West Germany.	Telescopic poles for electric distribution.
38.	M|s. T. Maneklal Mfg. Co. Ltd., Vaswani Mansions, Dinshaw Vachha Road, Bombay-1.	M|s. Artos Maschinenbau Dr. Ing. Meier-Windherst, Hamburg, West Germany.	Float Dryer, Hot Flue and Steam Ager.
39.	M|s. Usha Textile Traders, 21, Dalal Street, Share Bazar, Fort, Bombay-1.	M|s. Wallith Diamantholz GmbH, Wallenstein, Bez-Kassel, West Germany.	Compressed wood plant.
		INDIA — JAPAN	
40.	Shri S. N. Agarwal, Cinecita Pvt. Ltd., Saraswati Mandir, Kennedy Bridge, Bombay-7.	M|s. Komitz Industrial Co. Ltd., Japan.	Motion picture 35 mm|16 mm sound and projection equipments.
41.	M|s. Akay Industries, Prop: Arjun Bhimji Ginning & Prossing Co. Pvt. Ltd., Station Road, Mysore State.	M|s. Sekisui Chemical Co. Ltd., Japan.	PVC pumps, Foot valves and step valves.
42.	M|s. Andhra Electronic Industries, Assisted Pvt. Industrial Estate, Chittor (A.P.).	M|s. General Electronics (Hong Kong) Ltd., Tokyo, Japan.	Polyvericon (Miniature) Gang Condensers for Transistor Radios.
43.	M|s. Ahmedabad Victoria Iron Works Co. Ltd., Dudneswar Road, Ahmedabad-1.	M|s. Suzuki Flyer Kosakusho Ltd., Osaka, Japan.	All types of flyers & pressers used for speed frames for cotton textiles, worsted & waste silk.
44.	M|s. Britannia Engg. Co. Ltd., 3, Netaji Subhas Road, Calcutta-1.	M|s. Nakata Zoki Co. Ltd., Japan.	Rubber machinery.
45.	M|s. Chromewell Industries, Plot No. 49, Parsee Panchayat Rd., Off Nagardas Road, Andheri East, Bombay.	M|s. Marute Hasegawa Kosakujo Inc. Sanjo City—Kiigata Pref. tools., Japan.	Forged hand tools.
46.	M|s. Deson Optical Co., 3, Jaggeswar Bose Lane, Calcutta-5.	M|s. Matsunami Glass Industries Ltd., Kishiwada City, Osaka, Japan.	Microscopic cover glasses & glass strips.
47.	M|s. Krishi Engines Pvt. Ltd., A-7 Unit, Industrial Estate, Sanatnagar, Hyderabad-18 (A.P.).	M|s. Akitu Sangyo Co. Ltd., Kyoto, Japan.	Power Tillers.

FOREIGN COLLABORATIONS—OCTOBER-DECEMBER 1963—Contd.

S. No.	Name of Indian Firm	Name of Foreign Firm	Item of Manufacture
		INDIA — FRANCE	
48.	Shri C. R. Das Gupta, 6, Nandi Street, Calcutta.	M|s. Renault Engg. of France.	Steel forgings and heavy structurals.
49.	M|s. Godavari Sugar Mills Ltd. Fazalbhoy Buildings, Mahatma Gandhi Road, Post Box No. 122A, Bombay-1.	M|s. Les Usines De Melle, Saint-Leger-Les-Melle (Deux-Sevre), France.	Butyl Alcohol and Butyl Acetate.
50.	M|s. International Equipment Corpn.. 21, Sunder Nagar, New Delhi.	M|s. SOFREMINES, 5 Bd., Poissonniere, Paris-2.	Estt. of Consultancy Engg. Firm.
51.	M|s. Mangturam Jalan, 174, Mahatma Gandhi Road, Calcutta-7.	M|s. Renault Engg. Paris, France.	Malleable Iron Castings.
52.	M|s. McKenzies Ltd., King Edward Road, Sewri, Bombay-15.	M|s. Saxby Manutention, 40, Rue De LI Orillon, Paris-11, France.	Fork Lift Trucks.
53.	M|s. Stup (India) Pvt. Ltd., "Adolphi", 5th Floor, 119, Queens Road, Bombay-1.	M|s. ASIE-ETUDES of Paris, France.	Estt. of Consultancy Engg. Firm in India in the field of Prestressed concrete.
54.	M|s. Shree Hanuman Foundries Ltd., 25-H, Connaught Circus, New Delhi-1.	M|s. Societe D'Etude Ferro-viares and Mr. Roger Souneville of France.	Concrete Sleepers, fastenings and other rail track components.
		INDIA — SWITZERLAND	
55.	M|s. Gandhi Electric Industries (P) Ltd., 94, Medows Street, Bombay-1.	M|s. Secheron of Switzerland.	Transformers upto 66 kW.
56.	M|s. Sikkim Industrial Corpn. Pvt. Ltd., Elephant Mansion, Gangtok (Sikkim)	M|s. Saphizwerk AG Nidau, Switzerland.	Jewel bearings for meters, instruments and watches.
57.	M|s. Walchandnagar Industries Ltd., Construction House, Ballard Estate, Fort, Bombay-1.	M|s. Escher Wyss AG. Zurich, Switzerland.	Cement and other items of machinery.
		INDIA — ITALY	
58.	Amin Chand Payare Lal, 15, Brabourne Road, Calcutta.	M|s. Officine Maccaniche Danieli, Buttrio, Italy.	Estt. of Consultancy Engg. Firm in India.
59.	M|s. Dinkar C. Chinai, c|o Mash Trading Co., Odeon Building, Connaught Circus, New Delhi.	M|s. Crenzio De Nera Milane, Italy.	Estt. of Consultancy Engg. Firm in India.
60.	M|s. Swastik Textile Trading Co. (P) Ltd., Motilal Hirabhai Market, Railwaypura Post, Ahmedabad.	M|s. Soc. An. Mazzera, S.P.A., Milane, Italy.	Processing and Finishing Machines.
		INDIA — G.D.R.	
61.	M|s. Bharattaji Industries, 470, Chandni Chowk, Delhi.	M|s. VEB Fahrzeugelektrik Ruhla/Thuringen (GDR).	Automobile ancillaries.
62.	M|s. Durgapur Engg. Co. Ltd., 25, Swallow Lane, Calcutta-1.	M|s. VEB Schwermaschinenbau Ernst Thaelmann, Magdeburg-Buckau, and M|s. VEB Keramikmaschinod, Goerlitz, G.D.R.	Ball, Hammer, Drum and Tube Mills. Vacuum Aggregates and Universal Cutters.

FOREIGN COLLABORATIONS—OCTOBER-DECEMBER 1963—Contd.

S. No.	Name of Indian Firm	Name of Foreign Firm	Item of Manufacture
		INDIA — YUGOSLAVIA	
63.	M|s. Jatin Industrial Corpn., 209-C, Tardeo Road, Sonewala Estate Compound, Bombay-7.	M|s. INGRA, Yugoslavia.	Water meters.
64.	M|s. Paramount Meters Pvt. Ltd., Station Road, Jamnagar (Gujarat).	M|s. INGRA, Yugoslavia.	Water meters.
		INDIA — CZECHOSLOVAKIA	
65.	M|s. K. S. Trivedi & Co., 19-21, Hamam Street, Fort, Bombay-1.	M|s. Motorpal, National Enterprises of Jihlava, Czechoslovakia; and M|s. MOTOKOV, Praha, Czechoslovakia.	Fuel injection equipments.
66.	M|s. Tractors & Bulldozers Pvt. Lt., Construction House, Ballard Estate, Bombay.	M|s. MOTOKOV, Praha; and M|s. Zavedy Jana Swermy, Brmo, Czechoslovakia.	Tractors (agricultural) — Zeter 3011, 30 H.P.
		INDIA — POLAND	
67.	M|s. Grauer & Well (India) Ltd., Janmabhoomi Chambers, 29, Fort Street, Bombay-1.	M|s. Polservic Warsaw, Poland	Compressed woollen felts.
68.	Shri J. V. Patel c/o M|s. New Standard Engg. Co. Ltd., Carroll Road, Bombay-13.	M|s. CEKOP, 49, Moktowska, Warszawa, Poland.	Estt. of Consultancy Engg. Firm in India.
		INDIA — BELGIUM	
69.	Sri Ramakrishna Steel Industries Ltd., 1/9, Naranapuram, Pappanaickenpalayam, Coimbatore-1.	M|s. Lepage Consulting Engineers (Bureau Technique Lepage & Co., S.A.), Olmenlaan, 7, Antwerp-1 Belgium.	Steel castings.
70.	M|s. Saru Engg. Corpn. Ltd., Sardhana Road, P.O. Box No. 58, Meerut.	M|s. Bureau Technique De Bock 42, Avenue, J. Stobbaert, Brussels (Belgium), M|s. Hauts Fourneaux, Et Founderies De La Louviere of La Louviere (Belgium), and M|s. Campbell, Gifford & Morton Ltd., England.	Cast Iron Spun Pipes.
		INDIA — HOLLAND/NETHERLAND	
71.	Shri M. Varadarajan, "Devakripa", Domalguda, Hyderabad-29.	M|s. Industriele Onderneming Wavin N.V., Zwelle, Holland.	Hard P. V. C. Pipes and Fittings.
72.	M|s. Dass Zimmermann Pvt. Ltd., 430, Prince Anwer Shah Road, Calcutta-31.	M|s. Chemicals Fabrick Lo van Grinten N.V. of Vento, Netherlands.	Coating plant and duplicating machines.
		INDIA — DENMARK	
73.	M|s. Utkal Machinery Ltd., I. C. House, Dougall Road, Ballard Estate, Bombay-1.	M|s. F. L. Smidth & Co. A/S. of Denmark.	Cement making machinery.
		INDIA — QUELIMANI (EAST AFRICA)	
74.	Shri Hemraj R. Betai, 22A, Babulnath Road, Kalevar Mansion, Bombay-7.	Shri Nathubhai Mulji of Quelimani (East Africa)	Gramophone records and gramophones.

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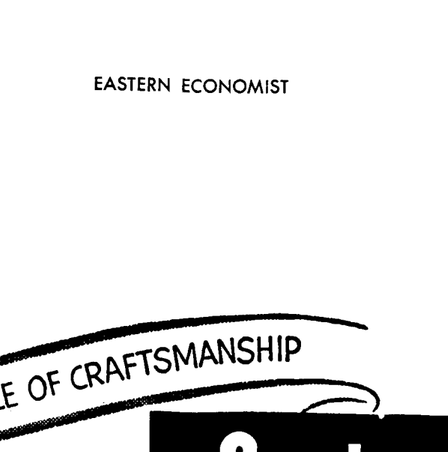
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EASTERN ECONOMIST

FEBRUARY 7, 1964

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The Hard Facts of Economic Life

THE BUDGET Session of Parliament meeting next week will be called upon to face squarely the hard facts of our economic life. The ground has been prepared well. The Winter Session, it will be recalled, was involved in an agonizing reappraisal of our development policies when the mid-term review of the third Plan came before it. Although the doctors differed over the diagnosis as well as the treatment, they were at least agreed that something indeed had gone wrong with the economic health of the nation. The stagnation in agriculture and the arrested advance in industry were alike commented upon and in the case of the latter at least it seemed to be the general view that measures could and ought to be taken in the coming months to stimulate the economy. This opinion seems to be held particularly clearly and firmly by the Finance Minister.

Mr. Krishnamachari, in fact, has been perseveringly playing on the theme of economic revivalism in the past few months. Through a series of deft policy decisions in individual matters he has succeeded in building up a national awareness of the problem of stimulating the economy. In the process he has also roused expectations in the people that the Budget he will be presenting at the end of this month will offer a dynamic strategy for stepping up investment, production, employment, and consequently, economic progress and social welfare. It follows that not only our people but also people in other friendly countries who are assisting us and are interested in our industrialisation and economic improvement will be grievously disappointed if the Budget fails to provide a positive and purposive direction to the future course of the national economy.

Meanwhile, or rather simultaneously, another major thought has also come to influence the mind and the mood of the nation. It is possible that Dr. Lohia's notorious "three-anna" controversy has had something to do with this, but that apart, if the United States, in spite of its being the richest country in the world, has to worry about the "American poor" in its midst, it is only right and proper that this country, which contains within it so much of the massive Asian poverty, ought to be always painfully conscious of its problem of mass destitution. From this point of view the recent emphasis on the reduction of economic inequalities and the progressive elimination of concentration of wealth and economic power, to which the discussions both before and at the recent annual session of the Congress Party had given form and force, must be considered to be at least as relevant to the budget-making in which the Finance Minister must now be engaged as is the other main consideration of stimulating industrialisation and economic growth.

As for Mr. Krishnamachari himself, he has said enough on more than a few occasions to assure the nation that he is aware of both compulsions. Adopting a somewhat unorthodox practice, he has been thinking aloud on some of the propositions with which he will have to come to terms in his Budget statement on February 29. The speech he made in Jaipur some days ago, for instance, has been widely assumed to be indicative of some of the workings of his mind in this regard. In particular, his observation that a man was entitled to the fruits of his labour but a person who had done no work should not have the fruits merely because of the accident of birth, has been interpreted as indicating the possibility of the re-imposition of the Expenditure Tax, and increases in the rates of the Estate Duty and the Wealth Tax. We do not desire to enter into this kind of speculation at this stage, but we would like to make it very clear that our own view is

that the Finance Minister is, on the whole unlikely not only not to do anything in the fiscal field which would impede production or disturb the investment climate, but will also refrain from any move which would even make it seem to informed foreign or domestic opinion that his proposals might have the effect of holding up industrial expansion. We would, indeed, like to go further and suggest that he is likely to produce a Budget which in its totality would be constructive in its approach to and consequences for investment and industrial activities in the nation.

There are grounds enough to make this optimism not only respectable but reasonable. In the first place, no Finance Minister ever taxes wholly for the pleasure of it. It is only when he has to provide for increased spending, which becomes unavoidable in the context of the Government's major policy decisions that he turns to additional taxation after satisfying himself that estimated yields from existing sources of revenue would not give him the further finance needed. On the last occasion when Mr. Morarji Desai imposed a heavy dose of additional taxation, he had some such justification in the form of the sharply increased Defence estimates which he could not have provided for from the then estimated receipts from existing sources of revenue. This year the situation happily is different. It is a fair guess that the expenditure on Defence is, as was to be expected, trailing behind the provisions made for it in the current budget year.

Secondly, budget-making on the last occasion was influenced in its Defence part by the immediate reactions to the large-scale Chinese offensive within our borders. In this respect, again, the context has changed. Defence preparedness would now be viewed as a matter of the long pull rather than of the short heave.

Thirdly—and this is of the utmost importance—it is now possible to view the building up of our defence strength more in terms of strengthening the economic and industrial base than in terms of current spending on immediate programmes of limited military character. For all these reasons it is reasonable to argue that so far as the Defence estimates are concerned there can be no compelling justification for any new tax effort.

Then there is the question of development expenditure. It is being generally assumed that since it has been written into the Plan that development spending has to be stepped up from year to year, the Government has no alternative to imposing fresh taxation in successive budgets. This reasoning, however, is false. It is no secret that the former Finance Minister was fully convinced that the additional taxation he had imposed in the first two years of the third Plan would be sufficient to meet the Centre's obligations so far as the financing of the third Plan through a fresh tax effort was concerned. It is also no secret that, but for the Chinese aggression of November, 1962. Mr. Morarji Desai would not have imposed any substantial new taxation this time last year. We, therefore, do not see how the fact of progressively increasing development spending can be pleaded as justification for a large new tax effort this year. On any reasonable view of the case, the natural and normal growth of receipts from existing sources of revenue should see the Government through such increased commitments as they might assume in respect of development spending in the fourth year of the third Plan. Any other course could only mean that the Centre would merely be transferring to itself an unjustifiably large part of the burden of finding resources which State Governments have assumed as their obligation towards the fulfilment of the third Plan. Mr. T. T. Krishnamachari has been credited with the idea of introducing some degree of discipline in financial management in the areas of State Governments and public sector undertakings. If he means business, he should demonstrate it by resolutely declining to burden the Central Budget with the undischarged liabilities of those institutions or agencies.

We have been considering so far whether any new tax effort would be justified in the coming financial year and we have been led to the conclusion that there cannot be any. It is now desirable to ask ourselves a further question whether it is possible for the Central Government to contemplate reliefs and concessions in taxation to any significant extent. We would suggest that the possibilities are there and that they ought not to be ignored. Here we are firmly of the opinion that the poorest country (for its size and population) in the world ought to be ashamed of itself if it does not take a leaf out of the book of the richest nation in the world. Let us recall what the U.S. President had to say in his recent budget message recommending to Congress what he described as "a budget of economy and progress." President Johnson said:

> "In formulating my budget, I have been guided by two principles: I have been guided by the principle that spending by the Federal Government, in and of itself, is neither bad nor good. It can be bad when it involves overstaffing of government agencies, or needless duplication of functions, or poor management, or public services which cost more than they are worth, or the intrusion of government into areas where it does not belong. It can be good when it is put to work efficiently in the interests of our national strength, economic progress, and human compassion.
>
> "I have been guided by the principle that an austere budget need not be and should not be a standstill budget. When budgetary restraint leads the government to turn its back on new needs and new problems, economy becomes but another word for stagnation. But when vigorous pruning of old programmes and procedures releases the funds to meet new challenges and opportunities, economy becomes the companion of progress."

We very much hope that Mr. Krishnamachari too would approach the task of budget-making with this wholly admirable sense of frugality. We have heard a lot from political platforms about the national necessity for avoiding individual extravagance or social waste. We have heard it said that the rich should refrain from conspicuous consumption, the middle class practise thrift and even the poor reconcile themselves to sharp deprivations. Is it not only fair that the people in turn should demand that the Government too must observe similar restraints? In the past it had been the practice of successive Finance Ministers to come forward with

plausible pleas for not cutting down expenditure. We hope that the Government will not persevere in this cheap deception. The point that President Johnson stressed, namely the high desirability of releasing funds (currently mortgaged to wasteful or sterile spending) for the fulfilment of new needs or the exploitation of new opportunities, is extremely relevant to the Indian situation today.

The Finance Minister is well aware that sermons cannot stimulate production or new industrial activity. There can be no substitute for incentives. India must bid for investment capital in world markets and it, therefore, necessarily follows that Indian fiscal policies cannot be at gross variance with fiscal policies in capital-exporting countries. In other words, if the tax burden on investment or industry is reduced in the United States or Britain or other capital-exporting countries, the Government of India too must fall in line, otherwise the Indian economy will be progressively isolated from the fertilizing stream of world capital movements.

This, however, is only part of the story. Foreign capital is essential, but there has to be matching domestic capital so that foreign capital can be inducted into this country's industries. In any intelligent fiscal policy designed to promote economic expansion it is therefore necessary to ensure that the economic climate is good alike for foreign capital and domestic capital or for foreign enterprise and domestic enterprise.

Earlier, taking heart from the Finance Minister's enlightened and pragmatic statements on the requirements of economic expansion, the capital market in this country had shown some signs of reviving. Lately, the mood seems to have changed for the worse—and this not merely because of pre-budget jitters. There is a heavy feeling in the stock exchanges and elsewhere that, in the name of hunting down "unaccounted money" or dispersing wealth or large incomes, the Government might be tempted to raise the rates of some of the existing direct taxes or even introduce new direct taxes. As a result, recent capital issues relating to essential industries which the Government itself is keen to promote and speed up have failed with the public. Surely if this trend continues or is aggravated by acts of commission or omission in the coming Budget, the Finance Minister cannot expect the Government to succeed in stimulating economic expansion. We would, therefore, urge that the Finance Minister should make an earnest attempt to effect savings in public expenditure of the order of, say, Rs. 200 crores and use this saving to give fiscal relief and concessions both in order to relieve economic pressures of the less well-to-do sections of the community as well as to encourage productive effort among individuals in the higher income brackets and capital formation in the corporate sector.

A Report for Second Thoughts

ALTHOUGH it is more than a fortnight since the Bonus Commission signed and submitted its report to the Government of India and there have been references in the Press to the recommendations of the Commission, it is a pity that the authorities have not yet cared to release the report to the public. In the result, one has to be content with the necessarily scrappy reports in the Press.

Whether the recommendations are precisely as have been published in the Press or not, the reported proposals have already had a depressing effect on the stock markets. From the point of view of the markets by far the most important recommendation is the one concerning "prior charges." From what has appeared in the Press, a few important items of expenditure would appear to have been excluded for the purpose of determining what has been termed as "available surplus." These are believed to be: 1) development rebate, 2) super profits tax and 3) rehabilitation allowance. It is reliably learned that one of the members has taken strong exception to the exclusion of these items and has pointed to the likely consequences of such exclusion on the continued efficient functioning of industrial undertakings in the country. In the absence of the reasons that prompted the Bonus Commission to disallow these items, as also the stand taken by the dissenting member, it is not possible to offer any useful criticisms at this stage. However, if, as reported, these items have been excluded for purposes of computing "available surplus," the future of our industrial undertakings would certainly be seriously jeopardized. By reason of the far-reaching implications of the reported exclusion of these items, it is perhaps necessary to urge the early release of the Commission's report, so that the investing public may have an opportunity to make known its views before the Government takes action on the Commission's recommendations.

Another important question which is believed to have led to differences of opinion among the members of the Commission is that of the return on paid-up capital and reserves. The reported recommendation is said to be a return of seven per cent on paid-up capital and four per cent on reserves. The claim is made that this represents an increase over the Labour Appellate Tribunal formula of 1950. It is not clear from the reports in the Press whether the so-called increase from six per cent to seven per cent is from six per cent tax-free, that is 8.5 per cent taxable to seven per cent tax-free; in case the seven per cent is taxable, it would amount only to 4.9 per cent tax-free. In other words, instead of there being any improvement in the return, there would actually be a deterioration. Similarly, the proposed four per cent taxable return on reserves compares unfavourably with the four per cent tax-free that was available under the 1950 formula. Surely, considering all the changes that have taken place in the economic climate and in the yield pattern in the capital market, he would be a bold man, indeed, who could accept the reported percentage figures of return on paid-up capital and reserves as a fair return.

Many would naturally be interested in knowing

whether the Commission's recommendations are proposed to be made applicable to all industries in the same way, or whether the peculiar situation and circumstances of certain industries, like Mining and Plantation, not to speak of export industries like jute, have been given due weight in the application of the proposed bonus formula. Equally important would be the stand of the Commission on what should eventually be the pattern of bonus payment, in other words whether it should be based merely on profits or it should be also linked to productivity. Admittedly the linking of labour's earnings to productivity presents some difficulties, but these are not insurmountable and have, in fact, been overcome by the industrially advanced countries. If we have to compete with the manufacturers of these countries, as we must, in the world market, we will only be postponing the issue at our peril by refusing to face facts now. It is to be hoped that the Commission's report would throw some light on these and other crucial issues.

China's Other Offensive

YEARS AGO, *Eastern Economist* advanced the thesis that the Chinese have been India's traditional rivals. This is understandable, because both India and China have to contend with large populations and limited resources necessitating the emigration of large numbers of the nationals of both lands to other lands, far and near, in search of work and wages. The Chinese and the Indians have been confronting each other in many climes but mostly in South-East Asia. In these countries, both Indians and Chinese have now lived for generations, but, by and large, there are today more Chinese abroad than Indians. This may of course be explained away by the fact that the pressure of population in China is relatively greater; the Chinese are polygamous and, are, for that reason, perhaps more fecund. There is one other feature that distinguishes the two nationals. Whereas the Indians are mainly traders, the Chinese are for the most part craftsmen—carpenters, washermen and shoe-makers, etc.—and small cornershop merchants. As between the Indians and the Chinese living abroad, the Chinese are known to work harder and they are preferred, as evidenced by the fact that, almost everywhere, especially in Hong Kong and Singapore, one comes across more Chinese than Indians in the skilled trades in particular.

Until recently, the rivalry between the Indians and the Chinese did not become manifest but, thanks to China's recent aggressive postures, there seems to be a systematic and sedulous move, on the part of expatriate Chinese, to elbow out Indians, wherever possible. This is only to be expected, but what is surprising is the concerted bid that the Chinese have been making to gain a foothold in Africa. Communist China now sends out its citizens in large batches as experts (mostly agricultural) who, thanks largely to Africa's unexploited resources and its virgin soil, are able to produce demonstrable results, unlike in their own country. Equally naturally, they depict not only the erstwhile colonial powers of the West but also Indians as exploiters.

The powers-that-be in New Delhi are probably aware of all these developments. If they are, they have not taken the Indian people into their confidence. On the other hand, speeches made by some top-ranking Indian visitors to African countries of late confirm the suspicion that they are blissfully unaware of the many happenings in this part of the globe and their far-reaching implications to our people living there. For example, whereas we have been still considering requests of well-meaning African statesmen like Sir Ahmedu Bello, Sarduana of Sokoto (Western Nigeria), and of several other friends before him, to start joint industrial ventures, the Chinese have already gone ahead with all-out offers to help Africans, while the Japanese have done even better by sending a group (10) of cotton textile firms with the blessings of the World Bank, to establish a new cotton textile mill—Arewa Textiles Ltd.—in Nigeria in collaboration with two Nigerian development institutions. It is not clear what is preventing our Government and our industrialists (with rare exceptions), from taking a keener and prompter interest in the economic development of the newly independent States of Africa. In relation to both the Western colonial powers and the Chinese, we have certain advantages. For one thing, many Indians have been living there for some time and have been participating in the economic life of Africa. They know the local people, their languages and dialects. And quite a few of them have built up fortunes, for which one can think of no better use than such joint Indo-African ventures. While we have done everything in the past to prevent these fortunes from being brought to India, when the going was good, by our foolish and unimaginative tax laws, one new African State after another has since started putting innumerable obstacles in the way of repatriation of these fortunes. Finally, India's offers of economic aid will not smack of "neo-colonialism" in the eyes of the newly independent African countries which the Jeanneny Report has so vividly defined and condemned.

Notwithstanding all these inherent advantages, we have allowed the sands to run out. By doing so, we are not only denying ourselves a great opportunity but also letting a new powerful bloc—Sino-African—to grow up before our very eyes. Apparently China's drift away from Russia has prompted her to cultivate Africa and she has not been slow to make the point that, since both China and Africa are non-white, their destinies may be common (or is it Communist?)

Highlights of the Week

AN EVOLVING DEMOCRACY

DEMOCRATIC institutions in India are beginning to acquire a distinctive character of their own. If much has been said in disparagement of summit socialism—socialism achieved, that is, without a class struggle—a great deal has also been written abroad—often snottily—about the ineffectiveness of democracy which is imposed from above. Thus,—the argument runs—women do not make creative use of the equality which is given them from on high and for which they have not fought. Likewise, urban workers, who get wage increases from State awards rather than by collective action, cannot make up a successful trade union movement. Underlying this fallacious argument is a superstition of known provenance that suffering and violence alone chasten and discipline, and it has been falsely abstracted from experience in other historical contexts.

A foreign observer once mocked that the crowds at elections, as indeed those that visiting foreign dignitaries attracted, did not signify either political consciousness in Indians or any awarness of affiliation. Further argument—one supposes—directed against the experience of India where the State has been used as an instrument of progress both political and economic! The Nagaland elections, successfully conducted without clenching of fist and flexing of muscle, gives the lie to this view. The State in India has thus progressed beyond the rather restrictive image of it that exists in the minds of political theorists in Western democracies; it has become a creative agent which gives the people not only what they want but also what they ought to want. If nothing else, the Naga elections should serve to popularize the concept of equality as between men and women, for the Tribal Councils in this patriarchal society deny Naga women this privilege. Gaily decked women turned out in large numbers not only to vote but to watch this festive occasion.

The first general election to be held in Nagaland after its formal inauguration as a State of the Union proved to be an occasion for much enthusiasm and ended a week ahead of schedule. Details are now available about the election briefly noted in the January 24, 1964 issue of the journal. Despite threats from the hostiles, who would have liked to frustrate this opportunity given to the people of the State to elect their own leaders, the voters mustered in their thousands to exercise their new-found right of franchise. The unique occasion set new tasks for the administrative machinery in the State. A draft electoral roll was prepared and was adopted after suitable amendment and officials who were headed by Mr I. Sashimeren Aier, the Chief Electoral Officer and himself a Naga, received the requisite training for conducting the election. Polling stations were improvized in schools and post offices and even a cinema hall, we are told, was pressed into service. In all, 206 polling booths were set up in the 40 electoral constituencies carved out of Kohima and Mokokchung for the benefit of the 123,156 voters in the two districts. Tuenoang, the third district in the State, is a backward area and will not have general elections for another six years.

Campaigning in the State was vigorous and followed a recognizable pattern that has become familiar elsewhere in the country after three general elections. The occasion was marred by none of the dubious results of political sophistication, such as impersonation or doctrinaire electioneering which sometimes leads if not to violence certainly to bitterness. These—and it is a happy thought—are not necessary concomitants of democracy. No untoward incidents which detract from the fairness of the elections were reported. The rate of polling was more than impressive for a State where the people were being enfranchised for the first time. Curiously enough, voting was heavier in the rural areas—often at as high a rate as 95 per cent of the electorate in some constituencies in the Mokokchung district—suggesting a greater degree of political consciousness in the rural than in the urban areas.

The Naga Nationalist Organisation, which was provisionally in power before Nagaland was brought under the purview of the Constitution and thus into the mainstream of the country's political life, fared rather well capturing 33 of the 46 seats in the State Assembly. Fourteen candidates from the ruling party including four Cabinet Ministers were elected unopposed and the Tuensang regional council chose six members of the State Assembly by indirect election. The 59 candidates who contested the remaining 26 seats included Independents and many members of the Democratic Party who were headed by the retired IAS official, Mr. A. Kevichusa, and 11 of whom were eventually declared elected. Two Independents were elected and they have come out on the side of Mr. Shilu Ao's party, thus increasing the ruling party's strength to 35 in the 46-member Assembly.

THE SCIENTIFIC ATTITUDE

THE LATTER half of January witnessed a series of international and Commonwealth conferences and symposia which met in this country to discuss scientific and technical matters of common interest. To begin with, India played host to scientists from six countries who are represented on the Executive Committee of the Commonwealth Defence Science Organization. Formed in 1949 and called the Commonwealth Advisory Committee on Defence Science, it has had five meetings in the U.K., India, Canada and Australia. It has since been re-named and re-organized; the 1964 conference held in Kanpur and New Delhi was the first meeting of the new body. It organized a valuable symposium on corrosion research including aircraft protection, environmental studies, inhibitors and underground corrosion, and in its Delhi session, the Executive considered problems of Commonwealth interest bearing on military communications through satellites located in space.

The Indian delegates to the Conference rightly emphasized that defence research in this country was more preoccupied with the problem of equipping its fighting forces with the minimum conventional weapons and ancillaries for purely defensive uses; with the utilization of indigenous resources for this purpose; and also with problems of mountain warfare. Neither the country's financial nor its scientific man-power resources would permit her do more and wastefully to duplicate rudimentary research on rockets, satellites and other such sophisticated weapons—a stage, moreover, that has been left well behind in the more advanced countries. The CDSO, which primarily serves to coordinate scientific work on defence matters, was also called upon to consider the problem of defence science in developing countries and initiate a joint study of the problem of warfare in extreme conditions for their benefit.

Electronics

Lord Mountbatten (who would have suspected that he began as a radio engineer in the Navy?) was also visiting the capital not only for reasons of personal sentiment but for a "scientific" purpose. He is the Charter President of the Indian Division of the British Institution of Radio Engineers which is shortly to be renamed the Institution of Electronic and Radio Engineers in recognition of both its international character and of the growing importance of electronics in the modern world. As Chairman of the Bri-

tish National Research Electronics Council, he, too, was preoccupied with what he called the "retrieval of information" from the mass of learned papers and research reports in sifting which the specialized staff, however qualified they might be, would soon be unable to do without an electronic computer. In an after-dinner address to the Indian Division, Earl Mountbatten declared that the demand for the electronic computer which had a vital role to play not only in automation and control of machinery but in testing equipment was bound to grow faster than that for radio transmitters which was rising at the rate of 15 per cent. per year in the world market. No manufacturer could now afford to begin without assimilating the fruits of international research on electronics and without the man-power trained in the specialized techniques devised by such research. International co-operation in science was the answer and the Institution of Electronic and Radio Engineers was part of that answer.

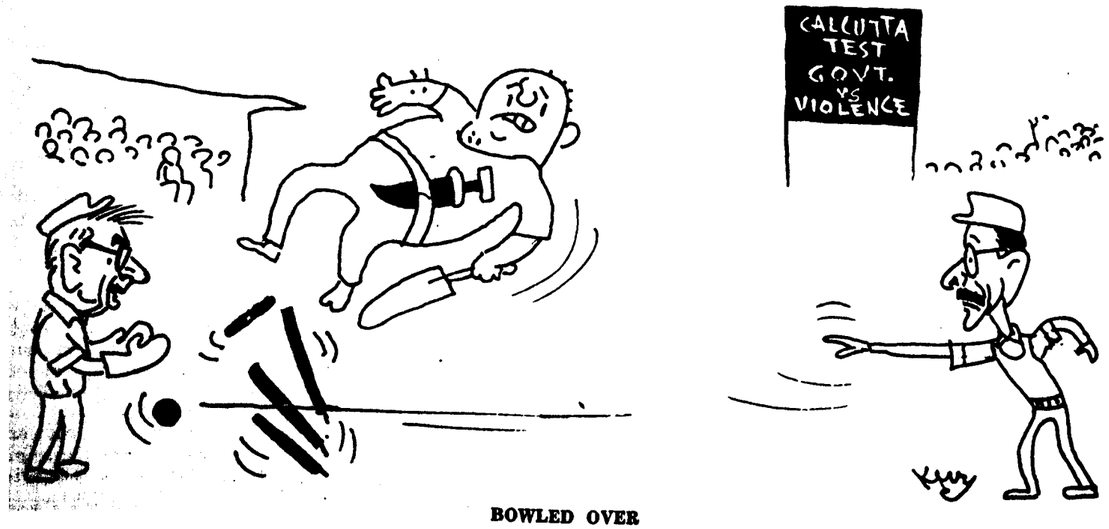
Ten countries, all members of the Commonwealth Telecommunications Board, are also now in session to consider the development and maintenance of joint telecommunication facilities and to exchange technical information and the results of research. India has asked for a financial review of the existing arrangement for sharing of costs among members under which, she feels, she has been bearing a relatively heavier share of the total costs. All these conferences were, however, limited by a functional scientific purpose.

Pugwash

The Pugwash Conference on Science and World Affairs, which met at Udaipur between January 27 and February 1, surely represents an outstanding consummation of the scientific attitude. The age of the pursuit of self-definition under mutually exclusive political ideologies was over when Wittgenstein announced that philosophy was at an end and what remained were only the physical, natural and social sciences. Under the pressure of conformism, a scientist as indeed anyone else is often compelled to and must perhaps relate himself to his tradition or belief and define himself in terms of it; but on him has also devolved the task of seeing beyond the deadlocks that beset the rival political and social systems of today. And the Pugwash scientists have done this admirably by facing up to this responsibility. It was Einstein and Bertrand Russell, one a scientist and the other a philosopher, who were the principal signatories to an appeal made in 1946 by scientists the world over to heads of States in various countries warning against the dangers of the nuclear war that modern science had made possible. There have since then been memorable appeals for peace by dissenting scientists the world over.

The Pugwash Conference was attended by 77 delegates from 30 countries. India was represented at the Conference, which received the blessings of many national leaders including President Johnson and Mr. Nehru, by a team of eminent scientists headed by Dr. Bhabha. It has made a variety of recommendations to the United Nations, and its sage counsel epitomizes the wisdom of the Age of Reason. It called for internationalism in economic relations and declared that aid for developing countries, which it described as investment in a better world, must be detached from the context of the cold war. It pointed out that the gap in the standards of life between the developing countries on the one hand and those of the advancing nations on the other constituted a threat to world peace. It suggested that the best way of ending the cold war would be for joint teams, consisting of scientists and youth groups, to devote themselves to the problems of developing countries under UN aegis; the problem of salinity in the Punjab was an example of what could be accomplished in this manner. Also, UN jurisdiction should be established over outer space, oceans outside of territorial waters and Antartica, and the natural resources of these regions used for the benefit of humanity at large.

This group of scientists was not only among the first to suggest disarmament but also argued that the Government funds thus released should be available for the economic improvement of the poorer countries. These measures are surely the beginnings of World Government. Of course, the idea is by no means new. President Wilson proposed it several decades ago, but his idealism, which was a negative reaction against the horrors of war, was still not rooted in the maturity of institutions such as nation-states. Since then, the light, even if it has not become a single shining emanation, has been found scattered among many imaginations, but it was overlaid with, and obscured by, commitment to context-bound ideals. For instance, Bertrand Russell has always held that World Government was the only logical solution for the problems of our world. The inevitability of a supra-national authority has brought the world nearer the ideal and the recommendations of the Pugwash Conference afford a practical means by which it could be realized.



BOWLED OVER

The Working of Parliament

K. SANTHANAM

Next week Parliament will assemble in budget session —in many ways a continuation and in some ways a sequel to the interesting, and often exciting, work done in the previous session. In this article, Mr K. Santhanam considers some of the controversial aspects of the working of the two Houses on the previous occasion and draws important lessons for the proper functioning of parliamentary institutions.

In the next article, Mr A. K. Mukerji recalls some of the highlights of the last session in an effort to suggest that the story of Parliament is a continuing record of the nation's confrontation with its destiny, with the pauses between sessions being but mechanical breaks.

THE INDIAN Parliament is the ultimate guardian of national security, integrity, economy and social welfare of the people of this country. It is therefore of supreme importance that the working of Parliament should be such as to secure efficiently all these objectives. If the proceedings of Parliament are allowed to become ineffective or incoherent in these early years, it will imperil the future of Indian democracy.

I am afraid that sufficient attention is not being paid to a proper organisation of the business of Parliament. Its work may be broadly classified into legislation, budget and financial control, critical discussion of policies through motions and eliciting important public information through questions.

Obviously, legislation is the most important of these tasks. It is in this field that the functioning of our Parliament is the weakest. For instance, during the last session, four important bills were introduced, three in the Lok Sabha and one in the Rajya Sabha. Of these, only the Companies Amendment Bill has been treated with some care. It was referred to a Select Committee consisting solely of the members of the Lok Sabha. Ultimately, one of the important amendments made by the Select Committee with the approval of a majority of the Congress members of that Committee was reversed. It was passed by the Lok Sabha on the 17th of December and pushed through the Rajya Sabha on the 19th.

Needless Rivalry

In this connection it is necessary to point out that a needless spirit of rivalry and hostility is being allowed to develop between the two Houses. In the Constitution, the Rajya Sabha is placed on an equal status with the Lok Sabha in all matters except the voting on budget demands and the final passing of money bills. Even with reference to Appropriation and Money Bills, they have to be discussed in the Rajya Sabha and its recommendations have to be considered by the Lok Sabha. Therefore, there should be no hesitation in giving an equal status to the Rajya Sabha in all Committees. The Lok Sabha excluded the Rajya Sabha in the Select Committee on the Port Trust Bill, and as a protest the Rajya Sabha referred it again to its own Select Committee, though it agreed not to delay the bill. When the Companies Amendment Bill was referred to a Select Committee of the Lok Sabha alone, there was a great deal of indignation among the members of the Rajya Sabha, and it was only party discipline which prevented the setting up of a second Select Committee of the Rajya Sabha and the consequent postponement of the measure to the next session. I consider that such cavalier treatment of the Rajya Sabha is wrought with peril for the future, and I earnestly hope that party discipline will not be unwisely used to establish an artificial pattern of relations between the two Houses, which may prevent the evolution of harmonious working of Parliament.

Returning to the issue of legislation, there is no justification for not setting up Select Committees for the Gold Control Bill or the Press Council Bill, which were introduced in the last session. It is to be hoped that the Government intends to move for reference to Select Committees in the Budget session so that the bills would be adequately discussed in the next Budget session. Hasty forcing of legislation through the Houses at the end of a session virtually converts law into ordinance and is opposed to every tradition of parliamentary democracy. In the old Indian Legislative Assembly, there was no limit at all to speeches on Bills. Even though it may be necessary, in view of the present size of both Houses, to limit the time allotted for bills, to restrict them to two hours or three hours is to reduce law-making to a farce. In every session, legislation should be given the first priority and the first weeks should be devoted to it.

Under the British Cabinet system which has been adopted in our Constitution, the Parliament has no effective control over budget and finance. Bulky budget papers are distributed and much valuable information is given. Sometimes the Cabinet may yield to popular demand, especially if it comes from the ruling party, in respect of minor items of taxation, but, by and large, budget and financial measures cannot be changed without forcing the government to resign, which is inconceivable at present in India. Therefore, the only way in which Parliament can usefully deal with the budget is to divide the time allotted to general discussion, discussion of demands and discussion of the finance bill into discussion of general grievances, criticism of particular expenditures, and scrutiny of general financial policies. At present, the same points are repeated endlessly in all the three stages, and it is no wonder that many members choose to spend the time in the lobbies and the Central Hall, rather than follow the proceedings. A considerable number even go away from Delhi. To make Parliament attractive to the members themselves is perhaps the most important problem which the Speaker and the Chairman should tackle in consultation with senior members. The only way of effective financial control is to have Standing Committees for each Ministry or Department, as the case may be and insist on all new proposals being approved by those Committees.

Criticism of the economic and social policies of Government through motions sponsored by the Government or by the opposition is undoubtedly an important function of Parliament. But there is a tendency to have many general discussions in every session with the result that none has much effect. It will be a good convention if there is to be only one serious discussion in each House during any session. It is also desirable that the same subject should not be discussed in both Houses in the same session. In this connection, I may point out that the usefulness of these discussions is often lost by having too many speakers, especially from the Congress benches. It is a reasonable desire on the part of every Member of Parliament to speak at least once during a session, and in order to meet this desire some special motions, say for discussing general grievances, may be moved during which only five-minute speeches will be allowed. In all other motions on serious problems, only carefuly selected speakers should be put up, so that the debates may be instructive and of a high order.

The Question Hour is certainly an important source of obtaining valuable information from the Government. But unfortunately, there is a tendency to convert each question into a lengthy discussion. Some Members try to convert a speech into a question by stringing a series of allegations in the form of a single supplementary. The Speaker and the Chairman are naturally anxious to treat these Members as generously as possible. But this often results in reducing the number of questions which can be answered. Further, the practice has grown of asking questions on very minor matters like the working of

small government servants' co-operative stores, or the grievance of a remote railway clerk. The questions should be confined to problems of national importance for which the Central Government is responsible. To load the Question Hour with innumerable and insignificant questions amounts really to helping the Government evade having to face questions on more important public issues.

The working of the Indian Parliament at present is largely dependent upon the working of the Congress Parliamentary Party. The large number of members comprising the party makes it difficult to make it effective. Some feeble attempts are being made to have party Standing Committees for various Ministries, and now and then some discussions take place with the Ministers concerned. The party executive also can make itself felt on crucial occasions. But it is no exaggeration to say that the Congress Party in Parliament is a large, loose, and flabby organisation which functions rather fitfully and incoherently. Here again, I feel that the setting up of regular Standing Committees in the place of Informal Consultative Committees and party committees will be a great blessing to the Congress Party, while it will give honourable and useful work to members of the Opposition as well.

Doing the Left Twist

A. K. MUKERJI

WITH WIDE-EYED men (and a few women too), literally on the rampage, and those not merely in the ranks of the Opposition, whether Left or Right, but also twelve to a dozen among the Congress members too, the last session of Parliament was so much of a mad hatter's race in both the Houses that the headlines it hit in the newspapers for five weeks at a stretch might seem to sum up the soul of its substance. Actually, however, nothing could be more misleading as a conclusion. Neither the Opposition as such nor those on the Congress benches taken as a whole quite crowned themselves with glory, except negatively in some sense. The palm really went to the Government, to Mr. T. T. Krishnamachari in the main.

For the first time during the last six or seven years, if not a decade, it indeed looked the Government was in dead earnest about getting on with the job needing to be done. Opinion is bound to differ—and does differ for very good reasons—on whether what the Government sought to do was wholly right or properly conceived. Doing the Left twist was any way rather out of character for it. Nevertheless signs were unmistakable of a promising break with the confused admixture of good intentions at the level of amateurishness and downright shoddy thinking that passed for high policy in recent years.

Not to flick the needle too far away from where it belongs properly, it should be noted, however, that the compulsions were also oppressively *compulsive* for the Government to earn its keep on a currency negotiable on new terms. In fact the session began for the Government with a heavy log-book of odds staring it squarely in the face. The pressures and excitements of the monsoon session's no-confidence motion (the first ever to be moved in 16 years of the Congress Party's unbroken rule) had no doubt been laid with the debate that session on *the NEFA report and the evidence* of the Government's vigilance against a repetition of the shame and humiliation of the reverses suffered at the hands of the Chinese last winter. But apart from the fact that the odium that had loomed so large that session needed to be lived down in full, the matrix of a much more serious no confidence vote by the electorate was framed by failures on the economic front highlighted by the Mid-Term Appraisal of the third Plan. A new ghost was stalking ominously.

And, as if with all this and much else besides—the mounting sufferings and discontent of the people—the cup was not already brimful with bitterness, there was the next-to-impossible-to-stem tide of public anxiety and anger over corruption in the administration and, worse still, in high places. Rightly or wrongly, the impression that Mr Nehru was out of step with the widespread demand for intervention, first, in the Serajuddin affair involving Mr K. D. Malaviya and, then, in the affair of Mr Pratap Singh Kairon, the Chief Minister of Punjab, had made the position worse.

How far this soot-black backdrop led the Government to think of a specific strategy and the tactics relevant thereto is a question to which an answer can at best be speculative. But judging by the moves it made and the steps it took during the session, the surmise seems safe that these were part of some sort of a plan, howsoever amorphous and inchoate. On no other assumption does it seem possible to explain what was, to all appearances, a double-pronged drive—a "panzer" movement, more or less, to borrow a terminology from the military vocabulary of the last war.

Ranged, on one flank were the Bills, five of them in a row, which the Finance Minister moved ostensibly to secure his declared objective of putting the Government in "commanding positions" of the country's economy—an extension and variation, incidentally, of the policy of strategic controls he had first put into vogue during his earlier chaperonage of the Finance Ministry. Collaterally, the philosophy, if it may be so called, behind the strategy was proffered in Mr. Krishnamachari's "tour de horizon economic"—his "loud thinking" on the economic situation which some commentators have not altogether inapposiely described as Part A of his budget speech in the offing.

Superb Tactics

One guess is as good as another. But it should not be surprising if it turned out that the Finance Minister (with Mr. Nehru's concurrence, presumably) timed his statement with almost a superb sense of a master tactician. Much has been said—the point was made even in the Lok Sabha by Mr. Nath Pai (PSP)—about how the statement was unscheduled and had not been listed even on the day's Order Papers. More significant, however, is the fact that Mr. Krishnamachari chose to make it on the day following the conclusion of the Lok Sabha debate on the Mid Term Appraisal of the Plan.

Despite Mr Nehru's intervention, and Mr. Krishnamachari's own a day earlier, the debate had on the whole gone against the Government, and the Congress Party back-benchers themselves were far from convinced that the Plan scheme had not come up a boulder. Had it been the Finance Minister's calculated move to counter this overall sense of failure and disappointment, he could not have timed his statement any better. Taken together, the statement and the five Bills contrived to give the impression both of new activity on the economic front and of a break with a dreary past.

On the other flank, the Home Minister, Mr. Gulzari Lal Nanda, strove to contain the outcry against corruption. After much beating about the bush, the Das Commission was appointed to go into the Kairon Affair, the announcement about it coming at a time not too far away from the opening of the session. Then followed talks on vigilance and of a machinery on the lines of the Ombudsman in the Scandinavian countries both on the floor of the two Houses and in the Informal Consultative Committee of Parliament. Eventually, the announcement was made, setting up a Vigilance Committee for combating corruption, even if only in so far as it obtains in the services at various levels.

In this conspectus, the Finance Minister's programmatic (partly ideological too) blue-print is the centre-piece that needs close scrutiny. Not to go into details overmuch, the main

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(B) QUALIFICATIONS:

(i) Rural Credit Officers: Applicants should

(a) possess very high academic qualifications of Indian or foreign Universities (preferably post-graduates) in Economics, Co-operation, Sociology or other social sciences and possess degrees which are either first class or high second class. Special study or knowledge of Rural Economics or Rural Sociology will be an additional qualification, **and**

(b) have a minimum of five years' experience in a co-operative department/institution or commercial bank out of which not less than three years should be in a responsible position.

(ii) Economic Assistants: Applicants should possess high second class Master's degree or a first class Bachelor's degree in Economics or Commerce of an Indian or foreign University. Specialised study in Rural Sociology will be an additional qualification. Due weightage will be given to the successful completion of the training courses conducted under the auspices of the Committee for Co-operative training, and/or experience gained in a co-operative department/institution or a commercial bank.

Note: Experience in community development, small scale and cottage industries, marketing, training and publicity etc. will be given due weightage and knowledge of more than one regional language will be an additional qualification.

(C) AGE LIMITS AS ON 1ST FEBRUARY, 1964:

(i) Rural Credit Officers: Candidates should not ordinarily be over 30 years of age but the age limit may be extended up to 35 years in the case of candidates with exceptionally good qualifications and/or experience of value to the Bank.

(ii) Economic Assistants: Between 18 and 24 years.

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

(a) Candidates possessing special qualifications and experience of value to the Bank;

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

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

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

2. Applicants for the posts of Rural Credit Officers must remit with their application a fee of Rs. 7.50 and those for the posts of Economic Assistants a fee of Rs. 2.00 by cheque or bank draft on a **Scheduled Bank** payable at Bombay or by Postal Order drawn in favour of Reserve Bank of India, Bombay. **The application fee is in no case refundable.** In the case of candidates belonging to Scheduled Castes/Tribes the fee will be reduced to one-fourth.

3. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Hyderabad, Trivandrum, Lucknow, Patna and Jaipur accompanied by copies (originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the Graduate and Post-graduate degree examinations and two testimonials should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the **22nd February, 1964.**

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

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

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

7. Selected candidates will have to appear for interviews before the Selection Board at any of the Bank's offices.

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

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

10. Canvassing in any form will be regarded as disqualification.

objective vouched for is to get the economy moving. The basic premise to follow for achieving this end is that success in dealing with our basic economic problems "will hinge on the success that we achieve in stimulating and sustaining production and productivity....."

Obvious truisms but heartening none the less to have them reiterated, more especially since they are interlinked with Mr. Krishnamachari's accent on fostering increased industrial investment in some vital sectors and on promoting an overall higher rate of industrial production, including that in key consumer goods industries like cotton textiles and sugar. Not to leave goodness at this point, the Finance Minister has even gone ahead to announce two salutary relaxations. About 16 commodities of various kinds were freed from price control. At the same time, formalities of industrial licensing and capital issues were waived for enterprises of up to Rs. 25 lakhs.

A good beginning without doubt but whither is it pointed and how far is it designed to go? Rather than attempt to answer the question straight, it is fruitful to go by the clues the Finance Minister has himself provided. Controls have proved inhibitive, yet there is need for constraint on consumption. Credit supply must be adequate, but cheap money is poison. Budgetary outlook for the next year is not unsatisfactory but tax burden cannot be relaxed, nor deficit financing given up. Mr. Krishnamachari is no doubt committed to his stress on the need for "such forms of rationalization of the tax system" as are calculated to improve the economy's performance. But the rider to this is that this must be done "without disregarding the need for raising resources on an adequate scale"—an eloquent euphemism all told.

Loud Thinking

It is not improbable that the Finance Minister's dialogue—loud thinking, as he put it—was in the main with his Cabinet colleagues and the wild-eyed men behind them. As a realist fully cognizant of the implications of the mixed black and white state of the economy and anxious to prove that as the Finance Minister he is keen to have the wheels of the economy moving, albeit with the Government fully in command of all the controlling gears, he has after all to have the party give him the backing he needs. But it is precisely because his compulsions are so great and the limitations no less either that there would appear to be considerable room for misgiving over his obvious attempt to skate on thin ice.

Neither the Socialistic goal (both pre- and post-Kamaraj) the Congress is committed to nor the fact that the Plan is designed to attain that goal (consistently with democracy and without doing violence to the norms of fixed economy, be it stated) is really a matter open to question in this context. What is doubtful is the prudence of even appearing to kow-tow to the whims and fancies of the vociferous wild men and women of the 'Left' inside the Congress—the Menon and Malaviya crowd, for simple.

The risks Mr. Krishnamachari and other realists (not the so-called Rightists) are running by apparently being apologetic about the "Socialism" this irresponsible fringe loudly swears by are already all too obvious in good measure. Nationalization "per se", of banking more specifically, has become so much a fashionable button-hole that at the Congress Parliamentary Party's meeting towards the end of the session the enthusiasts almost succeeded in putting Mr. Krishnamachari and Mr. B. R. Bhagat in the dock.

The pointer is clear and ominous. Unless the realists put their feet down in time, the position might soon be insuperably worse for them—and the country. Let the Finance Minister at least not ignore that in the Press of the Congress 'Left' the hyenas (to use a phrase beloved of the Communists) are already howling for his blood.

The pity is that the situation need not have been so pitiable had the non-Communist Opposition in Parliament been better informed of realism and responsibility, and less disparate, than they apparently were throughout the session. The worst confusion was on the economic measures—the major proposals and policy indicators of the session. Barring the Swatantra Party and, to some extent, the Jan Sangh, the Opposition appeared in the main to be preoccupied in proving how much more vociferously they could go as far as if not further than the Communists. Going 'Left' with the Congress was easier still.

Missed the Bus

Even the Swatantra Party and the Jan Sangh spokesmen missed the bus because they either failed to see or were unprepared to acknowledge that antiquated slogans relevant to different times and different climes were not only unavailing; they were also out of focus in the context of Mr Krishnamachari's obvious bid to hasten slowly with, if not to hold, the progressivist's axe on the private sector. Mr. Masani, for instance, lost the game by taking up the extremist possible stand that could not but alienate quarters he could otherwise count on for support. This is true particularly of his contribution to the debates on the Plan Appraisal and the Company Law (Amendment) Bill, on both of which he had much to say that would, it is to be hoped, be pondered over irrespective of who it came from.

But lapses on the part of these so-called Rightists were minor compared to those of the Socialist phalanx (minus the Communists). Almost uniformly they left unattended the main job of proffering an alternative to the Government's prescriptions and panaceas. Even such a stalwart as Dr. Ram Manohar Lohia mostly went about hunting, as it were, for evidence to prove how T.T.K. was out to give succour to Big Business and how much of the people's money Mr. Nehru arrogated to himself or deployed for the benefit of his cohorts. For the rest, they were more equal than the equals—the Communists and the Congress "Left". No case was either soundly built or demolished by them, nor by the avowedly sea-green 'Left' incorruptibles. But the vote was cast for cutting the canal for bringing the crocrodile in, as a saying in Bengali goes.

This penchant for swimming heftily in the Socialist (?) stream extorted heavy wages even when the Opposition (non-Communist) faced some of the more complex, non-economic, political issues. A case in point was the amazing near-identity emotionally, if not ideologically, with the Communists which the P.S.P. and Lohia Socialists, even some Independents, exhibited by the furore they kicked up over the extension to the Indian Ocean of some units or vessels of the US Seventh Fleet.

With all the concern they have for throwing the Chinese out and for meeting the Chinese threat, the Sir Galahads among the ranks of this group of Opposition indeed took up on the issue a position more adolescent than mature. Mr Nehru's stand — that there was no threat either to India's freedom or to the policy of non-alignment and that ships cruising in high seas beyond our territorial waters were anyway no concern of ours—was maturer by several measures, to put it frankly.

Only on the Bill seeking an extension of the Preventive Detention Act and on the issue of corruption the Opposition's record was less bleak. But how? The peak of the Opposition stand on Preventive Detention was reached on the last day of the Rajya Sabha's session when Mr. Atal Behari Vajpayee (Jan Sangh) threw out a challenge to the Home Minister

either to prove or to repudiate the Punjab Home Minister's recent allegation that certain Opposition parties were working in collusion with some foreign powers to subvert the Nehru Government. Mr. Nanda, of course, neatly (or is discreetly the proper word?) side-stepped the challenge. But for once it looked that it had been made difficult for the Government to get away by such subterfuge. Mr. Vajpayee announced the decision to go on fast until the serious allegation made by the Punjab Home Minister was properly sorted out.

But leave alone the fact that Mr. Vajpayee's threat to go on hunger strike was in effect a threat to exert extra-parliamentary pressure to secure a point found difficult to be pressed home with the Opposition's minority vote, Mr. Nanda scored quite comfortably on a couple of sizable counts. The provisions of the Act were less vigorous than those of the Defence of India Rules and Act; so long as anti-social elements and those given to violence were abroad, there was moreover need for a measure that offered prompt check without going through the time-consuming processes of ordinary laws. Despite the Communist furore (which was joined in, among others, by Mr. Tariq, a reputed protege of Mr. Krishna Menon, whom Mr. G. S. Pathak, a Congress M.P. and another one-time Menon-favourite, urged to go to Pakistan!) and the Communist-Lohia Socialist walk-out in the end, none of these points was really convincingly answered by any one in the Opposition.

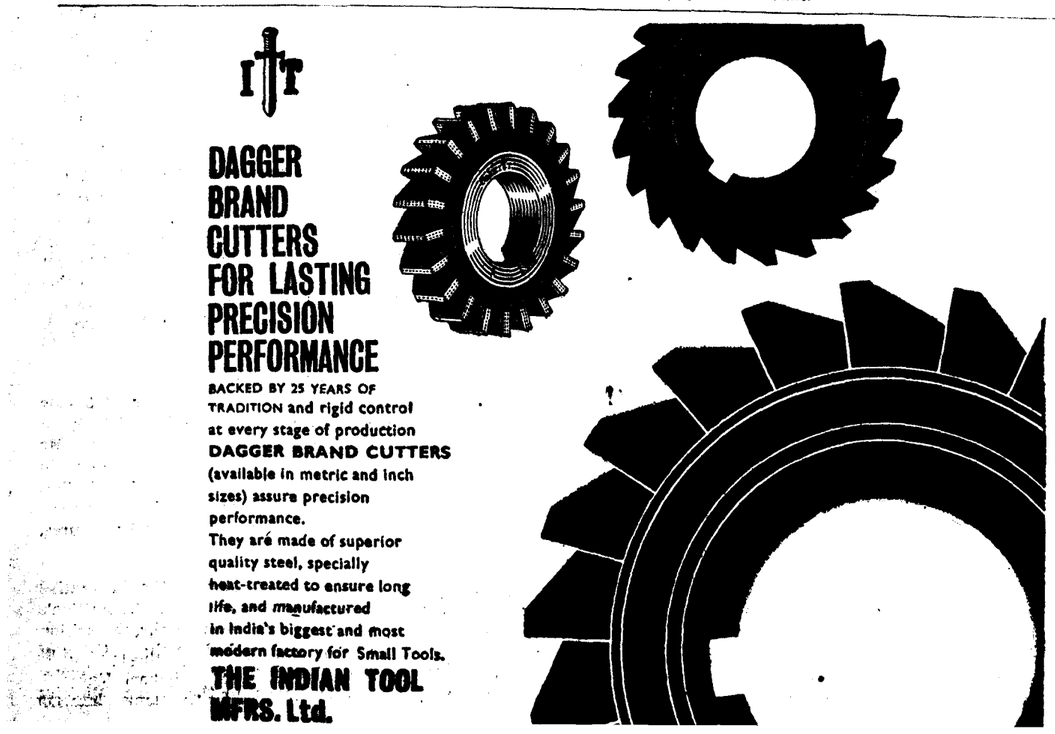
The position was slightly better when the Opposition came to tackle the problem of corruption—an issue the discussion on which should, as Dr. Ram Manohar Lohia pointed out, in propriety have been raised by the Government but was instead left to be raised through non-official motions moved by Mr. Prakash Vir Shastri (Independent) and Mr. H. V. Kamath (P.S.P.), the latter through his motion on Ministerial perquisites. The debate (inconclusive) on both the motions was lively, Dr. Lohia and Mr. Shastri displaying themselves as Opposition sledge-hammers true to form.

But the end-result of their otherwise admirable exertions was to add precious little to what the man in the street already knows full well and feels strongly about, although the Socialist leader's quip about there being a "rule of whims" rather than the rule of law in our country might provide a good talking point to many. In any case, it seems difficult to understand whose interest Dr. Lohia served by doling out the thesis that corruption was inherent in the social virtue we traditionally attach to one's helping and being helped by one's relations and friends.

Running Down Nanda

Not un-understandably, the Opposition was united in running down Mr. Nanda's effort at curbing corruption through the Vigilance Commission which the Government, towards the close of the session, decided to set up. Corruption in high places —in political high places, to be precise—is outside the scope of the Commission. Even so as a first step towards doing something to curb the no less rapacious corruption in the services the appointment of the Commission certainly deserved to be welcomed.

The Commission is not free from lacunae. To take one example, although in appointing the Commission the Government has taken the initiative for implementing the recommendations of the Santhanam Committee, the vital task of carrying out administrative reform is proposed to be left to a body to be set up some time in the near future. Likewise, the Santhanam Committee's suggestion about receiving direct complaints from the public is to be implemented only when an Ombudsman-style of institution is set up. Nevertheless, with all its drawbacks the Commission has two distinct points to commend it. Though designed to function in an advisory capacity, its recommendations will have for the Government the force of the decisions of the Union Public Service Commission. The Commisison has, moreover, been empowered to investigate into any complaint of corruption or lack of integrity against any public servant.



WINDOW ON THE WORLD

Inflation in Western Europe

From Our Special Correspondent

PARIS.

M. ROBERT MARJOLIN, vice-president of the ECM Commission, speaking in Strasburg recently, has issued a serious warning to the six governments of the Common Market about the danger of "letting inflation instal itself permanently in our Community." Underneath the continued vigorous expansion of the Common Market economy, the signs of inflationary pressure are becoming more evident each month. True, production is still rising, as it has been since 1958, commerce is expanding and dollar inflows are excellent (when one counts in private capital arriving from abroad). And on all these scores, the outlook for 1964 is encouraging: the probable increase in the Community's gross national product for this year is 4.5 per cent, against 4 per cent last year.

On the other hand, production costs are rising, prices in many sectors have soared, the balance of payments on current account has deteriorated and the competitive position of the Community is in jeopardy. Though these are the classic symptoms of inflation, the situation is not serious as long as the expansion of world trade persists, but at the first contraction the Six would find themselves dangerously exposed. M. Marjolin concludes that firm anti-cyclical action by governments is required immediately, for the Community has all but exhausted its reserves of manpower while the firmer trend in raw material prices removes the cushion that to date has absorbed part of the rise in labour costs. These latter have, indeed, increased enormously in the last few years. Whereas industrial labour charges per unit of output were roughly steady between 1957 and 1959 (except in France), since then they have climbed steeply: between 1959 and 1963 the increase is estimated at 28 per cent in Italy, 21 per cent in France, 20 per cent in West Germany and 17 per cent in Holland. In contrast, in the same period labour costs per unit of output rose only 10 per cent in Britain and actually remained stable in the USA.

As a result, the balance of payments on current account (ignoring the capital flows that could be reversed very quickly) has deteriorated. Whereas transactions on account of goods and services left a surplus of $3,500 million for the Community in 1959, a small deficit appeared last year, and for the current year M. Marjolin forecasts a deficit of between $600 and $1,000 million. Up to 1962, he says, the reduction of the Community's current payments surplus could be considered a useful contribution to international monetary equilibrium, but this is no longer true. The Six are faced with the probability of a large deficit when they need a surplus to finance their long-term exports of capital on private and public account.

Excessive Demand

The basic cause of this unbalance is the excessive growth of global monetary demand in relation to the possibilities of increased production. For a time after the 1959-60 boom, demand for exports and investments did indeed slow down, but private consumption and State spending in the Community continued to rise rapidly, just when the shortage of manpower became acute. Now a recovery in export sales and in investments will add fuel to the fire. Governments have failed to use their budgets in an anti-cyclical sense; on the contrary, State spending has contributed to raising the head of steam. In 1963, as in previous years, current spending by public administrations rose by 11 per cent and investments by 10 per cent—while the gross product of the Community increased by 9 per cent in value and by only 4 per cent in volume. In short, governments have not managed to keep their outlays behind their rising revenues, when the increase in the latter was already due to price-inflation.

Before passing from this diagnosis to the remedies M. Marjolin suggests, one must counter an obvious objection: the vice-president of the Commission speaks everywhere of "the Community" whereas his own figures show that the inflationary menace is patent only in certain member-countries and is, notably, absent in West Germany. Is the "community approach" justified in an affair where counsels of moderation should more properly be addressed to certain individual governments? In reality it is and few in West Germany will question this global treatment of the affair—because they know that integration has gone so far that West Germany would be almost powerless to avoid "importing" an inflation that ravaged her principal trading partners. It is true that the Federal Republic alone among the Six has put the brakes on in time, but in today's Common Market no member can save his skin alone. German policy points the way to the other five, but if they do not follow it the results could be as awkward for West Germany as for them.

Revaluation of Mark?

In this connection, it is noteworthy that the first rumblings of a campaign in favour of yet another upward revaluation of the Deutsche mark have been heard. These were inevitable, for in the increasingly unified market of the six nations discrepant rates of inflation cause distortions that rapidly become embarrassing. West Germany trades with the other five more than with anyone else, so their inflation has caused an immense jump in her trade surplus. Thus, Italian imports from the rest of the Community rose by 30 per cent last year (against 24 per cent the year before) and French imports from the Community by 26 per cent (against 18 per cent), whereas West German imports from the Community increased by only 8 per cent (against 15 per cent). The consequence was that the Federal Republic's surplus in this trade jumped from $555 million to $954 million. Obviously, if this trend were to continue Bonn would have the unpleasant choice between importing inflation from neighbours, or up-valuing the German currency. Incidentally, this time (in contrast to 1961) there would be no question of Holland following suit, for that country is now in the inflationary camp along with the rest. Indeed, M. Marjolin singles it out for mention because of the patent inflationary danger of the boost in wage payments scheduled there for this year—which will be of the order of 15 to 18 per cent.

The case, then, has to be considered from the Community point of view, though the responsibilities for action lie more particularly with Rome, Paris and The Hague. All of them, to be sure, have already taken certain steps but the experts in Brussels are definite that the Italian programme is inadequate and incline to the view that the French stabilisation operation too will have to be made radical. It follows from the diagnosis that the first thing to be done is to reduce State spending throughout the Community. (M Marjolin, by the way, is a member of the French Socialist Party when not exercising his supernational functions in Brussels, so his advice on these points is innocent of arriere pensees.) Budgetary austerity, bringing back State outlays to only 3 to 4 per cent above last year's, is the first requirement in order to compensate for the ebullience of the other

elements in global demand. Those latter, also, must be acted upon by monetary policy designed to limit the growth of liquidities, and efforts must be intensified in search of a wages policy "that will incite various sectors to adopt their claims on the fruits of expansion to the necessities of the hour." To make this last point clearer, M. Marjolin adds that "workers have no interest in obtaining big wage increases that do not correspond to an equivalent increase in their standard of living."

Last year when an authoritative US document asserted that the dollar deficit would cure itself because West European wages and prices were rising fast while American were standing still, it was replied here that this was quite unlikely. It seemed improbable, indeed, that the Continental governments would sit with arms folded while inflation solved the Americans' problems for them at Europe's expense. And in fact, West Germany (where a wages spiral looked imminent a year ago) did move quickly to correct the trend, but similar action was taken much more slowly elsewhere in the region. Paris moved in September, which was certainly too late because the first signs of stabilisation are only now appearing, and, as M. Marjolin points out, it is not yet sure that they are sufficient. In Italy, corrective action was delayed much longer by the prolonged Cabinet crisis in Rome, and the way that crisis was resolved has hindered effective anti-inflationary measures since. Less expected was the break in the sound-money front in Holland at the end of last year, when traditional caution was abandoned for a policy of wage increases as adventurous as have been seen anywhere in Europe recently. In turn, Belgium and more markedly Luxemburg became enmeshed in inflationary toils.

At this point, accordingly, one must be rather less dogmatic than a year ago in rejecting the hypothesis that inflation of wages and prices in the Common Market will quickly restore the dollar's fortunes. Nevertheless, one may hold to the expectation that remedial action will be taken along the lines suggested by M. Marjolin before the situation gets much worse. One's reason for doing so is exactly the internal distortions produced by varying rates of inflation inside an increasingly homogeneous market, rather than the effects of inflation on the Common Market's external trade and payments. In theory the Six could take the line of least resistance and run a global deficit of proportions that the Americans would welcome, but the errant five could scarcely practise tariff disarmament in the face of a West Germany that, alone, was holding its prices steady.

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The Common Market inflation is by no means limited to that Community. The Swiss Federal Council this week sent to the two houses of parliament its plan for a serious (though belated) attack on the inflation that is menacing the Swiss economy. In a country attached to liberal economic doctrines, the Federal Council's suggestions are regarded as "revolutionary" and are being qualified in the Press as leading to "dictatorship" over the economy, as exemplifying authoritarianism, interventionism, etc. These criticisms, however exaggerated, cannot be ignored because, in the Swiss "direct democracy", the Government's mild anti-inflation programme may have to be submitted to popular referendum and at that point the charge that the authorities were subverting the nation's liberal tradition could decide the vote. To the outsider, the Federal Council's proposals appear quite modest, and probably inadequate to stop the deterioration in the value of the Swiss franc, a process that for three years past has been going on as fast as anywhere in Europe except Italy.

Some of the causes of Swiss inflation were outlined here last year ("Inflation and the Swiss", May 24, 1963) but the situation has worsened steadily since. Switzerland is not importing inflation directly from the Common Market, in the sense that there exists a danger that West Germany will import it from the other Five during this year. Most Swiss trade is, indeed, with the neighbouring Community but Switzerland's principal trading partner is West Germany, whose prices have budged least in West Europe. The causes of the Swiss inflation are an ambitious domestic investment effort, and the influx of funds from abroad seeking the security and anonymity of the Swiss banks. This flow of money into a country whose own prices are rising by 3 or 4 per cent annually, and have been doing so since early 1961, is paradoxical: depositors lose purchasing power as fast in Switzerland as if they kept their money at home, it would seem. But they know that there is no chance of the Swiss franc being devalued (an upward revaluation of the currency, rather, would be indicated by the persistently excessive payments surplus, though that suggestion has just been rejected again by the Swiss authorities, no doubt because the country runs a sizable trade deficit). The money is coming, then, from places where a devaluation is feared and that is not the case in France and Benelux, whatever their present difficulties with rising prices.

Direct Intervention

The fact that the influx of foreign funds is one of the major causes of the inflation makes it impossible for the authorities to use the monetary weapon, as has lately been done in France, Holland and Belgium—for higher interest rates in Switzerland, while no doubt discouraging excessive local investment, would bring fresh floods of money from abroad. Even if foreign-owned deposits were denied the extra interest, Swiss banks would be encouraged to repatriate funds or at least would place less money abroad. Because they cannot use the interest-rate weapon, the authorities have turned to a series of direct interventions, designed to channel funds and to limit the expansion of liquidities, and it is these that are held to break with Swiss liberal traditions.

The measures that the Federal Council asks permission to take concern the destination of incoming foreign funds, the quantitative control of Swiss bank advances, and a brake on the building orgy. As to the first, it is (again) proposed that no interest be paid on foreign capital deposited in Switzerland and that, unless Swiss banks immediately re-invest this capital abroad in foreign currencies, it be frozen in a special account with the National Bank. Moreover, it would be legally forbidden to invest any part of these foreign funds in Switzerland itself, whether in stocks and shares, land, buildings or mortgages. Similar measures to scare away unwanted foreign capital are not new in Switzerland (and have indeed been copied by France and West Germany). The novelty is that Berne wants to transform the "gentleman's agreement" between the private banks and the monetary authorities into firm law. For some years past, the Swiss banks have been on their honour not to do any of the things that it is now proposed to outlaw, and this gentleman's agreement was renewed recently. Apparently, the honour system has not worked. Indeed, reputable Swiss bankers have assured me that it is almost impossible to prevent "leaks" of foreign funds into the domestic economy. They say that the big banks honour their obligations, but then Switzerland has almost as many banks as snowpeaks and not all the smaller ones (especially mortgage banks, attracted by the high rates available in building finance) can be relied upon to "sterilise" incoming funds.

The proposal to turn an informal obligation into a legal requirement is causing an outcry because it foreshadows governmental prying into the origin and use of bank accounts, a matter where Switzerland alone has preserved total banking secrecy; in fact, this secrecy is as much an attraction to foreign depositors as Switzerland's supposed stability and security. The authorities reply that the watch over foreign funds would be kept by the National Bank,

not the Government, so there would be no infringement of bankers' secrecy, and only when irregularities were detected would there be question of official enquiry and prosecution. Even so, it is more than likely that this suggestion will be turned down by the Swiss legislators when they debate the Federal Council's anti-inflation plan on February 17. But the proposal may serve the purpose of promoting a more rigid agreement between the Central Bank and private bankers which, while still informal, would have more chance of being strictly honoured in future.

Similarly with the control over the increase in bank advances, there exist "voluntary" arrangements between the private bankers and the Central Bank to peg these at safe limits, but the constant rise in liquidities shows that they are not being honoured. The Federal Council accordingly wants power to enforce limits on advances and mortgage lending, with a fixed annual quota of increase. Swiss business and banking are understandably reluctant to part with their informal, gentlemanly system that keeps overt government intervention to a minimum; they regard even the simplest official regulations, of a sort that are taken for granted in the USA or West Germany, as deplorably "socialist". But inflation is rapidly making nonsense of these antiquated manners. This is sad, no doubt, but it is absurd that a country, where for special reasons, the price of money cannot be raised, cannot exercise some control over the total volume of credit-creation. Inflation has killed more than gentlemanly manners, and if the Swiss seem slow to realise this one must remember that the inflation that began in their country in 1961 is their first direct experience of the malady. Prices, of course, have risen sharply in Switzerland before, as during the World and Korean Wars, but that was due to higher import prices; this is the first time that the virus has established itself in the Alpine confederation.

The alternative is that Switzerland will lose more than certain prized aspects of free enterprise in banking, because the inflationary boom threatens the country's independence. It is being financed to some extent by foreign capital, and relies very largely on foreign labour. There are over eight lakhs of foreign workers in the country (whose population is around five million), which is more than in West Germany, a nation more than ten times as big. To base industrial expansion on inflationary credit, foreign capital and foreign labour is to build on sand three times over, for all of these foundations can be withdrawn at short notice.

It was pointed out in the article of last May already referred to that the main weakness of anti-inflationary action to that date was the absence of any measures to curb the quite extraordinary building boom. The Federal Council now proposes such measures, and it is indicative of the survival of business freedoms in Switzerland that the suggestion that building requires official permits is denounced as "authoritarian" by the Press this week. Till now, indeed, one required to fulfill simple police formalities before building. The Federal Council urges that a permit first be obtained by constructors from the cantonal authorities, and this seems an elementary precaution in countries long fami-



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liar with the contribution house-building can make to inflationary pressures. Further, it suggests that for the next 12 months there should be a total ban on construction of offices, theatres, sports grounds, holiday homes and cinemas, as well as on the demolition of existing housing that can still safely give service.

Considering the seriousness of the Swiss inflation, these measures are not particularly austere, and of course they are liberalism itself alongside the draconian intervention now being practised in neighbouring France to combat price rises not much more spectacular. Measures to neutralise hot money, limit credit creation and curb building are in application all over Europe now, not excluding West Germany. All that is curious in the Swiss case is that this is the first time they have been proposed there as law, and at that (this is what shocks many Swiss) with fines of Rs. 1 lakh attached for infractions. Inflation has at last brought the Swiss into the 20th century.

A New Development in Economic Theory

JOSSLEYN HENNESSY

LONDON:

THE CONTINUOUS increase in government expenditure has opened up a new branch of economic study—"cost-benefit analysis". The distinction is now made between social and private benefits and costs. An obvious "social cost" is the smoke from factory chimneys, which dirties neighbouring houses and washing pegged out to dry. An obvious "social benefit" is when a new factory is opened in an area of unemployment and creates social benefits over and above its own profits. Shopkeepers, maintenance contractors, and many others, will make profits which cannot be claimed by the firm which created the business for them.

In a recent issue of the "Moorgate and Wall Street Review" (published by Philip Hill, Higginson, Erlangers Ltd., 34, Moorgate, London. E.C. 2.), Mr. C. D. Foster points out that although in most industrial activities social benefits and costs are of no special importance, in some cases they may be, as the following example illustrates. In a particular upper river basin, where seasonal surpulses accrued, pumping during the dry season for extra irrigation reduced downstream flows. Pollution became high as the flows fell. In the delta area, salt sea water intruded many miles upstream, destroying the productive potential of many agricultural acres and threatening larger areas. Given drought, some people were able to inflict heavy social costs on others in drawing water, because they happened to be higher up the river.

The problem is not only that remedial measures must be taken on a large scale, but that without government powers it is difficult to demand payment in proportion to benefits received. Another consequence of water schemes may often be to improve navigation and to reduce flood risks.

Again, take road building. At present people pay for the use of roads crudely through petrol taxes or vehicle licences and not in relation to benefits received. In fact, a new road may reduce revenue received by the government, because less petrol is consumed with less congested traffic, using a shorter cut, while benefits accrue to road users in time saved, and risk of accidents lessened. There are also benefits and costs to others—pedestrians, residents, farmers etc.

Misallocation of Funds

Hitherto, no attempt has been made to estimate social and private costs and benefits, and enormous misallocation of public funds running into thousands of millions has resulted. Although it is not possible to value all benefits and costs, progress has been made towards valuing some of them, so that it is now possible broadly to assess the social rate of return of public investment.

The Economic Review of the National Institute of Economic and Social Research (2 Dean French St., London W.1.) recently pointed out that the cost to British Railways (and so to the tax payer) of carrying the traffic which the railways propose to abandon is £44 m., and the direct cost of providing equivalent services of buses and lorries on the roads is £6 m. The economies in direct costs are thus obvious, but what about the social costs? There is the direct cost of additional road expenditure required, the cost of increased congestion, the social cost of any additional road accidents, and any social costs from redundancies on the railways.

The main answers provided by cost-benefit analysis are that the closure of the lines and transfer of the traffic to the roads would only increase road traffic by half of 1 per cent, which is 9½ times less than the normal per cent yearly increase in U.K. road traffic, so that for the bulk of the railway closures the cost in terms of additional road expenditure and congestion would be small. The detailed analysis works out to a maximum of £14.5 m., leaving a margin of £29.5 m. in favour of railway closures. Mr. C. D. Foster observes that it is a scandal that the government should subsidise those people who use certain railway routes insufficiently to make them pay; it is a scandal not because to help those people who cannot afford to pay economic fares is necessarily a misuse of funds, but because subsidising the railways is a needlessly expensive way of doing so, as the National Institute's figures prove.

Profit Motive

More and more it is coming to be thought that cost-benefit analysis should be applied to all national industries. From the viewpoint of a free enterprise economy, there is, of course, no reason why the nationalised electricity, gas, and coal industries should not, like private enterprise, set prices and decide investments on a calculation of the profits. If they were run independently none would have monopoly advantages, except electricity in the provision of lighting. There are strong arguments, which ought to appeal to people of all political parties, in favour of insisting that the nationalised industries should be commercially run, profit-making concerns, whose profits could be passed on to the nation in cheaper prices, reduced taxation, or in increased public expenditure.

However, many people argue that nationalised industries should not make profits because they are run as monopolies and their profits would therefore be excessive, and others seem to think that it is "anti-social" for a public enterprise to make a profit. Very well. But if it is decided that they are not to make profits, then their "social value" is not measured by their profits. If the policy is that a nationalised industry is only allowed to cover its capital costs at 6 per cent p.a., it cannot be argued that 6 per cent is the return on the capital, because it could be that much higher returns could be earned, if permitted. The benefits are passed on to consumers in lower than market prices. It is therefore relevant to ask what consumers would be ready to pay if it were a profit making enterprise. This is a divergence between "social" and "private" benefit. An excellent example of such a divergence, and of the social cost of failing to apply cost-benefit analysis to it, is the U.K.'s notoriously inefficient nationalised telephone service. If it were run commercially, whether by the State or by private enterprise, it would be much more efficient. But since it is de-

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cided that it is not to be profit-making, there is a strong case for ascertaining what subscribers would be prepared to pay for improvements—and for investing accordingly. The social returns—for example, in faster economic growth now impeded in a small but serious way by long installation delays and other failures—might turn cut to justify a higher place for telephones in the queue for public investment funds.

The economic efficiency of public expenditure depends chiefly on: (1) A broad decision on what things need to be done; (2) the ascertainment of who and how many are likely (a) to benefit, (b) to lose; (3) the ascertainment of what money value the beneficiaries and the losers place on their gains and losses; (4) comparison of (a) various ways of achieving the same end and (b) the benefits and losses from each way; (5) a decision as to whether society wants to weight these values differently in the public interest.

Politicians must decide question (1) and (5), but economists can help to make public expenditure more efficient by applying the newly developed techniques of cost-benefit analysis to the other questions.

Arab Oil on the Boil

ERNEST BLUM

NEW YORK:

A MAJOR increase in Arab oil revenues is in the making. Months of behind-the-scenes manoeuvring between Middle East oil countries and eight major Western companies appears likely to break the old 50-50 formula for a split in profits. The bigger slice for the Arabs, and Persians, could add as much as $250,000,000 a year to their present yearly income of more than $1,500,000,000.

An early straw in the wind that a change is in the making was an agreement signed with Indonesia giving her a 60-40 deal. Venezuela already has what in effect is a 2-to-1 deal in her favour.

The Middle East oil-producing countries have been restive for a long time about the old formula, but the pressure for a change started in earnest at the 4th Arab Petroleum Congress in Beirut last November, when demands for a "fair share" of revenues swelled up to a clamour. Almost simultaneously, an emissary, Mr. Faud Rouhani of Iran, was negotiating with the oil companies in New York for a hike in income. The companies revealed that they were ready to bargain, and their offer was conveyed by Mr. Rouhani to a secret conclave in Riyadh, Saudi Arabia, at the beginning of December.

Laborious Bargaining

Since then other meetings have advanced the bargaining. As in all matters where big stakes are involved, the going is laboriously careful, but the realism of Arab demands and the hard-won experience of the companies in these matters has made a new agreement likely soon. Negotiations now are at the top-echelon level where Mr. Robert Brougham, Vice President of Aramco, one of the big concerns, in commuting between Riyadh and New York.

Mr. Rouhani, who is leading the Middle East side of the negotiations in his capacity as Secretary General of the Organization of Oil Exporting Countries, has put in a bid for changes in the profit formula that would bring in an additional $250,000,000 of revenues. It is believed that at this point the companies have a compromise offer worth about $150,000,000.

The present 50-50 formula for profit sharing is simple in appearance, but the technical workings are intricate. The companies first pay the host countries royalties at the rate of 12.5 per cent of gross sales of crude oil. In addition, the companies pay taxes. Finally, a supplementary payment is made which, added to the royalties and taxes, brings the total revenue up to 50 per cent of company profits.

As it works out in practice, the oil-producing countries are actually getting more than a 50 per cent share. It works out that way because the accounting is done figuring oil sales at a posted price of $1.86 a barrel. Since the companies are actually selling below this price, Middle East revenues now amount to an estimated 53 per cent of profits.

What the Middle East is asking for specifically is an increase in the royalty component of their incomes. The royalties now are 12.5 per cent of the companies' gross oil sales. Mr Rouhani is asking for a rise to 20 per cent, which would bring in the estimated $250,000,000 in additional revenues.

There is an alternative scheme, which Mr. Rouhani has also put forth, long a point of contention. This is to retain a formula of receiving a half of the profits, but only after royalty and tax payments have first been deducted. Another proposal is a boost in the posted price per barrel to $1.90. All these formulas, however, ultimately amount to the same thing—more cash for the host countries.

Fair Share Demand

Oil is the major resource of the Middle East—the one the area must depend on in its urgent rush to development. The recent Arab Petroleum Congress voiced a good deal of disgruntlement about what the Arabs are now getting. A resolution demanding a "fair share of Arab resources to develop the Arab economies" was passed unanimously.

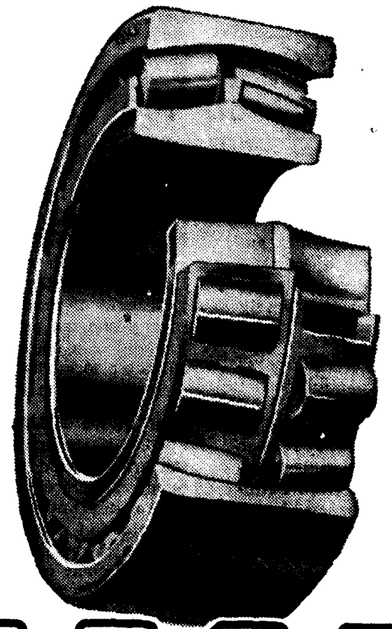
One point constantly pushed by the Arabs is that while the present complex formula gives them an approximate 50 per cent share in the profits from sale of crude oil, they have no stake in the other sectors of the vast oil business, such as transport, refining and marketing. This has led to much urging that the area get into the oil business for itself by home-grown refineries and shipping facilities. For the present, this is all fanciful talk, however.

Besides criticizing the companies, Arab opinion is directing its shots elsewhere. There is plenty of discontent with some of the feudal sheikhs, who are not averse to squandering much of their vast incomes. And there is rising demand for channeling oil profits to overall development of the whole area.

The ferment of change in Middle East oil policies comes at a time of stiffening world competition. New fields are being developed in the Sahara, and production there will soon reach a half million barrels a day. At the same time, the Soviet Union and Rumania are getting into the free-world market in a big way. Last year they exported 650,000 barrels a day, and this year the rate could go up to 800,000 barrels. A new 3,500 mile pipeline brings Soviet oil from fields beyond the Volga smack into the heart of middle Europe.

But increasing world oil supply comes in pace with vastly expanding demand. Industry forecasts are that free-world consumption of oil, now 21,000,000 barrels a day, will soar to 34,000,000 barrels within the next ten years. Beyond that, as industrialization widens, world consumption is likely to expand at an even steeper rate.

For the present, the expected hike in Middle East royalties will have to be absorbed by the companies, many analysts believe. The market situation is too tight to support much of a price rise. But sharpening Arab demands, as observers see it, are a fact of life that the oil companies are learning to take in their stride—FNS.



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Petroleum Products from Kuwait

By Our Special Correspondent

NEW DELHI:

AN AGREEMENT is understood to have been negotiated between the Union Ministry of Petroleum and Chemicals and the Kuwait oil delegation, which was here recently, on the supply of various petroleum products by Kuwait to India. Official sources, though reticent to disclose details of this arrangement, indicate that the quantities involved — mainly of middle distillates—are fairly sizable and that the prices quoted compare very favourably with those at which these imports are being effected by the international oil companies operating in this country. In some cases, the discounts offered by Kuwait are stated to be even higher than the Russian discounts. Kuwait is also said to have agreed to retention of part of her earnings from these exports for investment in oil refining in this country. She, however, has not yet shown any interest in the proposed refinery at Madras.

A high-level delegation from here is expected to visit Kuwait by the end of this month or shortly thereafter, for pursuing talks with the Kuwait Government on the latter's invitation to the Oil and Natural Gas Commission for participation in oil exploration and prospecting in Kuwait. The Kuwait Government is believed to have offered India minority share in this business.

Iran is also stated to be interested in ONGC collaborating with the Iranian Oil Company for oil exploration "on shore" there. If India wants to have "off shore" concessions also in Iran, she will have to make arrangements with some international oil company, which qualified for bidding for these concessions last year. An Iranian delegation is currently in New Delhi for pursuing talks on ONGC's collaboration with the Iranian Oil Company. These parleys were initiated by India last year.

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Seven oil companies are understood to have so far submitted detailed proposals for the Madras Refinery. Five of these — Esso, Philips Petroleum, Mobil, Indiana and Standard — are from the United States and the other two — Burmah Oil Company and ENI — from Britain and Italy. Proposals from the other international oil companies which have evinced interest in this venture are still awaited.

The Union Government is understood to be of the view that if the proposals received for the Madras Refinery are attractive enough, they will also be considered — with necessary modifications — for the refinery planned to be set up at Haldia. In fact, both the Burmah Oil Company and Esso, with whom preliminary discussions in regard to the Madras Refinery have taken place during the last fortnight, have been asked to suggest the changes they would like to make in their proposals for the Madras Refinery to suit the requirements of the Haldia unit. The changes, it is gathered, will take cognizance of the somewhat different demand pattern for petroleum products in the Calcutta region and the development plans for Haldia Port which include construction of an oil jetty by the end of the current year. The Haldia Refinery is proposed to have a capacity of approximately 2.5 million tonnes per annum.

The Oil and Natural Gas Commission is optimistic that if all goes well, the first one-million-tonne capacity of the Koyali Refinery will be commissioned by the end of this year. The work on this unit till now is stated to have been proceeding more or less according to schedule.

About 15 days' further delay is likely in the commissioning of the first stage of the Barauni Refinery. Trial runs here are now expected to start sometime in April, instead of towards March-end as stated by the Minister for Petroleum and Chemicals, Mr. O. V. Alagesan, during the last session of Parliament. Oil India has announced that it is ready to supply crude to the Barauni Refinery. It has already completed filling in of crude oil in the Nahorkatiya-Barauni pipeline right upto Barauni.

For avoiding the last year's unhappy post-monsoon experience of the Noonmati Refinery, the Indian Refineries Ltd., has requested the Central Water and Power Commission to make a study of the behaviour of the Brahmaputra. The refinery authorities also propose to keep a close watch on this river during the next monsoon season. Steps are proposed to be taken expeditiously to ensure water from the Brahmaputra to the Noonmati Refinery as soon as indications are available about the river changing its course further.

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Test drilling at Karaikal in the Cauvery Basin, it is learnt, has been postponed by about two months to March, owing to difficulties encountered in shipping drilling equipment to this place from Calcutta. Structural drilling near Pattukottai in this area for obtaining sub-surface geological information, of course, has been completed.

Off-shore drilling in the Gulf of Cambay is expected to be taken up by the end of this year. The Italian oil combine, ENI will be entrusted with this task on contract basis.

The structural well being drilled at Raxaul in the Gangetic Basin is expected to be completed to its contemplated depth of 4,700 metres in another week. A second well in this area is proposed to be taken up for drilling at Purnea in about two months' time.

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The Assam Oil Company is understood to have drawn up an ambitious programme for stepping up production of crude from its Digboi oilfield. It proposes to go in soon for formation fracturing here on an experimental basis. To begin with, this technique will be applied to some 30 wells.

Formation fracturing involves injection of a fracturing fluid under sufficient pressure into the rocks bearing oil and gas. The injection of fracturing fluid and the propping agent opens up the existing fractures and creates new ones, thus improving the path for the movement of oil and gas. After the initial breakdown, the fractures are extended around the well-bore by continually injecting fluid under high pressure. As pressure is withdrawn, the new cracks remain open, held in place by the propping agent, usually carefully-sized sand. Messrs. Dowella Dollwe-Schlumberger Corporation, the world's leading contractors in the field of formation fracturing, will supply the necessary equipment and technical personnel to the Assam Oil Company for the experiment.

The production of crude oil from the Ankleshwar-Kalol oilfields, it is now expected, can be raised to 2.5 million tonnes per annum. Of these, 2 million tonnes will be available from the lower sands and the remaining 0.5 million tonnes from the higher sands. A flow of this order, it is estimated,

can be attained from these oilfields for a period of at least 15 years.

**

The steps taken by the Union Finance Ministry during the past four months for fostering economic growth have yielded wholesome results. Not only has confidence returned to the stock market, the downward trend witnessed in new company registrations after the Chinese aggression in October, 1962, has also been reversed. A facts sheet prepared by the Company Law Administration last week reveals that the number of new floatations went up from 92 in September, 1963, to 107 in October, 121 in November and 125 in December.

During the calendar year 1963 as a whole, however, there was witnessed a marked fall in new company registrations, compared to the previous year. Only 1,251 new companies were formed during this year with an aggregate authorised capital of Rs. 213.2 crores, as against 1,532 new companies registered in 1962 with a total authorised capital of Rs. 310.7 crores. Of the 1,251 new companies registered in 1963, 151 were public limited companies having a total authorised capital of Rs. 115.8 crores and 1,100 private limited companies accounting for an aggregate authorised capital of Rs. 97.4 crores.

The State of West Bengal retained its lead over all the other States with the new registrations in its jurisdiction totalling 254. Maharashtra came second with 245 companies, followed by the Union Territory of Delhi and Madras with 218 and 166 floatations, respectively. These four territories amongst themselves accounted for nearly 70 per cent of the new registrations during 1963. Ten new companies were incorporated in the Union Territory of Goa during this year.

The distribution of new companies registered in 1963 according to their authorised capital, reveals that out of a total of 1,251 companies, as many as 683 (54 per cent) were incorporated with an authorised capital of less than Rs. 5 lakhs each. Another 469 companies were registered with an authorised capital of Rs. 5 lakhs and below Rs. 50 lakhs each. Fifty-two companies were floated with an authorised capital of Rs. 50 lakhs and below Rs. 1 crore each. The remaining 47 companies were giant-sized, each having authorised capital of Rs. 1 crore or more.

**

An agreement was signed in Bombay on January 29 between Shipyard 3 May, Rijeka (Yugoslavia) and the Shipping Corporation of India for the supply of four coal carriers of the value of Rs. 5.2 crores. Each coal carrier is to be of 13,500 DWT. These carriers are being supplied to the Shipping Corporation of India under the current Yugoslav credit of $40 million and will start arriving in 1966. Under the same credit, an agreement was finalised last year for the supply of three passenger ships for the Konkan service (Bombay-Goa). The agreement for the supply of these three ships in 1965, costing Rs. 2 crores, was signed by the Chougule Steam Shipping Company of Goa and the Shipyard 'Tito' Kraljevica.

A special lighthouse ship, M/V Sagardeep, built by Shipyard 'Tito' Kraljevica, is on its way to Bombay and is expected to arrive in the next few days. This lighthouse ship will ultimately be stationed at Calcutta. Negotiations are also going on between Yugoslavia and the Government of India for the supply of several tankers of 5,000 DWT each, bulk carriers of 35,000 DWT each, general cargo vessels of 15,000 to 18,000 DWT each and passenger ships for coastal and overseas traffic in the fourth Plan. The funds for these vessels will be provided in the new credit Yugoslavia proposes to extend to India.

Six fish trawlers, of a total value of Rs. 30 lakhs, for development of fisheries in India, will also be supplied by Yugoslavia in 1964-65. An agreement to this effect is likely to be signed soon. Yugoslavia also intends to collaborate in building of 200 fish trawlers a year and for the manufacture of ancillary equipment for ship-building in this country.

Negotiations are as well under way with Yugoslavia for setting up two pig iron plants, with a capacity of 100,000 to 130,000 tonnes, at Udaipur (Rajasthan) and Hissar (Punjab). These are expected to cost Rs. 7 crores—the Udaipur plant Rs. 4.2 crores and the Hissar plant Rs. 2.8 crores. The foreign exchange allocation for the two plants is proposed to be made from the current Yugoslav credit.

For the setting up of the pig iron plant at Udaipur negotiations are being conducted between the Indian concern Kamani Engineering and the Yugoslav enterprise, INTRACO. The Hissar plant is proposed to be put up by the Punjab Government in collaboration with INTRACO. The establishment of these two plants will provide a base for the development of small-scale industries in these regions.

Yugoslavia is also supplying power equipment for the two units of 32 MW each for the thermal power plant to be built near Kanpur, in Uttar Pradesh. An agreement has been signed in this regard between the Yugoslav industrial association 'INGRA' and the Government of Uttar Pradesh. A number of power plants have already been set up in India with Yugoslav assistance.

A drilling team will be arriving from Yugoslavia in April for drilling oil wells in Assam. The contract for drilling these wells was signed in December, 1963.

Yugoslavia is as well collaborating with Indian entrepreneurs in the manufacture of electric measuring instruments and with TAFE of Madras for the production of agricultural tractors.

Possibilities are also indicated of industrial enterprises from India collaborating with Yugoslav enterprises for the manufacture of industrial goods in Yugoslavia. This collaboration is expected in the manufacture of boilers, air-conditioners, etc. An economic delegation from Yugoslavia is expected here shortly for discussions with the Government of India on how co-operation between the two countries can be increased further. The trade between India and Yugoslavia has gone up rapidly in the recent past. Among the goods imported by India from Yugoslavia last year were zinc, lead, aluminium, basic oils and seamless steel pipes. Exports from India included industrial goods such as machine tools, air-conditioners, pumps, electric motors etc.

**

The U.S. Agency for International Development (A.I.D.) is showing great interest in the development of truck manufacturing, paper, chemicals, tyres and synthetic rubber industries in this country. Mr. A. M. Vagliano, Director, Office of Capital Development and Finance, Near East and South Asia, of A.I.D., has had discussions in this connection last week with the Union Government, the Industrial Finance Corporation, the Industrial Credit and Investment Corporation of India and the representatives of these industries.

Increased assistance is expected to follow from A.I.D. for the development of these crucial industries. Knowledgeable circles opine that if a project in these lines of manufacture requires assistance to the tune of one to two million dollars, the assistance will be extended by A.I.D. directly. Help to a lesser extent may be routed through the IFC or ICICI. Synthetics and Chemicals is likely to be the first company to benefit from Mr. Vagliano's visit.

Besides extending help directly, A.I.D. guarantees repayment up to 75 per cent to any American lender (banks, insurance companies etc.) making available loans to Indian manufacturing concerns. This risk guarantee programme has been designed to foster American investments in India.

Mr. Vagliano is also understood to have had talks with the Union Government on the proposed Development Bank. He has expressed satisfaction over the U.S. assistance being put to effective use in this country.

**

The Indian Sugar Mills Association has cautioned the Union Government that sugar production this year may not exceed 2.53 million tonnes, as against Government's expectation of 3/3.3 million tonnes. Addressing a Press Conference here last week, the ISMA President, Mr. G. M. Modi, called upon the Government to devise a realistic policy for sugar so that output could be increased to at least 3 million tonnes. He suggested two alternatives: (i) institution of selective control under which the industry could be allowed to sell production in excess of last year's output in the free market; or (ii) replacement of the present 3-slab excise rebate granted to the industry on production in excess of 1961-62 by a 50 per cent rebate over last year's production. This way, Mr. Modi opined, the industry could secure adequate cane supplies in competition with gur and khandsari manufacturers. The Government, Mr. Modi added, should refrain from entering into further export commitments in the interest of the local consumer. He also expressed the view that for increasing production adequately during the next crushing season, cane prices should be uniformly fixed at Rs. 2 per maund, as against Rs. 1.75 per maund during the current season in some areas.

Athough the Union Food and Agriculture Ministry does not share the pessimism of ISMA on sugar production, it is understood to be bestowing thought on the suggestions put forth by Mr. Modi. The isssue is expected to be thrashed out by next week.

**

According to a Presidential Order issued on February 2, Mr. Lal Bahadur Shastri will perform such functions in relation to the business of the Ministry of External Affairs, the Department of Atomic Energy and the Cabinet Secretariat as may be assigned to him by the Prime Minister from time to time. The order incidentally does not contain any mention of the Prime Minister's work in the sphere of planning.

By virtue of another order issued by the President on the same day, Mr. A. K. Sen, Minister of Law, and Mr. Satyanarayan Sinha, Minister of Parliamentary Affairs, have been asked to hold on a permanent basis additional charges of the Department of Posts and Telegraphs and the Ministry of Information and Broadcasting, respectively. The two Ministers had been hitherto in charge of these portfolios on a temporary basis.

A third Presidential order issued on February 4, confirmed Mr. Raj Bahadur and Mr. Jai Sukhlal Hathi as Ministers in charge of the Ministry of Transport and Departments of Supply and Technical Development, respectively. These portfolios had been hitherto held by the four Ministers on a temporary basis.

**

The Union Finance Minister, it is understood, has requested the Ministry of International Trade to conduct a fresh review of the working of the export incentives schemes with a view to finding out their adequacy and checking their misuse by exporters.

Eastern Economist 20 Years Ago

FEBRUARY 11, 1944

The Bombay Plan may break down either because of organizational defect or social and political cleavages, but to suggest that such a modest plan involving only Rs. 10,000 crores over 15 years, will break down on the financial front—for lack of enough "savings", forsooth—is a strange misconception of the entire plan. An economic plan can be made to finance itself after a few years. Consequently, as long as the aggregate burden imposed during the first few years is kept within bounds, we can steepen the tempo of the entire plan almost to any extent we choose. This will not involve any additional burden after the first few years because the subsequent five-year plans will be self-financing and both the level of consumption and that of investment will increase at a higher minimal plan and an optimal plan. The Bombay Plan is our minimal plan—embodying the minimum contents of our national economic manifesto and is designed to provide us the national minimum by giving us the meagre sum of Rs. 11 per month per head after 20 years' efforts. In our optimal plan we could provide for a much steeper tempo than in the Bombay Plan. But to raise an outcry about inflation over the modest Bombay Plan, even before we have drawn up our optimal plan involving a capital investment of, say, Rs. 20,000 crores over 15 years, is somewhat premature.

Maharashtra's Industrial Expansion

From Our Correspondent

BOMBAY:

IN THE sober and dignified background of the Republic Day celebrations in Bombay this year, compared to the clamour and pageantry of the previous years, one could calmly reflect on the achievements of Maharashtra in the period of planning. With all the uncertainties and external factors which have had repercussions on growth factors, Maharashtra seems to have emerged as a strikingly successful State in her march towards industrial expansion. She has established for herself a unique place in the industrial map of India, contributing more than 20 per cent of the value added in the manufacturing sector; but there had always been the limitation of the lack of industrial spread to the hinterland of Maharashtra. It is appropriate to look back and see how far there has been a break from concentration of industrial growth, and the degree of balance that has been established under the impact of planning.

The indicator of the industrial licences granted by the Government of India within the State reveals that compared to 31 licences for establishing new units in 1954-55, there were 348 licences issued in 1956 to 1960 and for the period of 1961 to 1963, 256 licences were issued. Similarly, licences for new articles of manufacture and substantial expansion numbered only 88 in 1954-55, compared to 709 in 1956-60 and 474 in 1961-63. It will thus be seen that there has been a phenomenal expansion within about 2½ years since 1961 with 730 licences being issued for Maharashtra State for establishing new units, expansion of existing units or for manufacture of new articles. The diversification of industrial growth is more significant.

Some of the important lines licensed are organic and inorganic chemicals of various types, Polyster staple fibre, writing and printing paper, pig iron, coalite or semi-coke, sheet metal components, ferrochrome, and ferro silicon etc. The location of the units which are licensed indicates a careful selection, from the point of view of balanced development. Most of them are now in the suburbs of Bombay and in some of the under-developed areas; as for instance, the chemicals are being spread out in Kalyan, the paper industry in the Ahmednagar District, the caustic soda and chlorine plant in Vidharba, pig iron unit in Chanda district and ferro-chrome plant at Chiplun (Konkan). It is also interesting to know that some of the important units went into production during the past three years and most of the industries are in the private sector, which shows that despite the controversy over the roles of the public and private sectors, Maharashtra has given an example of complementary functioning of the two sectors, in the implementation of the industrial policy.

However, in the process of familiarising the industrially under-developed areas to the modern industrial sector, the impulse has mostly come from the investment of the Centre in public sector undertakings which is expected in the third Plan period alone to account for Rs. 45 crores. Apart from this the investments which go into industrial establishments, relate to the fertiliser-cum-gas factory at Trombay, the organic chemicals factory at Panvel, the expansion of the antibiotic project at Pimpri and the heavy structural plates and vessels at Wardha. Besides, in the central sphere, the undertaking for the manufacture of urea and nitro-phosphate can be mentioned as one that is likely to contribute significantly to the agricultural development of the State. This unit is expected to go into production in the current year and would have the capacity of about 90,000 tons of nitrogen. In the underdeveloped area of Kolaba district, there is another important project which is coming up near Panvel for the manufacture of basic chemicals and intermediate products. This plant is expected to meet the raw material requirements of dye stuffs, drugs, plastic industries and other miscellaneous demands. With an authorised capital of Rs. 12 crores and under the management of Hindustan Organic Chemicals Ltd., the project is to form the base for a number of ancillary industries in the area.

Over and above these major projects, there are 5 defence projects started by the Central Government in Maharashtra which will contribute in a large measure to the wider spread of industry in the State. The prominent among these, is the project for manufacturing MIG fighter planes. The defence projects are particularly located in the rural areas and provide opportunities for employment of a large number of persons, both at the construction stage and after production starts. A training centre has already been set up at Nasik to train candidates for skilled employment at the factory. It may not be out of place to mention some of the State public sector projects, namely, the Government Central Distillery of Maharashtra, which has the capacity of 2.7 million gallons of rectified spirit per annum. In 1963, the Distillery attained a maximum rate of capacity of 9,000 gallons per day.

The most important and distinct contribution of Maharashtra in the sphere of industrial development is the successful expansion of the cooperative sector. The progress of industrial cooperatives in Maharashtra is prominently highlighted by a study of the comparative position between 1946-47 and 1962-63.

In this period, the number of industrial cooperatives increased from 298 to 3,000, membership (artisans, craftsmen, entrepreneurs and workers), having risen from 40,000 to over 300,000. The aggregate share capital of the members is about Rs. 2 crores and the value of finished products is about Rs. 7 crores, the turnover having increased from Rs. 3 crores to about Rs. 9 crores. While the cooperative mechanism is being encouraged in the sphere of textiles and other industries, the sugar factories are an essay in the cooperative processing and marketing of agricultural produce. At present, there are 20 cooperative sugar factories, of which 17 are in production. Of the total share capital of the 20 units amounting to about Rs. 8 crores, Rs. 5.51 crores have been collected by the members. The total production of the 17 factories in 1962-63 crushing season was 287,753 metric tonnes.

★★

It has been a crowded week for engagements where observations on policies vitally concerning planning and economic development have been made both by visiting ministers and by leaders of industry. The thoughts on democracy and socialism which engaged the Bhubaneswar Session are still lingering. The right thing about this issue was said by Mr. S. G. Barve of the Maharashtra Ministry, who observed in delivering the third Memorial Lectures under the auspices of P. F. Madan scheme that "we have a national weakness for catchwords and heroic slogans as against cold deeds and pragmatic programmes. The public sector versus the private sector; cooperative farming versus peasant proprietorship; free enterprise against socialism; national planning versus decentralisation; endless disputations and controversies over these theories have occupied the central place in our public discussions throughout these years." He also emphasized that many of the differences voiced were purely semantic and referring to nationalisation of banks, he made it clear that "nationalisation was not in itself an elixir for economic growth." Though the issue of nationalisation may have been set at rest by its omission in the Resolution of the Congress at Bhubaneswar Session, morchas and rallies are not wanting in the city to raise the issue and consequently keep it alive at all levels.

Mr B. R. Bhagat, Minister of State for Finance and Planning, who was here last week, referring to the various aspects of planning in the period of growth made particular reference



The Thaw !

to the need for "selective approach in the future strategy of planning to put the nation's economy on a self-sustaining basis and assure a faster rate of growth." To give a concrete shape to this approach, he said a list of key industries has been drawn up in consultation with the representatives of industry. His admission of the failure of planning appeared to be more frank when he said that "the considerable momentum which was given to the economy towards the end of the second Plan period has worn itself out and in the first two years of the third Plan, the economy had been stagnating at a level which was causing serious concern" and "the grave danger of short-falls in several crucial fields in relation to the targets has to be avoided by all means, because, apart from creating a sense of pessimism and fatalism in the public mind, such a failure would completely upset the larger objectives of improving the standards of living of the people to certain minimum levels."

★★

Mr Manubhai Shah, Minister for International Trade had his share of warning to the trading community in stating that Government had decided to evolve a national contract to lay down the minimum norms that an exporter will have to observe. The contract would fix minimum national obligations on every exporter and its clauses would be super-imposed on every export contract; and the latter would be enforceable in a court of law, if any of its clauses was violated.

★★

As a representative of the business community, Mr Bharat Ram, President of the FICCI called for a greater association of the business community with the process of planning. Such association, he felt, was necessary to ensure that business and industrial organisations came to feel involved emotionally and otherwise in the shaping of the country's economic future. One has only to ask whether there has not been a surfeit of such association of the business community in the various committees, advisory and otherwise. Perhaps what he meant was that there should be more effective implementation of the suggestions of the business community.

Bandaging the Wounds

From Our Correspondent

CALCUTTA :

NORMAL CONDITIONS have rapidly returned to Calcutta, just as rapidly as the disturbances spread a few weeks ago, but as usually happens, these mass disorders leave a trail of problems behind them. Evacuees are of course returning to their homes, and it is officially claimed that over 90 per cent of the people who had fled have already been resettled. Yet constant police vigilance and special security arrangements for the areas where the members of the communities intermix serve as an uneasy reminder of the precarious nature of the communal peace which it is claimed has now been restored. The law and order problem of Calcutta has become enormous, especially after the recent disturbances. Communal passions apart, there are socio-economic causes of Calcutta's lawlessness—appalling living conditions, growing unemployment, soaring prices, greater congestion with further industrialisation of the area—and these have bred dangerous tensions which find expression in such outbursts of disorder as last November's food riots, organised attack on public transport with a view to paralysing the city's life and the communal disturbances of last January which have led to the loss of much valuable life and property.

It is, therefore, gratifying that the Centre has begun to take a more active interest in the affairs of this city. This is indicated by the visit last week of three Central Ministers —Messrs Nanda, Krishnamachari and Khanna—together to Calcutta to make a first-hand study of the situation and obviously to make an urgent examination of the State Government's claim for financial assistance on a large scale. The Union Finance Minister has discouraged all speculation about the Centre taking over the administration of Calcutta, but he has said enough to indicate that New Delhi will give all necessary financial assistance to the State to initiate measures for the clearance of Calcutta's slums—some 25 per cent of the population has been packed into these tragic hovels which are the home of all lawless elements—and to relieve congestion in this huge sprawling city which carries a record density in the world. Mr. Nanda's statement (as clarified by Mr. Krishnamachari at the Press conference) that the restrictions on the migration of the minority community from East Pakistan would be eased has been widely welcomed, although a section led by the leftists would prefer a policy of "open door" for all those who wish to come away. Since the Union Home Minister made that statement, the flow of refugees has perceptibly increased, but this time all new arrivals are being promptly despatched to Dandakaranya for resettlement there. In any case, the economic implications are obvious, but as Mr. Nanda has said, India has a moral responsibility towards the minority community in East Pakistan, and this country must discharge that responsibility honourably.

★★

The Indian Jute Mills Association's decision to do away (from 1st February) with the Working Time Agreement which was in force for quite a long time, is indicative of the better times which the industry has been experiencing for the past two years. The Agreement was reached in times when fibre supplies were insufficient and the market conditions unsatisfactory, in order to adjust the mills' working to available raw material supplies and the demand conditions in the goods market, but since the past two years, the industry has been operating to full capacity. The annullment of the Agreement is, therefore, a formal step. Reflecting these good conditions, output of jute goods has gone up steadily since 1961—from 970,300 tonnes in that year to 1,186,800 tonnes in 1962 and to 1,236,200 tonnes in 1963. Exports have moved up from 713,100 tonnes to 848,400 tonnes and to 867,000 tonnes, respectively; internal consumption has in this time gone up from 278,100 tonnes in 1961 to 303,000 tonnes in 1962 and to 867,000 tonnes in 1963.

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At the annual general meeting of the Mining, Geological and Metallurgical Institute of India, Mr. G. D. Massmann, president, emphasized the need to mechanise the coal industry if it is to achieve the targets fixed under the Plans. This must of course remain the industry's long-term objective, but there are some immediate problems crying out for urgent attention. Speaking at the annual dinner of the Institute, the Union Minister concerned, Mr. O. V. Alagesan, confirmed reports that for the first time in many years the supply of coal is ahead of demand. (It was at this meeting that the Minister announced that the Government would put up a refinery at Haldia based on imported crude, which would go into production in the second year of the fourth Plan). The excess of production over demand is not slight, as the Minister thought. Latest statistics show stocks currently accumulated at the pitheads amount to as much as 5 million tons,

Announcement of Public Issue

(This announcement is not a Prospectus)

Bajaj-Tempo LIMITED

Registered Office: Bombay-Poona Road, Chinchwad, Poona.

EXISTING AND PROPOSED ACTIVITIES:

The company was manufacturing about 1000 Tempo Hanseat three-wheeler vehicles per year, which are in use as pick-up trucks, delivery vans, autorikshas, refuse trucks, oil tankers etc. Production of these vehicles is now proposed to be increased to 4000 per year.

The company has now been licensed to manufacture in the same capacity Tempo Viking four-wheeler vehicles.

Both for production of Tempo Hanseat three-wheeler and Tempo Viking four-wheeler collaboration agreements have been entered into with Messrs. Vidal & Sohn Tempo-Werk GMBH, Hamburg-Harburg, West Germany.

LOCATION OF THE INDUSTRY:

The company has acquired about 118 acres of land on Bombay-Poona Road, Chinchwad (Dist. Poona). Construction of factory building is in progress and is expected to be completed by March 1964.

The manufacturing operations of the company are at present located partly at 126 Ghodbunder Road, Malad, Bombay, and partly at the new factory site mentioned above.

BOARD OF DIRECTORS:

1. **Shri Ramkrishna Bajaj**
   Chairman
   Bhagwati Bhuvan,
   Carmichael Road,
   Bombay-26.
   Industrialist
   Director of:
   Bajaj Electricals Limited
   Batala Engineering Co., Ltd.
   Hind Rectifiers Limited
   Radio & Electricals Ltd.
   Matchwel Electricals
   (India) Ltd. — etc.

2. **Mr. Curt Gebser**
   Am Radeland 125,
   Hamburg-Harburg
   (West-Germany).
   Engineer

3. **Mr. Rolf Bacher**
   Nurenbergstrasse 30,
   Weissenburg/Bayren
   (West-Germany).
   Engineer

4. **Shri Charat Ram**
   15, Kitchener Road,
   New Delhi.
   Industrialist
   Director of:
   Delhi Cloth & General Mills Co. Ltd.
   Jay Engineering Works Ltd.
   Bharat Ball Bearing Co. Ltd.
   Industrial Finance Corporation of India.
   Amar Dye Chemicals Ltd.
   Indian Drugs & Pharmaceuticals Ltd. — etc.

5. **Shri R. P. Nevatia**
   Pitale Prasad,
   Worli Seaface,
   Bombay-18.
   Industrialist
   Director of:
   Tikkand Iron & Steel Works Limited
   Kamala Engineering Co. Ltd.
   Kamla Buland Sugar Co. Ltd.
   Nagaon Cotton Mills Ltd. — etc.

6. **Shri N. K. Firodia**
   Managing Director
   243 Sion-Matunga Road,
   Bombay-22.
   Industrialist
   Director of:
   Godavari Sugar Mills Limited
   Kirloskar Industries Ltd.
   Oriental Power Cables Ltd.
   Kirloskar Electricals (India)
   Ltd. — etc.

	No. of shares	Nominal value in Rs.
a) AUTHORISED CAPITAL Equity shares of Rs. 10 each	10,00,000	1,00,00,000
b) ISSUED, SUBSCRIBED AND PAID UP Equity shares of Rs. 10 each fully paid	1,45,935	14,59,350
c) PRESENT ISSUE Equity shares of Rs. 10 each at par	6,52,710	65,27,100
OUT OF THE PRESENT ISSUE:		
A. Offered as Right shares to the existing shareholders resident in India and fully subscribed	1,85,000	18,50,000
B. Reserved for allotment against supply of Machinery, Plant and Equipment etc.		
(i) Messrs. Vidal & Sohn Tempo-Werk GMBH.	1,69,000	16,90,000
(ii) Mr. Rolf Bacher Weissenburg/Bayren (West Germany)	8,710	87,100
C. Now offered to the public for subscription in cash	**2,90,000**	**29,00,000**

TERMS OF PAYMENT:

On application Rs. 3

Balance Rs. 7 in three calls at intervals of not less than three months as may be decided by the Directors. No call shall exceed Rs. 3 per share.

UNDERWRITERS:

1. **The Central Bank of India Ltd.,**
   Mahatma Gandhi Road, Bombay-1.
2. **Devkaran Nanjee Banking Co. Ltd.,**
   Horniman Circle, Bombay-1.
3. **Messrs. Harbans Singh Mehta & Co.,**
   32 Regal Building,
   Parliament Street, New Delhi.
   &
   Messrs. Raja Ram Bhasin & Co.,
   A 320, Defence Colony, New Delhi.
4. **Shri Birdhichand Choadhry,**
   Domalguda, Hyderabad.
5. **Messrs. P. Roy Company,**
   3/8 M. M. Road,
   Junction Panchkuin Road,
   New Delhi-1.

BANKERS TO THE ISSUE:

The Central Bank of India Ltd.,
Mahatma Gandhi Road, Fort, Bombay.

The United Commercial Bank Ltd.,
Dr. D. N. Road, Bombay-1.

Devkaran Nanjee Banking Co. Ltd.,
Horniman Circle, Bombay-1.

BROKERS:

BOMBAY:

Messrs. Mahadevia Brothers,
Old Stock Exchange Building,
Dalal Street, Bombay-1.

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

Messrs. Navalchand T. Shah & Co.,
15, Union Bank Building,
Dalal Street, Bombay-1.

Messrs. A. B. Pandit & Co.,
32, Apollo Street, Bombay-1.

Messrs. Merwanjee Bomanjee Dalal,
Allahabad Bank Building,
Apollo Street, Bombay-1.

Messrs. L. G. Bhole,
76 Stock Exchange New Building,
Dalal Street, Bombay-1.

Messrs. P. R. Subramanyam,
70A Stock Exchange Building,
Apollo Street, Bombay-1.

DELHI:

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

Messrs. P. Roy Company,
3/8 M. M. Road,
Jn. Panchkuin Road, New Delhi-1.

Messrs. Raja Ram Bhasin & Co.,
A-320 Defence Colony, New Delhi.

Messrs. Jagan Nath Syal & Co.,
27 Stock Exchange Building,
Asaf Ali Road, New Delhi.

Messrs. Bharat Bhushan & Co.,
H-45 Connaught Place, New Delhi.

MADRAS:

Messrs. Paterson & Co.,
22 Erabalu Chetty Street, Madras-1.

Messrs. Chitra & Co.,
322-323 Linghi Chetty Street, Madras-1.

CALCUTTA:

Messrs. G. M. Pyne,
Allahabad Bank Building,
14 India Exchange Place, Calcutta-1.

Messrs. Place, Siddons & Gough (Pvt.) Ltd.,
6 Lyons Range, Calcutta-1.

HYDERABAD:

Mr. Birdhichand Choadhry,
Domalguda, Hyderabad-Dn. 1.

BANGALORE:

Messrs. P. R. Subramanyam,
24 Fourth Street, Bensen Cross Road,
Bangalore-6.

APPLICATION FORMS:

Forms of application for shares and copies of the Prospectus can be had from Underwriters or Bankers or Brokers to this issue or from the company.

DATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST:

The subscription list will open at commencement of Banking hours on 10th February 1964 and will close at the close of the Banking hours on 18th February 1964 or earlier at the discretion of the Board of Directors but not before the close of the Banking hours on 12th February 1964.

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which is much in excess of the peak of 4 million tons in 1961. More significant is the fact that this heavy accumulation is not because of the old transport difficulties, which have almost disappeared, but because of a decline in consumption. In the circumstances, the question now being asked is what should be the right target for the third Plan to aim at—Whether the original target of 97 million tons, or 104 million tons which the Planning Commission was once thinking of, or just 90 million tons which is reported to be the latest revised target—but whatever the target is, the industry will need a lot of incentives to raise the extra production from the present level of around 63 million tons. Emphasis will have to be particularly placed on the production of superior grades. Overall coal production, it is true, is in excess of demand, but the industry is not producing enough of the higher grades, the production of which has actually declined over the past few years. The industry maintains that as long as coal prices are not more remunerative, it will not be possible to raise the production of the superior grades; nor will it be possible to undertake the programme of modernisation which is to be financed with the World Bank loan. (The World Bank team of experts which scrutinised the economic conditions of the coal industry supported the latter's case for higher prices, especially for the superior grades.) It is also a fact that due to the price policy pursued by the Government, the coal companies have not been able to build up adequate internal reserves with which to find sufficient plough-back for their modernisation or expansion schemes, and now that the profit outlook is uncertain, coal shares have been faring badly in the stock market, which in turn makes it difficult for the companies to raise fresh capital by the issue of new shares or through debentures; nor are they able to raise much money from banks, the Government's refinance arrangements notwithstanding. The Government's next move in the matter of coal prices as well as the industry's modernisation and expansion plans are anxiously awaited.

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Dr. K. L. Rao, Union Minister for Power, has gone back a happy man from last week's conference in Calcutta of State Power Ministers, which has at last decided to set up a regional electricity board for eastern India. West Bengal had been hostile to the idea from the start, fearing that the regional board would interfere with the prerogatives of the State boards to plan, generate and distribute electricity within their own areas. Dr. Rao assured the Ministers that the regional board would have only an advisory status and the prerogatives of the State Electricity Boards would be fully respected. Also, the economic argument that the regional grid to be set up by the new board would enable the region to derive the maximum possible benefit from its available fuel and hydro-electric resources, that the co-ordinated operation would lead to a saving of about 270 MW in installed generating capacity on account of diversity in load demands and reduction in standby capacity and therefore Rs. 22 crores in capital costs and Rs. 2 crores in annual running charges, and that an additional carrying capacity of 1 million KW would be available with no extra expenditure, appeared to carry conviction. The Eastern Regional Electricty Board would comprise the chairmen of the State Electricity Boards concerned, the D.V.C. chairman, State Government representatives and a representative from the Central Electricity Authority. Incidentally, this is the third regional board to be set up in India—the other two—one comprising the Southern States of Mysore, Madras, Andhra and Kerala, and the other consisting of the Northern States of U.P., Punjab, Delhi and Himachal Pradesh—have already been established. Under the third Plan programme for power development, six such boards are to be set up in the country; so the task is now half done.

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The Calcutta stock market is now in its usual pre-Budget mood of caution, so a dull trend continues. Investors fear that the Union Finance Minister may have to put up tax rates to meet the growing costs of both development and defence and he may even take stringent measures to trace "unaccounted money." It is unlikely, therefore, that the stock market will come back to life before Budget day. A particular class of shares which has suffered in recent weeks although for a different reason, is tea. The industry is expecting a smaller North Indian crop, and the average prices being realised at Calcutta auctions have been so far lower compared with those of the previous year.

Hunger for Funds

From Our Correspondent

MADRAS.

IT IS gratifying to note that the Andhra Pradesh Government also would be able to implement the third Plan schemes without any difficulty against the earlier apprehensions that it would be necessary to reduce the size of the Plan on account of the delay in some directions and the paucity of resources. It is even claimed that the target of Rs. 305 crores for the whole Plan period would be exceeded by Rs. 10 crores and that, if some favourable developments came about, the handing over of the Andhra Paper Mills to the private sector might not be found necessary. The State Government is probably expecting larger assistance from the Centre and also a larger share out of its tax revenues. Besides, the receipts from various sources, so far as the State is concerned, have been showing up well though there would be tangible relief only if the State Government's suggestion to the Centre for the implementation of the Nagarjunasagar project as a Central undertaking is accepted. There are many difficulties in the way as other States also are having big projects which will yield results only over a long period and which are accounting for a large slice of available resources. Some new formula might presumably be found by the Union Finance Minister by which it would be possible to extend larger support to projects which take a number of years to be completed. Meantime, it is happy to note that the pace of industrialisation in Andhra Pradesh has been more impressive latterly and the efforts made to improve power availability are yielding results. A gas turbo set, having a capacity of 10,000 kW, has been recently commissioned in Hyderabad while another set is under erection. A new unit of 15,000 kW is expected to be commissioned under the Tungabhadra scheme within the next three months. If the present happy position in Madras State continues to be in evidence it may even be agreed to supply power to Andhra in the latter half of this year. Arrangements may be made even for a longer period because Andhra Pradesh might be placed in a better position by the end of 1965 or early 1966. If power availability in Andhra can be improved the cement units can increase their output. The expansion plan of Panyam Cements would also start yielding immediate results.

The Hyderabad area particularly is growing in importance. Only a few days back, the sister unit of Aluminium Industries, which has its large factory in Kundara (Kerala), was opened by the Chief Minister, Mr Sanjiva Reddi. This factory will, in its initial stages, produce aluminium conductors. But there are plans for manufacturing cable-making machinery as early as possible. Mr Sanjiva Reddi took advantage of the opportunity to assure industrialists of every help from the State for promoting new industries. The Andhra Pradesh Industrial Development Corporation has been more active in recent months and has agreed to underwrite in a substantial way the issue of equity and preference shares of new undertakings. Several spinning units are proposed to be established in different parts of the State, while the arrangements for constructing a huge fertilizer unit at Visakhapatnam costing over Rs 32 crores are nearly complete. This company, which will be promoted by E.I.D.-Parry in collaboration with American interests, is expected to come on the market to raise its capital after the Central Budget is out of the way. There are other schemes too that are being given finishing touches.

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In Madras State, some developments in the industrial sector are taking place every month. Only recently the foundation-stone for the aluminium rolling mill having an installed capacity of 3,860 metric tons was laid by the Chief Minister, Mr. M. Bhaktavatsalam. This unit which will be erected in technical collaboration with Aluminium Limited of Canada, will cost Rs. 2.5 crores and two-thirds of the production in sheets, circles and utensils is earmarked for export. Jeewanlal (1929) Limited which is undertaking this project will be benefitted by the ready availability of sheets and circles from its own sources. The new mill is expected to be ready in 1965. Jeewanlal has also other plans to diversify its activities.

Mr. R. Venkataraman, the State's Industries Minister, who also addressed the gathering, explained to the industrialists who were present on the occasion, that there would be no difficulty in meeting the requirements of power for industrial purposes as between the Kundah project, the Mettur Tunnel Scheme and Neyveli thermal station, substantial quantities of energy would be available and industrial development could proceed unhindered. He actually stated that, in order to utilise available power and hasten the opening of Madras Aluminium Limited, which is engaged in constructing its plant for producing 10,000 tons of aluminium, virgin metal would be produced in the initial stages based on imported alumina. As virgin metal is in shortage, there will be a saving in foreign exchange on imports, while the plant for manufacturing alumina was being erected. There has been some unexpected delay in completing this project. It is now expected that, before the end of this year, virgin metal would be available from this source. On February 5, the foundation-stone for the new rayon-grade caustic soda plant, having a capacity of 60 tons daily, was laid by Dr. C. P. Ramaswami Aiyer, Chairman of the Company. The newly installed plant and machinery at the existing factory which will raise the capacity to 60 tons daily from 40 tons at present, are expected to be in operation in the next two months. Ultimately, total capacity will be 120 tons daily.

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The first Indian leather fair was inaugurated sometime back at the premises of the Central Leather Research Institute in Madras by Mr. Manubhai Shah, the Union Minister for International Trade. The exhibits at this fair gave an idea of the progress made by the industry in the finish of hides and skins. While the Central Leather Research Institute has been doing good work and the output of finished goods also has increased considerably in recent years, substantial quantities of tanned and untanned hides and skins are being exported to many parts of the country. The boost in exports to the U.S.S.R. and East European countries, particularly of pickled goats' skins, has been helpful in securing larger foreign exchange earnings and it was encouraging to know from Mr Manubhai Shah that in 1963 total exports rose by Rs. 7 crores to Rs. 42 crores. Mr. Shah, however, complained that only Rs. 5 crores out of this total were accounted for by leather and leather goods and that a lot more required to be done if a higher value was to be secured for the same exports through intelligent processing of hides and skins. The Union Minister seemed to be confident that as much as Rs. 20 crores can be earned annually through exports of finished leather and leather goods. He also gave an assurance that the required facilities for importing technical know-how and plant and machinery would be provided and that industrialists and traders should work on the basis of a target of Rs. 20 crores for the next year. There is no doubt that the value of exports can be doubled if only hides and skins could be sent out in a finished form. But it had been emphasized by a section of the industry that there should be a gradual period of transition and care should be taken not to lose the hold on our existing markets on account of reduced shipments of E.I. tanned kips. Madras exporters particularly have been specializing in these varieties which are being used as intermediate products by purchasing countries like Britain and others on the Continent of Europe. It is, however, pointed out that even bigger consumers might be agreeable to purchase finished leathers if they could be made according to their requirements.





The moving finger writes

I AM GLAD to see so many Ministers being confirmed in their temporary charges. A feeling of uncertainty, if not insecurity, is bad for anybody, Minister or mere mortal. I am particularly happy to find Mr Satyanarayan Sinha taking permanent charge of Akashvani Bhawan and all that goes with it. I hear that he is trying to get himself a new Secretary (for the I and B Ministry) and I wish him success.

One implication of the recent "confirmations", of course, is that not many new appointments to the Council of Ministers are being contemplated—at least for the time being. But I do hope that this does not mean that the Prime Minister cannot be persuaded to give more thought to the need for giving himself a Minister for External Affairs. 'The Times of India' I see, has written quite a strong editorial on this subject. But I am amused to find that its sponsorship of Mrs. Indira Gandhi for the job is rather half-hearted. The idea seems to be "better somebody rather than nobody".

I must hasten to add, however, that this newspaper has followed up with a brave front-page story of renewed efforts "in high Congress circles to bring Mrs. Indira Gandhi into the Central Cabinet as Minister for External Affairs." That a considerable number of what is described as "senior Congress men" is in favour of Mrs. Indira Gandhi joining the Cabinet is, of course, true enough and is no secret either. But the question is whether it is good for the Congress Party or the country that they should have their way.

In any case, I fail to see what is wrong with Mr. A. K. Sen. He has been in the Cabinet long enough to qualify for increasingly important responsibilities and he is certainly young enough to make it desirable that he should be given them. As for Mrs. Indira Gandhi, she undoubtedly has a unique position in national affairs as well as in the esteem and affection of the people, but she is one of those few rare beings in politics who could make their most useful contribution to the country's good by serving in a larger than "government-capacity". It is reassuring that she herself is resisting the move to get her into the Government. She is wise. Mr. Nehru too is resisting; he is wiser still.

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Although the Presidential order relating to Mr. Lal Bahadur's functions empowers the Prime Minister to delegate authority to the Minister without Portfolio only in respect of the Ministry of External Affairs, the Department of Atomic Energy and the Cabinet Secretariat, it is clear from the Administrative order issued at the same time for the information of the Council of Ministers that Mr. Lal Bahadur will, in effect, look after most, if not all, of the routine and regular work of the Prime Minister except to the extent that files, papers or policy matters needing Mr Nehru's personal attention might be placed before him. It is perhaps as satisfactory an arrangement as may be expected in the circumstances.

Meanwhile, it is certainly good to find Mr. Lal Bahadur handling the delicate Kashmir situation with such finesse and firmness and I certainly agree that he deserves all the praise which he has received in the Press and elsewhere. At the same time, I fail to see how anything that has happened in Kashmir in recent weeks could be made to serve to bolster the case for appeasing Pakistan. On the contrary, if one fact was established more firmly than any other through the recent incidents in Kashmir and the reaction of the people of the Valley to those incidents, it is that Kashmir has now become very much more of an integral part of India emotionally than it is politically or in terms of the former provisions of the Constitution. There is certainly no substance in the stand that a decline in Bakshi Ghulam Mohammed's political fortunes must necessarily mean an improvement in the bona fides of Pindi, just as the welcome release of Khan Abdul Ghaffar Khan (happily timed for the Gandhi anniversary) is not necessarily to be contrasted with the detention and trial of Sheikh Abdullah.

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In the course of his speech at the recent FAO seminar on farm forum broadcasts, Mr. Swaran Singh expressed the hope of being able to dovetail these arrangements for farm broadcasts into the larger aim for Panchayati Raj. In view of the dismal picture of agricultural production that emerged from the mid-term appraisal of the third Plan, it is necessary and right for the Agriculture Minister to hope. However, Ministers and officials, who, on such public occasions, tend to blur the vital distinction between their intentions and achievements, do themselves a disservice. In an atmosphere of hope which they themselves help to create, they are easily persuaded that what is needful has been done. It is, for instance, well known that community receiver-sets designed for mass listening are not readily available and not always in working order. The "catalytic agents" introduced by the radio or agricultural agencies to lead and conduct farm forum discussions in the village associating the listeners and to elicit the views and needs of villagers, would appear, judging from the results, to be ill-suited for their tasks. So, often, is the village-level worker who is entrusted with the follow-up work. An official of a department, presenting its achievements at the seminar, prefaced it with a sociological analysis of radio listeners and the social class to which they belonged. For instance, he said "....for people belonging to this group, the respect and regard of others for their intellect makes up for their lack of material success"; these are urban middle-class wage earners! This is at best spurious sociology reminiscent more of an advertisers' market research findings than the programme for the development of broadcasting of a public department. We do hope that listener research has the benefit of the advice of social scientists as has been claimed.

V.B.

GROW MORE
SAVE MORE
WORK MORE

Trade Winds

STATE TRANSPORT

EVERY THIRD bus in the country is owned and operated by a nationalised road transport undertaking.

The number of passenger buses owned by the public sector undertakings has steadily increased over the last decade. It rose from 10,420 in the first five year Plan to 17,962 at the end of the second Plan, representing an increase of 72.4 per cent. About 2,000 vehicles have been added to the fleet of the nationalised undertakings during the last three years and it is estimated that by the end of the third Plan, the number of buses owned by the nationalised undertakings would exceed 25,000.

Nationalisation of passenger road transport services is the declared policy of Government and this policy has been carried out in almost all the States on a phased basis and in conformity with the procedure prescribed for this purpose.

The amendments to the Motor Vehicle Act, 1939, after 1947 enabled the State Governments to cancel the private operators' stage carriage permits, so as to facilitate the taking over of the passenger services and running them departmentally. The Road Transport Corporations Act, 1950, provided for the establishment of statutory road transport corporations, with the participation of the Central Government, the State Government concerned and the public.

State Governments have provided about two-thirds of the capital of the existing corporations and the Central Government, in the Ministry of Railways, from 20 per cent to 33.3 per cent. There is no private capital in any of the existing corporations.

The total capital investment in the nationalised road transport undertakings, which was about Rs. 40 crores at the end of the first Plan, went up to Rs. 77 crores at the end of the second Plan. The third Plan expansion programmes of the nationalised road transport undertakings in the States (including Union Territories) have been estimated to cost Rs. 26 crores. This is in addition to the provision of Rs. 10 crores in the Plan as Railways' share in the road transport undertakings.

Nationalised passenger bus fleet is modern in most cases. The fleet of 15 out of 25 undertakings consists wholly of diesel vehicles, and more than 90 per cent of all the buses operated by the undertakings are diesel-engined. The vehicles used for the district and city services are mostly diesel engined. In the case of Himachal Pradesh and Manipur, which are operating hill services only, the trend, however, is slightly in favour of petrol vehicles.

The progress of nationalised passenger transport has been of an order which could not have been envisaged in 1916, when a limited company was first formed under the patronage of the then ruler of the former princely State of Gwalior. Today, out of all the States and Union Territories, Tripura is the only one where road transport has not yet been nationalised.

An important event in connection with the nationalisation of passenger transport services in the country last year was the formation of a Central Association of State Road Transport Undertakings. The Association will attend to the various requirements of the State transport undertakings in a regular and systematic manner on a long-term basis.

DIRECT TAX LAWS

The fifth meeting of the Central Direct Taxes Advisory Committee was held recently under the chairmanship of the Finance Minister, Mr. T. T. Krishnamachari. The items on the agenda related to Income-tax, Wealth-tax, and Super Profits Tax. One of the points discussed related to the provision in section 11 of the Income-tax Act that a religious or charitable trust which seeks to accumulate its income beyond 25 per cent of its total income should invest the accumulated income in Government securities. The question raised was whether a trust which derived capital gains from the sale of a capital asset would have to invest only the amount of the capital gains in Government securities or the entire amount of the sale proceeds. It was explained that the requirement of the law would be satisfied if only the amount of the capital gains was invested in Government securities.

Another point raised was that there was delay in the settlement of refund claims made by foreign shipping enterprises whose tramp ships operated at Indian ports. The Committee was informed that instructions had already been issued to the Income-tax Department to expedite the disposal of such refund claims.

Another point discussed was that if any disallowance or add-back had been made in the income-tax assessment of a particular year, and the assessee subsequently led fresh evidence in regard to the assessment for the next year, the matter should again be examined on the facts of the case and decided on its merits. It was pointed out that under the law the income-tax assessment for each year had to be made on the basis of the facts and evidence for that year. Thus, if the facts and evidence on any particular point for a later assessment year were different from those for an earlier assessment year, the Income-tax Department would certainly take the fresh evidence into consideration in making the assessment for that year.

There was also a discussion relating to the Super Profits Tax Act. It was explained that under the provisions of the Act and the rules framed thereunder, an assessee was entitled to declare the amount of deficiency relating to an earlier assessment year in his return for a year in which he had net chargeable profits. The deficiency would then be determined and set off against the net chargeable profits.

PL 480 FUNDS FOR INDUSTRY

Funds available for private industrial investment will be increased by Rs. 20 crores as a result of two agreements concluded between the Governments of India and the United States. The Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India have each received a credit of Rs. 10 crores from the sale proceeds of agricultural commodities supplied to India under U.S. Public Law 480. The Corporations have extended assistance to several hundred concerns operating in a large variety of industries including aluminium, automobiles, cement, chemicals, textiles, engineering, glass, mining, paper, plywood, rayon, sugar and shipping. Recipients of their credits are distributed all over India. Special attention is paid in granting loans to the industrialization of the less developed parts of the country.

Both the Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India received earlier loans of Rs. 10 crores each from P.L. 480 funds. The Industrial Finance Corporation also received two loans totalling $ 30 million in foreign exchange from the U.S. Agency for International Development and its predecessor, the Development Loan Fund. The Industrial Credit and Investment Corporation of India was granted a loan of $ 5 million (Rs. 2.4 crores) in foreign exchange by the Development Loan Fund. It also utilized a credit of Rs. 7.5 crores from the sale proceeds of steel supplied to India under the U.S. aid programme.

IAC JETS IT

Caravelle jet aircraft acquired by Indian Airlines recently have been put into scheduled services on 1st February. The Caravelles will reduce flying times between the metropolitan cities by nearly half as compared to Viscounts. The flying times will be 1 hour 50 minutes between Bombay and Delhi, 2 hours 30 minutes between Bombay and Calcutta, 1 hour 40 minutes between Bombay and Madras, 2 hours between Delhi and Calcutta, and 2 hours 35 minutes between Delhi and Madras. There will be one service in each direction on the five routes. The services will be supplemented by Viscount flights on the Calcutta/Bombay and Calcutta/Delhi routes.

Introduction of Caravelles on trunk routes will release some Viscounts for operation on the more important regional services. Viscounts will be put on the Bombay/Hyderabad, the Hyderabad/Bangalore, the Bombay/Bangalore, the Calcutta/Gauhati/Mohanbari and the Delhi/Agra/Lucknow/Banaras/Calcutta services. Viscounts have already been introduced on IAC's service to Kabul. As a result of the changes in operating equipment, the schedules of IAC will contain many changes in timings. From 1st February, nearly all of IAC's major routes will be operated by turbo-prop or turbo-jet aircraft. In addition, Jodhpur, Jabalpur, Raipur and Bhopal have been added to the IAC network.

With the introduction of Caravelles, Indian Airlines becomes the first domestic airline in the East to introduce pure jet aircraft on internal routes. The Caravelle seats 84 passengers, flies at 510 miles per hour at about 35,000 feet altitude and has rear-mounted engines that offer the smoothest and quietest flight ever.

NESCAFE COMES TO INDIA

The world famous NESCAFE Instant Coffee has now come to India in the form of 100 per cent. coffee produced in Punjab from Indian beans. The new NESCAFE has been prepared specially for the Indian palate as indicated by extensive consumer research carried out by the Nestles Company. The new blend is midway between the light, mild coffee preferred in the U.K. and the dark, strongly flavoured coffee favoured in France.

Swiss experience and know-how have been wedded to Indian enterprise in the setting up of Nestle's plant near Moga in Punjab. The company plans to export 25 per cent. of its product. It also proposes to undertake the manufacture in the course of this year of Nespray full-cream powdered milk and Lactogen Infant Feeding.

NEW MARKET FOR NAPHTHA

An outlet for naphtha is developing fast in Europe. Plants for naphtha-based gas manufacture are springing into existence. The development stems from some recently devised process for manufacturing gas economically from naphtha. Naphtha-based gas is particularly attractive in countries like the U.K. where the local gas industry has been looking wishfully for a source cheaper than the costly indigenous coal. In the U.K., the demand for naphtha for gas making alone is expected to rise, in a couple of years, to two million tons annually. In Germany and some other countries, too, these processes are spreading.

The development of this new outlet for naphtha is of significance to countries that have to worry about disposal of surplus light distillates. This problem afflicts our country, too. But the opening of a new market for naphtha will have an impact on refinery planning as excess refining capacity creates headaches for disposing of the surpluses in a variety of products.

Apart from removing the headache of disposal of excess light distillates, town gas based on excess naphtha will arrest the growth of demand for kerosene for cooking purposes. In a country such as ours these schemes will have an important foreign exchange saving potential.

BOKARO STEEL

A public sector company for setting up the Bokaro Steel Plant has been registered. Known as Bokaro Steel Limited, this Central Government undertaking will have a share capital of Rs. 100 crores. For the time being, its registered office will be in Delhi.

The Company will be in charge of the various steps necessary for erecting and running the Plant. It will deal, among other things, with acquisition of land, provision of raw materials, supply of power and water, recruitment of personnel, signing of contracts for equipment etc.

The detailed project report for Bokaro prepared by Dastur & Co. is now under examination by a Technical Committee, whose recommendations are expected to be available early. It is hoped that it will be possible to issue tenders for equipment for Bokaro between June and October this year. The Plant, which will specialise in the production of different types of flat products, will have an annual capacity of 1.5 million tonnes in the first stage, rising to 4 million tonnes in the second stage. Bokaro's products are likely to be available early in the Fourth Plan period.

INDO-AFGHAN TRADE AGREEMENT

A new trade agreement between India and Afghanistan has been signed. It will be effective from February 1, 1964 and will initially be for a period of one year and will be renewable for a further period of two years. The agreement provides for the exchange of specified goods such as dried and fresh fruits, asafoetida, cumin seeds, and medicinal herbs from Afghanistan and traditional items like textiles, tea, spices and other specified goods, such as engineering and electrical equipment, hard-wares, etc., from India. Such exchanges will involve an annual volume of trade of about Rs. 11 crores. Payment in respect of exports by Afghanistan of cotton and wool and by India of a specified list of non-traditional goods will be made in free foreign exchange.

TRADE WITH KOREA

The first trade agreement between Korea and India has been signed. The agreement provides for the exchange of commodities consisting mainly of non-ferrous metals such as zinc and lead and tungsten ores and concentrates from the Republic of Korea, and engineering goods and machinery, ferro-manganese, chemicals, pharmaceuticals, etc., from India.

NEWSPRINT FROM CANADA

The State Trading Corporation of India will import 25,000 tons of newsprint (valued at Rs. 1.5 crores) from M/s. Abitibi of Canada during 1964-65. The S.T.C. had earlier signed a contract with this firm for the import of 31,000 tons of newsprint during 1963-64 and supplies under that contract are now coming to an end. India imports about 90,000 tons of newsprint and sheets every year from the U.S.S.R., Canada, Scandinavian countries and Poland.

EXPORTS OF CHEMICALS TO IRAN

Iran imports a wide range of chemicals such as sulphuric acid, hydrochloride acid and those used in leather, metal and plastic industries etc. The indigenous production of chemicals in Iran is very small and is confined only to sodium sulphate, magnesium sulphate and iron sulphate. The bulk of Iran's requirements are obtained from West Germany, Britain, France, Holland and some other West European countries. Indian chemicals no doubt have a good scope, if exporters are prepared to extend facilities for deferred payment as is being done by Western Germany, Britain, France and Italy. The duties imposed on various types of chemicals vary. An import duty of 25 per cent ad valorem and commercial profits tax of 10 per cent ad valorem are charged on compressed, liquefied and solidified gases, sulpha dioxide, sulphurous acid, etc. Hydrochloride acid can be imported on payment of import duty of Rs. 6 per kilo and commercial profits tax of Rs. 3 per kilo. Customs duty of 25 per cent ad valorem and commercial profit tax at the rate of 25 per cent are charged on sodium carbonate, potassium carbonate, sodium bi-carbonate and copper sulphate.

Company Affairs

ASHOK LEYLAND

ASHOK LEYLAND witnessed a fall in its sales during the year ended September 30, 1963, by nearly 16 per cent as compared to the previous year. It did not indicate any decline in demand; on the contrary, all the time its order books were full. Lower sales were the result of continuous hinderances in the manufacture of chassis and engines. Mr. A. Ramaswami Mudaliar, Chairman, Ashok Leyland Ltd., acquainted the shareholders with the conditions that led to this untavourable working. A shortage of foreign exchange available for allotment to the automobile industry for the import of raw materials and the non-availability of various finished and semi-finished components from ancillary manufacturers resulted in serious reduction in output. In October, 1962, alone, the output was just 46 chassis against productive capacity of 300 and for ten days the chassis assembly line was absolutely inoperative. Similar circumstances in February, 1963, kept the productive machinery at a standstill for the whole month. The company did make strenuous efforts to increase the indigenous contents of its products, but the time lag in the shift from the imported to indigenous resources had to be considered. The Chairman indicated that on occasions the replacement involved unexpected difficulties despite the precautions taken to ensure that the corresponding indigenous components were of satisfactory specifications. By the time these difficulties were overcome in June and July, 1963, the shortage of electricity necessitating an 80 per cent cut in the supply resulted in the stoppage of production for another 12 days. The net result of these adverse conditions was that the assembly line was operative for three-quarters of the available working days and the output was only 2,411 chassis as against an expected output of 3,200. It is, indeed, admirable that the company has been able to tide over these adverse conditions and at the moment it is operating in a steady and satisfactory manner so that the output is expected to reach the level of 15 chassis per working day with an expected increase to 17 chassis before the end of the current year.

The Chairman outlined the expansion programme designed to increase production to 6,000 'Comet' chassis per year and to increase the manufacture of spare parts so as to raise the indigenous content of its products. The current indigenous content is of the order of 79 per cent involving foreign exchange allotment to the extent of 21 per cent of the value of complete chassis. This figure is to be progressively reduced to 10 per cent during the next 18 months. Plans have been completed for the manufacture of additional components including engine camshafts, engine timing gears and rear axle differential pinions. The Chairman also informed the shareholders that the Government had approved of the inclusion of a new model in its range of products. Based on the Leyland 'Beaver' chassis, a range of heavy duty chassis are to be produced and gradually engines, clutches, gearboxes, front axles, rear axles, steering gears etc., will be produced at the factory for the new range of vehicles. It is proposed initially to install capacity for the production of 2,000 'Beaver' chassis every year, which will ultimately be expanded to provide for an output of 5,000 chassis. In all the expansion programmes, Leyland Motors Ltd. of the U.K. came forward with financial and technical contribution and from time to time various executives visited the factory to give advice.

INDIAN OXYGEN

Not surprisingly, Indian Oxygen Limited was able to record higher sales during 1963 at a time when it encountered certain serious difficulties. While sale proceeds were around Rs. 10.21 crores, nearly 15 per cent higher than last year's figure of Rs. 8.8 crores, profits increased from Rs. 135.50 lakhs to Rs. 140.40 lakhs. Mr. N. Dandekar, Chairman of the company, gave an account of the circumstances that led to the results which were less favourable than expected. In the first instance, an acute shortage of core wire persisted almost through the year which curtailed the output of electrodes at the Khardah factory. Then occasional failure of power which interrupted production activities at the electrode factory and also at Asansol and Madras led to considerable fall in production. Despite these hinderances, the contractual obligations to Government orders were fulfilled by the company, apparently at the cost of private sector consumers.

The Chairman pointed out that the expansion programme taken up by the company which is expected to cost about Rs. 6 crores, is spread over four years. It has been estimated that after taking into account the internal resources and a loan of £500,000 promised by the British Oxygen Company Ltd., it will require additional rupee finance of about Rs. two crores. Subject to the consent of the Controller of Capital Issues, arrangements are being made with the Punjab National Bank to provide this amount by way of medium term loan secured by the pledge of debenture stock. While giving the details of the expansion programme, Mr. Dandekar stated that the second 400M3 Oxygen Plant under construction is likely to go into commercial production in May. The dissolved acetylene plant is expected to go into production at the new factory at Hyderabad within the next two months and the oxygen plant by July this year. The construction of the loxite factory at Ranchi is also expected to be completed shortly. In the field of industrial gases, the company proposes the installation of an argon purification plant at Bombay (for which an industrial licence has been obtained) and also two 400M3 liquid oxygen plants at Calcutta and Madras. It has obtained an industrial licence for the manufacture of welding and cutting equipment and this unit will be located at Taratala Road, Calcutta, which is expected to go into production by the end of 1966. It has also obtained an industrial licence for substantial expansion at Khardah factory as also for a new electrode factory at Madras. The Chairman indicated that the company intended to undertake the manufacture of plant and machinery for the production and consumption of gases. Its application for an industrial licence for the manufacture of air separation plants and associated cryogenic equipment is being examined by the Government.

BAJAJ TEMPO

Bajaj Tempo Ltd. will enter the capital market on February 10 with a public issue of Rs. 29 lakhs for 290,000 equity shares of Rs. 10 each. The proceeds of the present issue will be utilised for the expansion programme of the company. It has a manufacturing capacity of nearly 1,000 Tempo Hanseat three-wheeler vehicles which are used as pick-up trucks, delivery vans, auto-rickshaws, oil tankers etc. The production of these vehicles is now proposed to be raised to 4,000 a year. The company has also been licensed to manufacture in the same capacity Tempo Viking four-wheeler vehicles. For the production of both, it has entered into collaboration agreement with Messrs. Vidal and Sohn Tempo-Werk, GMBH, West Germany. It has acquired land at Chinchwad, near Poona, where the construction is in progress and is expected to be completed by March, 1964.

The company has an authorised capital of Rs. one crore and issued, subscribed and paid-up capital of Rs. 14.59 lakhs. The directors have decided to issue fresh capital worth Rs. 65.27 lakhs of which capital worth Rs. 18.50 lakhs has been offered to the existing shareholders residing in India

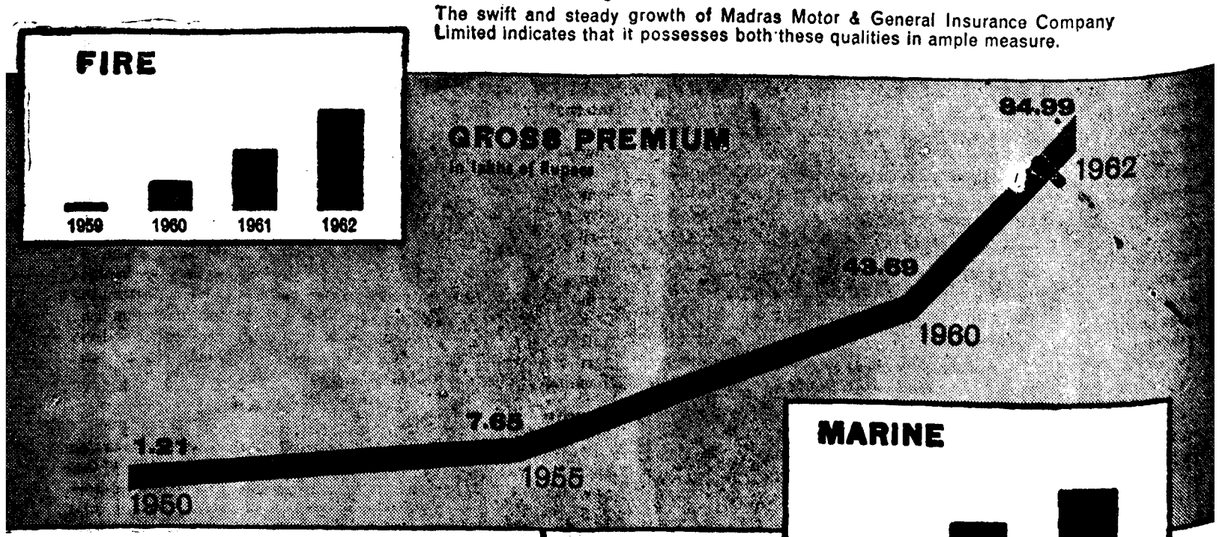


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1962	Rupees in Lakhs
Paid-up Capital	30.00
Reserves	23.16
Insurance Funds	36.22
Total Assets	136.38
Gross Premiums	84.99

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and shares worth Rs. 17.77 lakhs have been reserved for allotment to foreign collaborators, Messrs. Vidal and Sohn Tempo-Werk and Mr. Rolf Bacher, Weissenburg, West Germany. The issue to the public has been underwritten by the Central Bank of India Ltd., Devkaran Nanjee Banking Company Ltd., Messrs. Harbans Singh Mehta & Co., New Delhi, Messrs. Raja Ram Bhasin & Co., New Delhi, Mr. Birdhichand Choadhry, Hyderabad and Messrs. P. Roy Co., New Delhi. The subscription list will close on February 18 or earlier at the discretion of the directors but not before February 12.

CENTURY'S DIVERSIFICATION

The Century Spinning and Manufacturing Company Ltd. has under consideration an ambitious programme of diversification of its activities. It proposes to manufacture a number of new items including synthetic rubber and rubber products, rayon pulp and other cellulose products, plastics, photographic goods and fuel oil and gas. The company can raise sufficient resources to implement its programme and a special resolution altering the memorandum of association of the company to enable it to undertake new activities will be placed before the shareholders at the extraordinary general meeting on February 21.

It proposes to manufacture synthetic rubber in an effort to supply another major raw material of the automobile tyre industry besides rayon tyre cord which is already being produced. The third Plan target in respect of synthetic rubber has been fixed at 70,000 tons but only one unit has been manufacturing it and there is a possibility for additional capacity to the extent of 40,000 tons. The proposed manufacture of rayon pulp is expected to help the factory considerably in obtaining quality rayon. It is planning to manufacture polymers required for the manufacture of synthetic fibres and plastics. The need to take up the manufacture of photographic goods is explained by the fact that the company is already in line for the manufacture of cellulose and cellulose derivatives and hence it is equipped to manufacture raw films and other photographic materials which have an ever-increasing demand.

The production of power and gas is proposed to be undertaken in response to its desire to obtain basic raw materials for the development of synthetic fibre industry from the feed stocks of naphtha steam cracking units and from coal distillation. Coal deposits suitable for setting up a low-temperature carbonisation plant have been explored in the Vidarbha regions of Maharashtra which will supply coke, coal gas and several by-products.

GWALIOR RAYON'S EXTENSION

Gwalior Rayon Silk Manufacturing (Weaving) Company Ltd. proposes to acquire the Punjab Cloth Mills Ltd. at Bhiwani in East Punjab at a cost of Rs 33.02 lakhs—Rs 7.02 lakhs for land and buildings and Rs 26 lakhs for plant, machinery and other assets. The mill consists of 18,000 spindles and 286 looms and has been granted a licence for another 9,000 spindles. It is understood that the Government is prepared to grant the mills a licence for additional 15,000 spindles. The proposed purchase is expected to enable the company to make experiments in spinning staple fibre and manufacture special yarns for use in the weaving division as also for sale to the art silk industry.

MCKENZIES ISSUE

Mckenzies Limited will shortly issue right shares to finance its expansion programme. It has finalised its collaboration arrangements with Mess Saxby, France, for manufacturing in India 'Saxby' products. It has made additions to plant and machinery during the year ended July 31, 1963, and steadily increased its production of railway wagons and floor cranes. It has already commenced the production of concrete vibraters and arranged for its marketing through Messrs. Voltas Ltd.

R. R. STEEL

R.R. Steels and Alloy Ltd. entered the capital market on February 4 with a public issue of 2,500 cumulative redeemable preference shares (10 per cent) of Rs 100 each and 36,750 equity shares of Rs 10 each. The subscription list will close on February 12 or earlier but not before February 7. It has an authorised capital of Rs 50 lakhs and issued capital of Rs 10 lakhs. Promoters, directors, their nominees and friends have subscribed 38,250 equity shares of Rs 10 each. It has been licensed for the manufacture of 3,000 tons per annum of steel castings, alloy and spring steel castings. The factory will be located in U.P. near Bareilly where land has already been acquired and will start production towards the end of 1964. The Uttar Pradesh Financial Corporation has sanctioned a loan of Rs 7.50 lakhs.

INTERNATIONAL COMPUTERS

International Computers and Tabulators Indian Manufacturing Company Ltd., entered the capital market on February 5 with the public issue of Rs 10 lakhs in equity shares of Rs 100 each. The issued capital is Rs 50 lakhs of which International Computers and Tabulators Ltd., London, will subscribe Rs 30 lakhs against the supply of technical know-how and plant and machinery. Indian directors and their friends have subscribed to the extent of Rs 10 lakhs. The company has a programme in the first stage to manufacture 4 types of machines—punches, verifiers, sorters and tabulators—rising from an output of 432 machines in the first year to 1,615 machines in the fifth year. It has also plans to manufacture goods for export markets and certain specialised components and spare parts. The capital outlay is estimated at Rs 71.73 lakhs. The factory will be located at Poona and will go into production shortly. Under the collaboration agreement, the U.K. firm will supply imported plant and machinery costing Rs 19.90 lakhs.

HINDUSTAN ELECTRIC

The Hindustan Electric Company Ltd. proposes to raise an additional capital of Rs 1.40 crores by the issue of 120,000 new equity shares and 20,000 cumulative preference shares (8.57 per cent) of Rs 100 each. The new equity shares will be offered in the first instance to the existing shareholders in the ratio of one share for each share held. The proposal is subject to the approval of both the shareholders and the Controller of Capital Issues. The proposed issue of the additional capital will be met by an increase in the authorised capital of the company from Rs three crores to Rs four crores so as to set up a new factory at Baroda for the manufacture of air blast circuit breakers, tap changers for electric locomotives, furnaces, control panels and other items. The company has already entered into a collaboration agreement with Messrs. Brown Boveri and Company Ltd., Switzerland, for implementing the project. The foreign collaborators will subscribe to the entire preference share issue, besides providing technical assistance.

RAMAKRISHNA STEEL

Sri Ramakrishna Steel Industries Ltd. proposes to enter the capital market next month to offer for public subscription 45,000 equity shares of Rs 100 each. The authorised capital of the company is Rs one crore in the form of 100,000 equity shares of Rs 100 each. Of the issued capital of Rs 50 lakhs, the promoters, the directors and their friends have agreed to take equity shares worth Rs 5 lakhs. The company's factory

at Coimbatore has been granted a licensed capacity of 4,800 tons of steel castings per year and it expects to reach the full capacity within two years.

YEMMIGANUR MILLS

The Yemmiganur Spinning Mills Ltd., Andhra Pradesh, entered the capital market on February 6 with an offer of 10,000 cumulative redeemable preference shares (9.3 per cent) and 9,800 equity shares of Rs 100 each for public subscription. The subscription list will close on February 14 or earlier but not before February 10. It has an authorised capital of Rs one crore and the proposed issue is that of 10,000 preference shares and 20,000 equity shares out of which promoters and their friends will take up 10,200 equity shares. The company proposes to set up a cotton spinning mill with 12,000 spindles at Yemmiganur (Andhra Pradesh) at a total cost of Rs 65.80 lakhs. It has already acquired land and the factory building is expected to be ready in the first quarter of the current year by which time plant and machinery from Japan will start reaching. It is expected that 6,000 spindles will go into production by the middle of the current year and the balance by the end of the year. It will produce coarse and medium cotton yarn to meet the demand from nearly 460,000 handlooms in the State.

REGISTRATION OF COMPANIES

Ninety-one companies with an authorised capital of Rs. 384.32 lakhs were registered in the Northern region during the fourth quarter ended December 31, 1963. The region comprises Uttar Pradesh, Punjab, Rajasthan, Himachal Pradesh and Delhi. Of these companies seven were public companies and 81 were private companies and three were associations not for profit. Five public companies and 54 private companies with an authorised capital of Rs. 75 lakhs and Rs. 175.77 lakhs respectively were registered in Delhi. Two public companies and 13 private companies and one association not for profit with an authorised capital of Rs. 60 lakhs and Rs. 19.45 lakhs respectively were registered in Uttar Pradesh. Punjab and Himachal Pradesh had 13 private companies with an authorised capital of Rs. 23.90 lakhs and two associations not for profit. In Rajasthan one private limited company with an authorised capital of Rs. 30 lakhs was registered. During the same period 25 companies with a paid-up capital of Rs. 35.27 lakhs went into liquidation and names of 14 companies with a paid-up capital of Rs. 1.79 lakhs were struck off the register of the companies.

During the same quarter 73 companies with an authorised capital of Rs. 1641.09 lakhs were registered in the Southern region comprising Andhra Pradesh, Kerala, Madras and Mysore and Pondicherry. Out of these 13 were public companies including two associations not for profit with an authorised capital of Rs 1025.99 lakhs and 60 were private companies with an authorised capital of Rs 615.10 lakhs. Madras had the largest number of registrations with 3 public companies and 37 private companies. It was followed by Kerala with 3 public companies and 14 private companies. Andhra Pradesh had one public company and three private companies, while Mysore had one public company and six private companies. Thirty-five companies with a total paid-up capital of Rs 36.44 lakhs ceased to work out of which 15 were struck off the register and 20 went into liquidation.

In the Eastern region during this quarter 93 limited companies with a total authorised capital of Rs 19.98 crores were incorporated. The region comprises West Bengal, Bihar, Orissa and Assam. West Bengal had 12 public limited companies and 69 private limited companies with an authorised capital of Rs 475 lakhs and Rs 363.50 lakhs respectively. Bihar had six private companies with an authorised capital of Rs 16.00 lakhs. Orissa had one public limited company and six private limited companies with authorised capital of Rs 10.00 crores and Rs 1.66 crores respectively. Assam had five private companies with an authorised capital of Rs 27 lakhs. During the period under review, 22 companies including one limited by guarantee went into liquidation and the names of 22 companies were struck off the register.

COMPANY LAW BOARD RECONSTITUTED

Under Section 10E of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 1963, a Company Law Board has been constituted with effect from Saturday, February 1, 1964. Its composition is: Chairman, Mr. R. C. Dutt, Additional Secretary, Ministry of Finance, Department of Revenue; Member, Mr B. S. Manchanda, Joint Secretary, Ministry of Finance, Department of Revenue. The Government have decided to delegate to the Company Law Board most of the powers and functions at present vested in Government under the provisions of the Companies Act. The powers and functions previously delegated to the four Regional Directors of the Company Law Administration at Bombay, Calcutta, Kanpur and Madras will continue to be exercised or discharged by them.

It may be recalled that the powers delegated to the Regional Directors who will hereafter function under the Company Law Board relate to (i) the approval of the change of name of a company; (ii) calling of annual general meeting of a company where the management has failed to hold the meeting in time; (iii) appointment of auditors for a company where no auditor has been appointed; (iv) empowering Registrar to present a petition to the court for winding up of a company in certain cases; (v) grant of extension of time to the liquidator for calling a general meeting of a company or of creditors where the period of extension does not exceed six months; (vi) sanctioning payment to the contributories out of the company's liquidation account, where the claim does not exceed Rs 1,000; (vii) allow inspection of documents filed with the Registrar along with a prospectus; and (viii) making application to a High Court for the production and inspection of books and papers of the company where offences are suspected.

All the powers and functions under the Companies Act will henceforth be exercised either by the Company Law Board or by the four Regional Directors of the Company Law Administration, except the power to make rules, the power to appoint a person as public trustee under Section 153A and the powers and functions relating to (i) constitution of the Tribunal for enquiring into cases against managerial personnel, and issue of notification conferring on the Tribunal certain powers and functions at present conferred on the Court; (ii) conversion of debentures issued to or loans obtained from the Government by a company into shares of the company; (iii) companies engaged in specified classes of business and industry shall not have managing agents; (iv) appointment of the Advisory Commission; (v) laying of annual reports of Government companies before both Houses of Parliament; (vi) modification of the provisions of the Act in its application to Government companies and to nidhis and mutual benefit societies; (vii) delegation of the powers or functions of Government to such authority or such officer other than the Company Law Board; and (viii) submission of annual report on the working and administration of the Act to Parliament.

All approvals, sanctions, consents, etc., to be accorded by the Central Government under various provisions of the Companies Act will, hereafter, be accorded by the Company Law Board. The Registrars of Companies at various places will also function under the Control of the Board. The powers retained with the Central Government relate only to a very few matters which do not come up for consideration frequently but in respect of most of which Parliament is to be kept informed. Companies and members of the public should with immediate effect address the Secretary, Company Law Board, in respect of all matters arising out of the Companies Act other than those speciafically mentioned above. They should continue to address the appropriate Regional Directors in respect of matters dealt with by them under the powers delegated to them.

CAPITAL ISSUES

Four companies have been authorised to raise capital aggregating Rs 5.26 crores. Of these, two are issuing equities and one equities and preference shares. One company is offering part of its shares for public subscription by prospectus while another involves collaboration with two foreign companies. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Jayanti Shipping Company Limited, Delhi, is to issue further capital of Rs 210 lakhs divided into 2,10,000 equity shares of Rs 100/- each, for cash at par. Of this, 3,377 shares will be subscribed privately and the balance shares will be offered for public subscription by prospectus. The money will be utilised for financing three ore carriers and an oil tanker.

Kamani Industrial Corporation Limited, Jaipur, is to issue capital of Rs. 1,99,00,000/- in equity shares of Rs. 100/- each, to be issued for cash at par, except shares of the value of Rs 1 lakh to be issued for consideration other than cash. The capital will be utilised in the establishment of pig iron project at Udaipur (Rajasthan).

Poddar Projects Limited, a new company incorporated in West Bengal, will be issuing capital of Rs one crore divided into equity shares of Rs 75 lakhs and 9.5% preference shares of Rs 25 lakhs. The capital is required for the establishment of a cotton yarn spinning mill with 25,000 spindles at an estimated capital cost of Rs 190 lakhs.

Metal Profiles of India Limited (Proposed) will be issuing capital of Rs. 17 lakhs for the manufacture of cold rolled sections in steel and other metals. Forty-five per cent of the capital will be subscribed by two U.K. companies and the remaining 55% by Tata Iron & Steel Company Limited.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951—during the fortnight ending 25th January, 1964. The list contains names and addresses of the licensees, the articles of manufacture and annual installed capacity.

During the week ending January 18, 1964

IRON & STEEL

The Hindustan Iron and Steel Co., 8, Rajendra Deb Road, Calcutta-7 (Dum Dum, West Bengal) — Steel forgings 4,800 tons per annum. Shri Anandlal Hiralal, Station Road, Baroda, Proposed name: Gujarat Electrodes Pvt. Ltd. (Baroda, Gujarat)—Welding Electrodes 60 million R. ft. per annum.

ELECTRIC EQUIPMENT

The English Electric Co. of India Ltd., Pallavaram, Distt. Chingleput, Madras (Pallavaram, Madras) — New Article (*Capacity in Nos. per annum*): Electrical Ceramic fuse bodies of ratings 2, 800 amps., 7,20,000. Substantial Expansion: C.F.S. Units 30-300 amps, 12,000; C.F.S. Units 500-750 amps, 960; H.R.C. Fuses, 4,03,980; C.F.S. Boards, 720; Distribution fuse boards, 3,300; Overhead busbars, 2,220; Plug-in-boxes, 6,720; Fusegear components, 4,20,000.

INORGANIC HEAVY CHEMICALS

Mettur Chemical and Industrial Corporation Ltd., Metturdam, Mettur, Madras (Meturdam, Madras) — Caustic soda, 7000 tonnes per annum; Liquid chlorine, 4920 tonnes per annum.

DRUGS & PHARMACEUTICALS

Atul Drug House, 85, Dr. Annie Besant Road, Worli, Bombay-18, Proposed name: Laboratories Vifor (India) Pvt. Ltd., (Bombay, Maharashtra) — Flex-Flac PVC infusion complete with giving set in packs of 500 to 1000 c.c., 9 lakhs per annum. German Remedies Private Ltd., P.B. No. 1945, Bombay-1 (Maharashtra) — Buscopan ampoules, 2,40,000 Nos. per annum; Buscopan Dragees, 24,00,000 Nos. per annum; Buscopan Compositum Amps, 1,20,000 Nos. per annum; Buscopan Compositum Dragees, 12,00,000 Nos. per annum; Deriphyllin N-Digoxin Ampoules, 1,20,000 Nos. per annum; *Deriphyllin - N - Digoxin Dragees, 12,00,000 Nos. per annum.*

PAPER AND PULP

Titaghur Paper Mills Co. Ltd., Chartered Bank Building, Calcutta-1 (Titaghur & Kankinara, West Bengal) — Paper, 10,596 tonnes per annum; Pulp, 10,596 tonnes per annum.

During the week ending January 25, 1964

ELECTRIC EQUIPMENT

Shri C. S. Doshi, C|o M|s. Tropical Engineering Co., 21, Forbes Street, Fort, Bombay (Maharashtra) — (1) AC Generators 20,000 Kw. (2) DC Motors, DC Generators upto 50 Kw rating — capacity to be fixed later.

AUTOMOBILES

Orient General Industries Ltd., 14, Radha Bazar Lane, Calcutta-1 (Calcutta, West Bengal)—Control boxes (voltage regulators) for automobile dynamos—60,000 Nos. Ashok Leyland Ltd., Bank of Mysore Buildings, N.S.C. Bose Road, Madras-1 (Ennore, Madras)—"Beaver"—Heavy Duty passenger and goods chassis upto 16,340 Kgs—2,000 Nos. Shri Indar Singh, 1, Goela Lane, Civil Lines, Delhi (Faridabad, Punjab) —1. Carburettors 50,000 Nos. 2. Carburettor kits 50,000 Nos. 3. Fuel Pumps (electrical) 50,000 Nos. Shri Ramdas Motor Transport Private Ltd., Subhas Road, Kakinada (Kakinada, Andhra Pradesh)—Annual capacity after substantial expansion including New Articles in Nos. 1. King pins 1,20,000, 2. Water Pump Shafts—18,000, 3. Engine Bedding Bolts—6,000, 4. King pin Thrust Washers—12,000, 5. Clutch & Brake Pedal Shafts—24,000, 6. Wheel Bolts—36,000, 7. Shackle Pins—96,000, 8. Shackle Bolts—60,000, 9. Oil Seals—12,000, 10. Bus, lorry & Station Wagon bodies—180, 11. King Pin Units—24,000, 12. Shaft Pump rive and oil pumpgear—12,000, 13. Clutch & Brake Pedal Tubes—6,000, 14. King Pin Cotter Pins—18,000, 15. King Pin Thrust Bearings—12,000, 16. King Pin Bushes—24,000.

EARTH MOVING MACHINERY

Shri S. Rajagopalan Bagyasree, 24, 5th Main Road, Raja Annamalaipuram, Madras-28. Proposed name: Trac Industries & Components Pvt. Ltd., (Saidapet, Madras)—Track parts for crawler tractors and other crawler mounted equipment—1,000 sets.

AIR CONDITIONERS & REFRIGERATORS

Danfoss (India) Ltd., Bank of Baroda Buildings, Appollo Street, Bombay (Bombay, Maharashtra)—1. Thermostatic Ex-

pansion Valves 2,400 Nos. 2. Pressure Cutouts & Safety Cut-outs 6,000 Nos. 3. Starting Relays 1,20,000 Nos. 4. Motor overload protectors 1,20,000 Nos. 5. Hot Stamped fittings 3,60,000 Nos. 6. Pressure control for water and compressors air system 18,000 Nos. 7. Refrigeration Thermostats (Evoporative)—(after expansion)—96,000 Nos.

DRUGS & PHARMACEUTICALS

Hoechst Pharmaceuticals Ltd., Dugal House, Backbay Reclamation, Bombay-1 (Maharashtra)—Hostacaine Forte's 6,000 litres, Hostacaine Forte's 4,000 litres, Roncovite 20 million dragees.

COTTON TEXTILES

Elgin Mills Company Ltd., Kanpur (Uttar Pradesh)—12,500 spindles for the manufacture of cotton yarn. Kwality Spinning Mills Private Ltd., Udamalpet Road, Pollachi (Madras) 12680 spindles for the manufacture of cotton yarn. Shri Allum Karibasappa, Bellary. Proposed name: The Bellary Cotton Mills Ltd. (Bellary, Mysore)—12,000 spindles for the manufacture of cotton yarn. The Cannanore Spinning & Weaving Mills Ltd., P. B. No. 4, Cannanore Mahe, Pondicherry)—20,160 spindles for the manufacture of cotton yarn. U. P. Co-operative Spinning Mills Ltd., Handloom Section, Director of Industries, Kanpur (Shahganj, Uttar Pradesh)—25,000 spindles for manufacture of cotton yarn. Shree Bansidhar Spinning and Weaving Mills (P) Ltd., Naroda Road, Railwaypura, Ahmedabad-2 (Gujarat)—8,600 spindles for manufacture of cotton yarn. Shri Raghubir Prasad Singhania, 113|8, Swaroopnagar, Kanpur. Proposed name: Standard Spinning Mills (Uttar Pradesh)—12,500 spindles for manufacture of cotton yarn. Anantapur Textiles Ltd., 161, Netaji Subhas Road, Calcutta-7 (West Bengal)—1,000 spindles for the manufacture of cotton yarn. Ananda Kumar Mills Ltd., Siravanampatti P. O. Coimbatore-6 (Coimbatore, Madras)—12,904 spindles for the manufacture of cotton yarn. Shri Satish Chandra Malhotra, Manik Bagh Palace, Indore (Indore, Madhya Pradesh)—25,000 spindles for the manufacture of cotton yarn. The Krishna Kumar Mills Co. Ltd., 5|56 Wardon Court, Gowalia Tank Road, Bombay-26 (Mahuva, Gujarat)—7,040 spindles for manufacture of cotton yarn. Shri Chandulal Virchand, 989-Main Road, Nasik. Proposed name: Nasik District Co-operative Spinning Mills Ltd. (Nasik, Maharashtra)—12,000 spindles for the manufacture of cotton yarn. The Deccan Cooperative Spinning Mills Ltd., Ichalkaranji, Distt. Kolhapur (Maharashtra)—13,000 spindles for the manufacture of cotton yarn. Sri Palamalai Ranganathar Mills Ltd., Periyanaickenpalayam, Sri Ramakrishna Vidyalaya Post, Coimbatore Distt. (Madras)—12,848 spindles for the manufacture of cotton yarn. Sri Karunambikai Mills Ltd., Somanur P.O. Coimbatore (Somanur, Madras)—12,904 spindles for the manufacture of cotton yarn. Shri B. S. Chalukya, Chief Promoter, Jawahar Co-operative Spinning Mills Ltd., C|o. District Central Co-operative Bank Ltd., Latur. Proposed name: Jawahar Co-operative Spinning Mills Ltd., (Latur, Maharashtra)—12,000 spindles for manufacture of cotton yarn. Moradabad Spinning & Weaving Mills Co. Ltd., Moradabad (Moradabad, Uttar Pradesh)—6,000 spindles for manufacture of cotton yarn. Shri P. S. Rangaswami, L. N. Palayam Post, Via Palladam, Coimbatore Distt. (Gingee, Madras)—12,000 spindles for the manufacture of cotton yarn. Shri R. Srinivasan, Farm House, Athur P. O., Chingleput (Tiruvellor, Madras)—12,000 spindles for the manufacture of cotton yarn.

WOOL

Simplex Woollen Mills, Sadhana Rayon House, Dr. Dadabhoy Naoroji Road, Fort, Bombay-1 (Bombay, Maharashtra)—Powerlooms 8 Nos. purchased from registered capacity. British India Corporation Ltd., P. O. Box No. 5, Kanpur (Dharwal, Punjab)—Automatic looms 24 Nos., for the manufactu of woollen fabrics and blankets.

CANNED FRUITS

Assam Fruit Products Ltd., 15, India Exchange Place, Calcutta-1 (Silchar, Assam)—Orange products 800 tons per mon. Pineapple products 2200 tons per month.

CHANGE IN NAMES (Owners or Undertakings)

(Information pertains to particular licences only)

During the week ending January 18, 1964

From M|s. Niranjan Auto Pistons Ltd., New Delhi, to M|s Shama Pistons and Rings Ltd., New Delhi. From M|s. Western Mechanical Industries (P) Ltd., Bombay, to M|s. Hoist-O-Mech Ltd., Bombay.

During the week ending January 25, 1964

From M|s. Rasik Solvent Extraction Co., Jamnagar, to M|s. Vilas Udyog Ltd., Jamnagar. From M|s. Samraj Oils & Fertilizers, Madras, to M|s. Hind Mercantile Corporation Private Ltd., Madras.

LICENCES REVOKED OR SURRENDERED

(Information pertains to particular licences only)

During the week ending 18th January, 1964

M|s. Eastern Steel & Engineering Corporation Private Ltd., Calcutta — S.G. Iron Castings. M|s. Grant James Private Ltd., Calcutta — E.R.W. Steel Pipes. Shri Ghanshyam Kejriwal, Calcutta—Cast Iron Spun Pipes. M|s. Prakash Engineering Co. & Rolling Mills, Agra — Electric Furnace, Steel Ingots, Billets in Tools and Alloy Steel composition, etc. M|s. Sen and Pandit Industries Ltd., Calcutta — Cold Drawn Steel Wire. (Name of the Licensee): M|s. Kothari & Sons, Madras — ACSR & AA Conductors and VIR & PVC Cables. (Name of the Undertaking): M|s. South Indian Cable Co., Madras. M|s. Indo-American Electronic Corporation Ltd., Calcutta — Paper Capacitors, Electrolytic capacitors, and other types of ceramic capacitors. M|s. Orissa Cement Ltd., New Delhi — Slag Cement.

During the week ending 25th January, 1964

Shri C. Keshav Gopal Pithawalla, Bombay.—Malleable Castings, Cast Iron Castings, Steel Forgings. M|s. Kirloskar Brothers Ltd., Kirloskarvadi, Distt. Sangli—Hoists, Lifting Gears and Cranes (surrendered). M|s. Swedeshi Cotton Mills Co. Ltd., Kanpur—Cupramonium Filament yarn. M|s. Rajaniklal Co. Pvt. Ltd., Calcutta—Sanitary ware. M|s. Sone Valley Portland Cement Co. Ltd., Calcutta—Slag Cement.

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BOOKS BRIEFLY

Bankers to the World

The World Bank: A Prospect: By James Morris; Faber and Faber, London, 1963; Pp. 195; 25 sh.

Reviewed by D. KRISHNASWAMY RAO

THIS BOOK was commissioned by Mr Eugene Black who retired from the Presidentship of the World Bank last year, but its author was left free to write what he liked—and evidently so, for he does say things in criticism of Mr. Black and the Bank along with a fair amount of praise.

Mr. Morris is neither an economist nor a statistician but an experienced journalist who has an eye for facts and a racy style of presenting them. His main theme is the part that the Bank has been playing in helping the underdeveloped two-thirds of the world achieve what he calls 'the technical revolution' that can lift them out of their present poverty.

The book opens with a frank discussion of the actualities of economic backwardness and of the implications of economic change, and then moves on to consider the role of the World Bank as a catalyst of Development. As a preliminary, there is thrown in a description of the Bank's offices at Washington, its multi-national staff and their ways of working and talking: things that we obviously cannot get from the learned tomes on the Bretton-Woods institutions or from the Bank's own Annual Reports! At the centre of the account there is a pen-picture—failings included—of Mr. Eugene Black who for fourteen years was President of the Bank and undoubtedly made it what it is today, the most successful of Specialized Agencies of the United Nations.

Then follows a discussion of the principles on which the Bank has so far conducted its operations and the criticisms that have commonly been levelled against it. There is naturally nothing new that is said here but it is all put in a very readable way, and to the lay reader it might come as a useful corrective to the wrong notions that are all too prevalent on this subject.

It is difficult, however, to understand why at this point the author should take us off on a very lengthy verbal detour—113 pages in a book which, counting in preface and index, numbers 195 pages—for the apparent purpose of showing from studies of five different situations in widely separated parts of the world what the Bank has been doing for the betterment of the poor countries. The areas chosen for the study are Ethiopia, Thailand, southern Italy, Colombia and the Indus Basin.

Each region is given a chapter to itself and each chapter follows the same pattern: an assortment of bits of history, geography, economics, sociology and, above all, scenic descriptions and personal impressions that would better befit a travelogue. With the best will in the world, one's interest flags after a couple of these five chapters which together constitute two-thirds of the book.

In the last chapter of the book we are back again at the Bank, its new soft loans counter, IDA, and things yet to come. Mr. Morris concludes with a vision of a future when countries which are members of the Bank would give up all forms of bilateral aid, and instead channel all loans and grants for the emergent nations through the Bank and its affiliate, IDA.

We lay down the book with the feeling that the lively member of the Bank's staff (page 49) who defied Mr. Morris to write an interesting book about the Bank was right after all. For the way the author has met the challenge is to write a little about the Bank itself and a lot about other things. We are told on the dust-jacket that "in fact this narrative is concerned as much with the World as with the Bank"—rather more with the World, we feel, than with the Bank. The mode of graphic description and personal narrative has less scope in Economics than in the other social sciences.

BOOKS RECEIVED

Clarification of the Monetary Standard: By Will E. Mason; The Pennsylvania State University Press, Pennsylvania; $7.50.

An Introduction to Positive Economics: By Richard G. Lipsey; Weidenfeld and Nicolson, London; 45s.

Social Costs of Business Enterprise: by K. William Kapp; Asia Publishing House, Bombay; Rs. 20.

Government in Business: by S. S. Khera; Asia Publishing House, Bombay; Rs. 38.

Hindus of the Himalayas: by Gerald D. Berreman; Oxford University Press, Bombay; Rs. 25.

The Managed Economy: by Michael D. Reagan; Oxford University Press, New York. $6.00.

The Theory of Wages: by J. R. Hicks; Macmillan and Co., Ltd., London; 35s.

Efficacy of Public Enterprises: Ed. by V. V. Ramanadham; Allied Publishers Private Ltd., Bombay; Rs. 16.

The Law and Practice of Super Profits Tax: Allied Publishers Private Ltd., Bombay; Rs. 25.

India's Foreign Trade: by S. K. Verghese; Allied Publishers Private Ltd., Bombay; Rs. 15.

Readers' Roundtable

NATIONAL MINIMUM

DEMOCRATIC Socialism has become the declared goal and emphasis is being laid on raising the levels of income at the lowest along with the reduction of those at the top. It is widely recognised that provision of basic needs of every individual must be ensured and a national minimum comprising the essential requirements is established as speedily as possible. To the rank and file of the Congress Party, Socialism means nothing else but the people must have basic requirements at reasonable prices and clean administration at all levels.

Why has planned economic growth failed to provide the basic requirements at reasonable prices? It is largely because the planners assert that the economic expansion demands an increasing shift from production of consumption goods to fabrication of capital goods. How can we guarantee a national minimum of 18 ounces of nutritional diet even if 100 million tons of foodgrains is achieved by 1965? The foodgrain consumption had fallen from 15.7 ounces per head per day in 1954 to 15.4 ounces in 1960. What incentives have we provided to our farmers that we expect higher agricultural production? In respect of cloth, index has risen from 100 in 1951 to 117 in 1961. It does not even cover the population increase of 22 per cent during the same period. The per capita consumption of cloth had declined from 16.4 yards in 1954 to 15.7 yards in 1959. To assure a reasonable standard of life to the people, the production of foodgrains and cloth needs to be doubled from 1960-61's 80 million tons and nine million yards respectively by 1975-76. The Planning Commission has worked out that a man needs Rs. 30 a month for the barest necessities of life but the lowest 10 per cent in the country will reach the per capita income of Rs. 20-30 by about the end of the century, if the economic growth is stepped up by from five to seven per cent. It is hardly two per cent at the moment.

NEW DELHI. VIRENDRA AGGARWALA

COMPANY MEETING

ASHOK LEYLAND LIMITED
Ennore, Madras-57

Speech Delivered by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon.), Chairman, Ashok Leyland Limited, to the Shareholders at the Fifteenth Annual General Meeting of the Company held on 27th January, 1964, at Ennore, Madras.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Fifteenth Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and Profit and Loss Account for the year ending 30th September, 1963, have been circulated to you and, with your permission, I shall take them as read.

You will have read in the Profit and Loss Account that sales for the 1962-63 year were a little in excess of Rs. 10.92 crores, which is 16 per cent less than the corresponding figure for 1961-62, when sales were approximately Rs. 13 crores. This reduction does not represent any reduction in the demand for your Company's products. On the contrary, there is every indication that it will be some time before increased output can meet a demand greatly in excess of the Company's ability to supply. But the 1962-63 year was one in which there were continuous difficulties regarding the availability of materials required for the manufacture of chassis and engines. It is appropriate that I should acquaint you with some of these difficulties, which have made it a serious problem to maintain profitable trading.

A shortage of foreign exchange available for allotment to the Automobile Industry, for the import of raw materials not available in India and for finished and semi-finished components not yet manufactured in your Factory or not available from Indian Ancillary Manufacturers, caused shortages which resulted in serious reductions in output. In October 1962, these shortages resulted in the output for the month being no more than 46 chassis, against productive capacity for 300, and for 10 days the Chassis Assembly Line was inoperative. Similar circumstances in February 1963 made it impossible to produce any chassis at all for the whole of that month. A severe cut in the total foreign exchange allotted to your Company for the whole year under review, which it was impossible to counteract in the time available by reducing the imported content of a 'Comet' chassis, made it necessary to reduce deliveries of imported materials and this in turn resulted in overseas suppliers being required to discontinue shipments. Unavoidable delays in the re-establishment of supplies at a later stage, had a most adverse effect on our ability to maintain production schedules.

Because reductions in the amounts of foreign exchange available for the import of materials from overseas was anticipated, your Company has made strenuous efforts to increase the indigenous content of its products. To this end it has been the policy to make maximum utilisation of raw materials and semi-finished materials such as castings and forgings available from Indian sources of supply. Messrs. Ennore Foundries Ltd., a subsidiary Company, has been able to meet our demands for grey iron and for aluminium castings, but it has been difficult to obtain adequate supplies of steel castings, malleable iron castings and forgings. It will be appreciated that on occasions a decision to delete a component from import, replacing import by supply from an ancillary manufacturer, may involve unexpected difficulties, despite all the precautions which are taken to ensure that the corresponding indigenous component shall be satisfactory. Should the indigenous component be defective in any way after import has been discontinued, stocks may be completely exhausted before the defects can be eradicated; and, in that event, production can become seriously curtailed for a period. Such difficulties occurred on two occasions during the 1962-63 year, but steps have been taken to obviate a recurrence in future.

By June 1963, most of the year's difficulties having been overcome, production returned to normal. But in late June/July a shortage of electricity, necessitating an 80 per cent cut in the supply to your Factory, resulted in a complete shutdown of production for 12 days.

Summarising what is a tale of woe, your Company was only producing chassis from the Assembly Line for approximately three-quarters of the available working days during the year. Output for the year, had conditions been normal, would have been not less than 3,200 chassis. The actual output was only 2,411 chassis. This unavoidable failure to maintain production at a high enough level is reflected in the financial returns from the sale of your Company's products which has been referred to. However, I am happy to be able to advise you the material stock position has improved and the output of chassis and engines has become established at a steady and satisfactory level. It is anticipated the output will reach a figure of 15 chassis per working day in the near future, with an increase to 17 chassis before the end of this financial year. During the first 3 months of the current year the deliveries of chassis to our customers have been nearly twice the number delivered in the corresponding period of the 1962-63 year.

You are aware that your Company has been engaged in an expansion programme designed to increase production to 6,000 'Comet' chassis per annum, to increase the manufacture of spare parts and at the same time to increase the indigenous content of your products. You will have noted in Schedule 'D', included in the Balance Sheet, that during the year 1962-63 additional buildings and plant and machinery to a value of approximately Rs. 96.7 lakhs have been added to your fixed assets. The corresponding total addition for the two years ending 30th September, 1961 and 30th September, 1962 was Rs. 237 lakhs approximately. That is, the total expenditure on buildings, plant and machinery incurred for the implementation of the expansion programme has exceeded Rs. 3.33 crores. Because skilled labour has had to be trained from men with no previous engineering experience, supervisors also have had to be trained, machine tool deliveries have frequently been behind schedule and production has had to be maintained while installing new machine tools and moving others to make room for them, the expansion project has represented a major problem; and it will not be completed for another 5 to 6 months. In the meantime, your Company has had to maintain profitability in the face of underutilisation of installed capacity, heavy depreciation and interest charges on machines installed but initially not fully utilised and a degree

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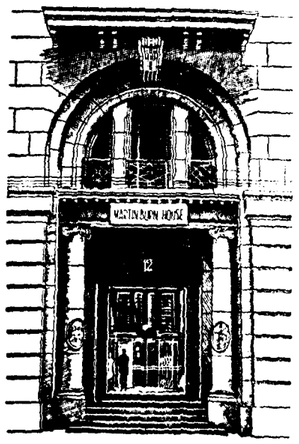
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MARTIN BURN LOOK BACK TO OVER *180 YEARS OF SERVICE TO INDIA*



...to be able to compute this service by decades, not by years alone...to recall that our creed has consistently been the development of our country's resources through engineering and allied enterprises...to take pride in planning that makes the many units in our organization fall into a rational and complementary group and each one a leader in its particular field, a position which some of them, early pioneers in India, held even in the last century. For us looking back is a worthwhile proposition—an incentive to *move forward.*

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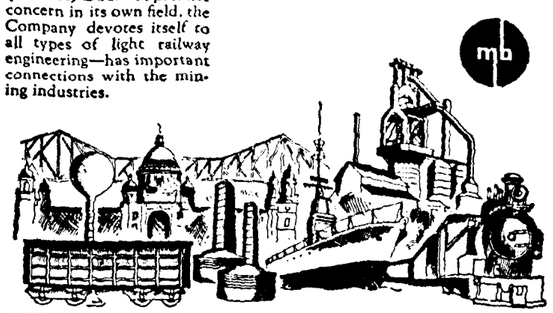
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of out-of-balance production. These are problems inescapable and inevitable during major expansion projects and your managers and executives and the workmen whom they supervise accept them as such. While I have no doubt you will be disappointed that it has not proved possible for the usual dividend to be maintained for the 1962-63 year, when you may well have looked forward to an improvement rather than a reduction from 8 per cent to 7 per cent, I suggest that in relation to the financial burden of the expansion programme occurring during a year in which reduced output became unavoidable, it has not been an entirely unsatisfactory year from the financial point of view. Unless any unforeseen difficulties arise, you can look forward to your Company benefiting from the results of its past labours and during 1963-64 the endeavour will be made to produce over 3,600 'Comet' chassis, possibly 4,000; and to reach a steady monthly output exceeding 400 per month before the year end.

You will necessarily be interested in knowing the extent to which the 'Comet's' indigenous content has been increased. To maintain output at a level which will ensure adequate profitability in the context of a continuing shortage of foreign exchange, it is obviously necessary for the maximum effort to be made to reduce the import of the materials required for the manufacture of chassis. The current indigenous content is 79 per cent in relation to the Company's latest application for licences, involving foreign exchange allotment, for the import of materials and components from overseas. That is, the value of the imported content of a chassis will be 21 per cent of the value of a complete chassis; and this figure will be progressively reduced to 10 per cent during the next 18 months. It will be your Directors' aim so to balance the increase both of the number of chassis produced and of the indigenous content of a chassis that the latter will reach the desired figure of at least 90 per cent, while the former will ensure an increase in revenue in keeping with the additional expenditure on plant and machinery installed to manufacture new components in your Factory.

Plans have been completed for the manufacture at your Factory of additional components including engine camshafts, engine timing gears and rear axle differential pinions; and for the purchase of additional semi-finished and finished materials from Indian Ancillary Manufacturers. These steps are designed to increase the indigenous content to not less than 90 per cent.

Your Directors decided recently that it was desirable to alter the method used in your Company to calculate annual allotments to Depreciation. From its inception the Company has used what may be called the "reducing book balance" method which is covered by Section 205(2)(a) of the Companies Act. In this method the value of assets is reduced annually by a fixed percentage which is deducted from the previous year's book value. It has the disadvantage that over the term of years during which an asset reduces to scrap value, the early depreciation allotments are high and reduce progressively year by year. Consequently, when new plant and machinery is installed depreciation charges are at their highest when full utilisation may not have been established and output is consequently below the level which will eventually be achieved. The alternative method of depreciation allotment which may be called the "straight line" method is arbitrarily to take 5 per cent of the installed value of plant and equipment as the scrap value; and to credit Depreciation Fund with an equal amount annually, being 95 per cent of the installed value divided by the numbers of years taken to represent the period during which the asset will reduce to scrap value. The new method, which is authorised by Section 205(2)(b) of the Companies Act, has been introduced with effect from 1st October, 1962; and no change has been made in the amount credited to Depreciation for the years up to 30th September, 1962.

Concurrently with the expansion of your Company's output facilities, Ennore Foundries Ltd. are also providing for the installation of additional equipment which will enable them to double their output of castings, thus ensuring that all demands on them will be met adequately. You will have noted that as at 30th September, 1963, your Company's investment in Ennore Foundries Ltd. was Rs. 23,72,990 out of a total issued and subscribed capital at that date of Rs. 94,92,000, the balance being held by Leyland Motors Ltd. and its nominees.

Your Company is continuing its efforts to establish an export trade. It is not easy to secure business in overseas markets because it is necessary to compete not only with other manufacturers in India, Europe and the U.S.A., but also with Leyland Motors who offer chassis similar to those produced at Ennore. It is only possible to secure orders, therefore, if the Ashok Leyland specifications, quality, after-sales service and prices are comparable to those of competitors. With the assistance of Leyland Motors, a start has been made in the establishment of an export market; and todate 66 'Comet' chassis have been sold to the Ceylon Transport Board, this including an order for 41 chassis secured during the 1962-63 year. It is confidently anticipated that the reputation which has been earned in Ceylon will assist in the task of extending sales to other overseas markets.

I am pleased to be able to inform you that the Government of India has recently approved the inclusion of a new model in your Company's range of products. Based on the Leyland 'Beaver' chassis a range of heavy duty chassis are to be produced at Ennore which will provide for the following types of vehicles:

i) A passenger chassis suitable for double-deck coachwork, similar to the Leyland 'Titan'.

ii) A passenger chassis suitable for maximum duty single-deck coachwork, similar to the Leyland 'Tiger'.

iii) A 4 x 2 goods chassis similar to the Leyland 'Beaver'.

iv) A 6 x 4 goods chassis similar to the Leyland 'Hippo'.

When a demand develops, as it is likely to do, the engines, clutches, gearboxes, front axles, rear axles, steering gears, etc., which will be produced at your Factory for the above range of vehicles, will be susceptible of incorporation in a 4 x 4 version of the 'Beaver' and a 6 x 6 version of the 'Hippo' chassis. This means that facilities will be created for the production of a range of chassis which, including the 'Comet', will eventually provide for gross train weights from 12 tons up to 32 tons.

In connection with the 'Beaver' Project, it is proposed initially to install capacity for the production of 2,000 chassis per annum. But planning will be so executed that the new buildings, plant and machinery can ultimately be expanded to provide for an output of 5,000 chassis per annum. The Leyland Motor Corporation has indicated its readiness to continue investing in the Company's equity in regard to any additional capital which will have to be issued in order to implement this Project. Leyland's investment would be utilised as heretofore for the purchase of plant and machinery in the United Kingdom.

In all the expansion programmes that I have envisaged, we have had the ready co-operation of Leyland Motors, not merely in financial contribution, but what is more important,

in their active assistance in the technical aspects of the expansion. Directors of Leyland Motors and senior executives have maintained their periodical visits to your Factory. Mr. Stokes spent some time at your Factory in March and Mr. West in February and December 1963, reviewing the progress made and giving valuable advice to the Management; and Mr. R. K. Robinson, Production Engineer, Leyland Motors, spent a considerable time at your Factory in January and March 1963, giving most useful and valuable guidance to our production staff. These visits have enabled the Management to organise and regulate our productive capacity better and I am sure I am voicing your wishes when I convey to the Leyland Directors and technical staff, our thanks for all their assistance.

Sir Henry Spurrier, owing to indifferent health, has ceased to be the Chairman of the Leyland Motor Corporation, but he continues to take interest in Ashok Leyland and in Leyland Motor activities in England and particularly in India, in his capacity as President of the Leyland Motor Corporation. We hope and pray that he will be restored to normal health and we shall continue to have guidance from his great experience.

Sir William Black has been appointed as Chairman of the Leyland Motor Corporation and Mr. D. G. Stokes as Managing Director and Deputy Chairman of Leyland Motor Corporation. Mr. West is Chairman of Leyland Motors Ltd. I have had personal contact with all these distinguished gentlemen, more than once when I was in England, and I can assure you of their deep interest in your Company and of their genuine appreciation of the progress that it has made.

Our relations with our employees have remained cordial throughout the year and the results which we have obtained in a very difficult year, were in no small measure due to the hard work and loyal service of the officers, staff and work people of your Company. I would like to convey on your behalf and on mine, our appreciation of their good work and our thanks for their loyal co-operation. I am not formally repeating myself if in this year's speech also, I refer to the work of the Managing Director, Mr. Collins, whose devotion to duty and absorbing interest in the progress of the Company have been most notable. His inspiring leadership has had no small effect on the work of other officers, staff and the workers in the Factory.

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



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RECORDS AND STATISTICS

L.I.C.: A Seven-Year Story

THE NEW business of the Life Insurance Corporation of India attained a peak at Rs. 745.96 crores for the fifteen months ending March 31, 1963. Table I shows that it had a steady rise during the past four years and was now more than double the level in 1958. Business outside India also improved to Rs. 11.24 crores as against Rs. 5.62 crores only in 1958. Table II shows the relative positions of the different zones. The Southern zone underwrote the highest new business during the period under review at Rs. 201.66 crores followed by the Western zone at Rs. 172.12 crores. The Central zone underwrote the lowest new business at Rs. 104.92 crores only. The average sum assured per policy improved slightly from Rs. 4,143 in 1961 to Rs. 4,220 in the period under review. This table also shows that the volume of new business is not dependent on the population of any zone. Northern zone's population in the 1961 census was 43 per cent of the population in the Southern zone, but its new business during the period under review was nearly 57 per cent of the new business in the Southern zone.

Tables III and IV give details in regard to new business in annuities. The number of life annuities underwritten was about 3½ times the "annuities certain" showing a marked preference for the former. The volume of business under this section, however, was not very large when compared with the total new life insurance business underwritten by the Corporation. Life insurance remains, by and large, a habit with the urban sections of the population, as 68.2 per cent of the sum assured of new business in the period under review was from urban areas as against 31.8 per cent from the rural areas. Nearly four-fifths of the people lived in rural areas while their share in the total life insurance business was less than one-third (see table V). The Corporation has been making efforts to mop up the savings in the rural areas, but not much success in this regard has been recorded. Table VI shows the distribution of new business in India according to the plans of assurance; the total number of Janata policies underwritten during the fifteen months' period was no more than 21,000 (for Rs. 171 lakhs only). This is a negligible share of the total new business and is indicative of the difficult field that the Corporation has still to cover.

The Corporation has introduced non-medical schemes in recent years in order to increase its business. Table VII shows that 21.2 per cent of the total sum assured of new business belonged to non-medical (general and special) schemes. That a majority of the life policies are underwritten for sums assured ranging between Rs. 3,000 to Rs. 10,000 is shown in table A. Approximately half the sum assured belonged to policies between this range. Policies for sums assured between Rs. 10,000 and Rs. 25,000 commanded only 15.7 per cent of the total sum assured. The number of policies for more than Rs. 100,000 was negligible. The fact that 96 per cent of the policies were for sums assured less than Rs. 10,000 indicated that insurance was, by and large, a middle and lower middle class habit.

During the last four years, the business in force of the Corporation has nearly doubled (See Table VIII). At the end of 1958, sum assured and bonuses relating to business in force were Rs. 1,682 crores, while at the end of March, 1963, the figure had risen to Rs. 3,168 crores, indicating an average rise of about 25 per cent per annum (simple). The business in force would have been at a much higher figure but for the rising lapse ratio which increased from 5.1 per cent in 1958 to 8.1 per cent during the accounting period under review. (See table B).

The investments pertaining to the life business of the Corporation at the end of March, 1963, are given in table IX which shows that their total book value was Rs. 683.2 crores out of which Rs. 16.80 crores related to investments out of India. A sum of Rs. 27.99 crores was invested on house property, Rs. 8.84 crores as loan on mortgage of property and

TABLE A

NEW BUSINESS ACCORDING TO SIZE OF POLICY

Sum Assured Group (Rs.)	Percentage of total new business	
	On the basis of number of policies	On the basis of sum assured
(1)	(2)	(3)
Upto 1,000	19.6	4.7
1,001 — 2,000	25.9	12.0
2,001 — 3,000	17.6	12.0
3,001 — 5,000	23.2	27.4
5,001 — 10,000	9.7	21.5
10,001 — 25,000	3.4	15.6
25,001 — 1,00,000	0.6	6.5
Above 1,00,000	..	0.3
TOTAL	100.0	100.0

Rs. 7.86 crores as loans to apex co-operative housing financing societies guaranteed by the Government. In other words, the total funds made available by the Corporation for housing finance societies and as mortgage on property was no more than Rs. 16 crores. This table also shows that the total stock exchange investments and loans and deposits guaranteed by the Government 'outside India' were valued at Rs. 15.71 crores, details of which are given in table X. The highest value of the Corporation's investments abroad was in Burma

TABLE B

LAPSE RATIO : 1958 - 1963

Lapses during	Lapse ratio (Percentage)
1958	5.1
1959	6.0
1960	6.6
1961	7.0
1-1-1962 to 31-3-1963	8.1*

* Annual ratio.

at Rs. 4.64 crores followed by Ceylon at Rs. 4.47 crores. The investments in the United Kingdom were valued at Rs. 63.66 lakhs only. A region-wise and State-wise distribution of stock exchange investments as on March 31, 1963, are presented in Table XI which shows that the maximum investment of the Corporation was in the Eastern zone at 16.14 per cent of the total followed by the Western region at 16.00 per cent. Only 53.51 per cent of the stock exchange investments could be allocated to the various zones, the balance being Central Government securities or other approved securities which could not be allocated to any of the regions. Maharashtra and West Bengal being industrial States commanded nearly two-thirds of the investments which could be distributed State-wise.

TABLE I

NEW BUSINESS: 1958-1963

Accounting Period	In India		Out of India		Total	
	No. of policies	Sum assured (Crores of rupees)	No. of policies	Sum assured (Crores of rupees)	No. of policies	Sum assured (Crores of rupees)
1958 ..	9,54,771	339.06	5,399	5.62	9,60,170	344.68
1959 ..	11,43,387	419.70	7,912	9.47	11,51,299	429.17
1960 ..	12,49,821	487.84	7,736	9.70	12,57,557	497.54
1961 ..	14,61,608	598.79	8,056	10.03	14,69,664	508.82
1-1-1962 to 31-3-1963	17,58,046	734.72	9,498	11.24	17,67,544	745.96

TABLE II

ZONE-WISE NEW BUSINESS ASSURANCES

Zone	Area (thousand sq. miles)	Population according to 1961 census (million)	1961 Policies No.	1961 Policies Sum Assured crores of rupees	1961 Average sum assured per policy Rs.	1-1-1962 to 31-3-1963 Policies No.	1-1-1962 to 31-3-1963 Policies Sum Assured crores of rupees	1-1-1962 to 31-3-1963 Average sum assured per policy Rs.
Northern ..	190.3	48.0	1,93,109	96.38	4,991	2,28,963	114.77	5,013
Central ..	284.9	106.1	1,89,922	79.32	4,176	2,44,706	104.92	4,288
Eastern ..	262.0	113.5	3,48,155	138.91	3,990	3,59,148	141.25	3,933
Southern ..	246.0	110.6	4,18,514	151.68	3,624	5,37,195	201.66	3,754
Western ..	192.6	60.9	3,11,908	132.50	4,248	3,88,034	172.12	4,436
Total in India ..	1176.3	439.1	14,61,608	598.79	4,097	17,58,046	734.72	4,179
Out of India ..	—	—	8,056	10.03	12,446	9,498	11.24	11,834
Grand Total ..	1176.3	439.1	14,69,664	608.82	4,143	17,67,544	745.96	4,220

Northern zone : Delhi, Ajmer, Chandigarh and Jullundur divisions.

Central zone : Kanpur, Lucknow, Agra, Meerut, Indore, Jabalpur and Varanasi divisions.

Eastern zone : Calcutta, Asansol, Cuttack, Gauhati, Jalpaiguri, Jamshedpur, Muzaffarpur and Patna divisions.

Southern zone : Madras, Bangalore, Coimbatore, Hyderabad, Madurai, Masulipatam, Trivandrum, Udipi and Thanjavur divisions.

Western zones : Bombay, Ahmedabad, Nagpur, Nasik, Poona, Rajkot, Satara, Surat and Goa divisions.

TABLE III

NEW BUSINESS—LIFE ANNUITIES

PERIOD : 1-1-1962 TO 31-3-1963

Zone	Deferred Annuities No.	Deferred Annuities Amount of annual payments	Immediate Annuities No.	Immediate Annuities Amount of annual payments
		Rs.		Rs.
Northern	59	1,06,227	3	1,105
Central	30	56,665	5	2,725
Eastern	189	5,42,637	150	3,24,391
Southern	51	58,317	30	9,430
Western	336	3,69,027	13	9,104
Total in India ..	665	9,32,933	201	3,56,755
Out of India ..	7	26,296	—	—
Grand Total ..	672	9,61,229	201	3,56,755

TABLE IV

NEW BUSINESS—ANNUITIES CERTAIN

PERIOD : 1-1-1962 TO 31-3-1963

Zone	Deferred Annuities No.	Deferred Annuities Amount of annual payments	Immediate Annuities No.	Immediate Annuities Amount of annual payments
		Rs.		Rs.
Northern ..	6	35,129	3	6,554
Central ..	7	5,452	3	752
Eastern ..	99	2,32,067	34	1,52,858
Southern ..	1	128	3	11,070
Western ..	84	1,82,893	3	2,558
Total in India ..	197	4,55,669	46	1,73,792
Out of India ..	—	—	—	—
Grand Total ..	197	4,55,669	46	1,73,792

TABLE V.

NEW BUSINESS COMPLETED IN URBAN AND RURAL AREAS

PERIOD: 1-1-1962 TO 31-3-1963

Zone	Total New Business No. of Policies	Total New Business Sum Assured (Crores of rupees)	New Business in Urban Areas No. of Policies	% to total policies	Sum Assured (Crores of rupees)	% to total business	New Business in Rural Areas No. of Policies	% to total policies	Sum Assured (Crores of rupees)	% to total business
Northern ..	2,28,963	114.77	1,51,820	66.3	83.79	73.0	77,143	33.7	30.98	27.0
Central ..	2,44,706	141.25	1,39,108	56.8	95.14	67.4	1,05,593	43.2	39.78	37.9
Eastern ..	3,59,148	141.25	2,19,106	61.0	95.14	67.4	1,40,042	39.0	46.11	32.6
Southern ..	5,37,195	201.66	2,76,400	51.5	114.30	56.7	2,60,795	48.5	87.36	43.3
Western ..	3,88,034	172.12	2,94,958	76.0	142.90	83.0	93,076	24.0	29.22	17.0
TOTAL ..	17,58,046	734.72	10,81,392	61.5	501.27	68.2	6,76,654	38.5	233.45	31.8

TABLE VI

DISTRIBUTION ACCORDING TO PLANS OF ASSURANCE OF NEW BUSINESS IN INDIA—1-1-62 TO 31-3-63

(ORDINARY POLICIES ONLY)

Plan of Assurance	With Profit Policy (In thousands)	With Profit Sum Assured (In lakhs of rupees)	Without Profit Policy (In thousands)	Without Profit Sum Assured (In lakhs of rupees)
1. Whole Life Assurance	3	2,92	3	2,11
2. Whole Life Limited	6	7,00	1	1.46
3. Convertible Whole Life	86	53,96	14	9,68
4. Endowment Assurance	13,15	467,31	13	7,66
5. Janata	19	1,59	2	1
6. Joint Life	*	26	*	1
7. Multipurpose	58	34,43	1	53
8. Anticipated Endowment	1,38	71,94	*	*
9. Children's Deferred	43	36,27		
10. Special Plans	*	13	*	*
11. Double Endowment			*	9
12. Fixed Term			34	12,31
13. Educational Annuity			13	5,37
14. Pure Endowment			3	5,02
15. Triple Benefit			6	3,92
16. Two Year Temporary Assurance			*	4
17. Convertible Term			*	9
18. Mortgage Redemption			*	1
ALL PLANS	16,68	675,81	96	48,42

Note: (i) Where the number of policies is less than 500 and/ or sum assured less than 50,000 * is indicated.
(ii) Item 9 is only a With Profit Plan; Items 11 to 18 are Without Profit Plans.

TABLE VII

NEW BUSINESS COMPLETED UNDER NON-MEDICAL SCHEMES

PERIOD : 1-1-1962 to 31-3-1963

Zone	Total New Business.		New Business under Non-Medical (General) Scheme.				New Business under Non-Medical (Special) Scheme				Total New Business under Non-Medical (General) and (Special) Schemes.			
	No. of Policies	Sum Assured crores of rupees	No. of Policies	% to total policies	Sum Assured crores of rupees	% to total business	No. of Policies	% to total policies	Sum Assured crores of rupees	% to total business	No. of Policies	% to total policies	Sum Assured crores of rupees	% to total business
Northern	2,28,963	114.77	29,279	12.8	4.79	4.2	53,772	23.5	17.33	15.1	83,051	36.3	22.12	19.3
Central	2,44,706	104.92	32,306	13.2	5.22	5.0	72,552	29.6	21.01	20.0	1,04,858	42.8	26.23	25.0
Eastern	3,59,148	141.25	54,651	15.2	8.02	5.7	71,888	20.0	19.65	13.9	1,26,539	35.2	27.67	19.6
Southern	5,37,195	201.66	1,04,900	19.6	15.93	7.6	1,50,066	27.9	36.23	18.0	2,54,966	47.5	51.62	25.6
Western	3,88,034	172.12	66,167	17.1	10.02	5.8	76,943	19.8	18.01	10.5	1,43,110	36.9	28.03	16.3
Total	17,58,046	734.72	2,87,303	16.3	43.44	5.9	4,25,221	24.2	112.23	15.3	7,12,524	40.5	155.67	21.2

TABLE VIII

BUSINESS IN FORCE : 1958-63

Business in force as at	In India		Out of India		Total	
	No. of policies (Thousands)	Sum assured and bonuses (Rs. crores)	No. of policies (Thousands)	Sum assured and bonuses (Rs. crores)	No. of policies (Thousands)	Sum assured and bonuses (Rs. crores)
31-12-1958 ..	5,974	1,584	260	98	6,234	1,682
31-12-1959 ..	6,673	1,855	256	103	6,929	1,958
31-12-1960 ..	7,456	1,176	257	109	7,713	2,285
31-12-1961 ..	8,341	2,623	240	115	8,581	2,738
31-3-1963 ..	9,261	3,054	226	114	9,487	3,168

Note: (1) The controlled business of the Bharat Insurance Company Ltd., was taken over by the Corporation in the year 1960. That business has, therefore, been included in figures for the year 1960 and subsequnt periods.

(2) The checking and reconciliation of the figures of business in force as at 31st March, 1963, has not yet been completed. These figures are, therefore, provisional.

TABLE IX

INVESTMENTS OF LIFE BUSINESS AS ON 31ST MARCH, 1963

	In India Lakhs of Rupees.	Out of India Lakhs of Rupees.
Central & State Government and other Approved Securities ..	4,48,54.88	....
Municipal Securities not included above	69.61	....
Foreign Government, Municipal, etc, Securities including loans to such authorities	....	15,22.62
Shares & Debentures ..	1,24,77.06	48.76
Total Stock Exchange Investments	5,74,01.55	15,71.38
Loans to State Governments for Housing Schemes	33,13.04	....
Amount due from State Governments in respect of the controlled business taken over	5,32.66	....
Loans to Municipal Committees Guaranteed by Government ..	1,60.83	....
Loans to Apex Co-operative Housing Finance Societies guaranteed by Government	7,86.12	....
Loans to Co-operative Sugar Factories guaranteed by Government	1,20.00	....
Fixed Deposit guaranteed by Government	50.00	....
Total Stock Exchange Investments and Loans & Deposits guaranteed by Government	6,23,64.20	15,71.38
Loans on Mortgage of Property ..	8,83.69	9.65
House Property	27,99.93	98.96
Total ..	6,60,47.82	16,79.99

TABLE X

COUNTRYWISE DISTRIBUTION OF INVESTMENTS OUT OF INDIA AS AT 31ST MARCH, 1963

(Lakhs of rupees)

Name of the Country	Book Value			
	Government Securities	Municipal and other Securities	Debentures and Share of Joint Stock Companies	Total
Australia	—	—	2.24	0.24
British East Africa	51.47	36.80	—	88.37
Burma	111.58	352.01	—	463.59
Ceylon	418.80	14.00	14.35	447.15
Fiji	27.15*	6.85	—	34.00
Indonesia	1.10	0.88	—	1.98
Malaya	148.96	1.88	3.28	154.12
Mauritious	32.61	1.00	—	33.61
Pakistan	128.83	21.20	11.14	161.17
Singapore	33.03	9.88	—	42.91
South Africa	32.75	6.14	11.42	50.31
Tanganyika	20.41	—	—	20.41
Uganda	9.96	—	—	9.96
United Kingdom	55.33	—	8.33	63.66
TOTAL	1071.93	450.64	48.76	1571.33

* Includes loan advanced to Fiji Housing Authority 5.96 lakhs.

Explanatory Note:

	(Lakhs of rupees)
Investments in foreign countries as above ..	15,71.38
Add: Investments in companies incorporated out of India which have their principal factories and works in India, included in the Indian industrywise distribution — Statement 7	2,41.30
Add: Investments in India shown under deposits in foreign territories as security for owners of policies issued in those territories in the balance sheet	1.72
Total Investment out of India as per balance sheet	18,14.40

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TABLE XI

REGIONWISE AND STATEWISE DISTRIBUTION OF STOCK EXCHANGE INVESTMENTS AS AT 31ST MARCH, 1963

(Lakhs of rupees)

Region and State	State Government Securities Book value	Other Approved Securities Book value	Municipal Securities not included in Col. (4) Book value	Shares and Debentures of Companies whose factories are in the region Book value	Total investment in the region shown in Col. (2) Book value	Percentage of figures in Col. (7) To the total investments in region %	To the total investments %
(1) (2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. EASTERN REGION							
(a) Assam ..	1,86.97	1,68.66	—	4,25.01	7,80.64	2.47	1.32
(b) Bihar ..	8,27.70	42.11	—	14,14.07	22,83.88	2.47	3.87
(c) Orissa ..	7,94.82	1,95.49	—	1,21.85	11,12.16	3.52	1.89
(d) West Bengal ..	10,22.97	8,11.16	—	35,07.36	53,41.49	16.93	9.06
TOTAL: ..	**28,32.46**	**12,17,42**	**—**	**54,68.29**	**95,18.17**	**30.16**	**16.14**
2. NORTHERN REGION							
(a) Delhi ..	—	—	9.95	3,06.58	3,16.53	1.00	0.54
(b) Jammu & Kashmir ..	—	2.50	—	—	2.50	0.01	—
(c) Punjab ..	3,08.76	1,59.11	—	65.25	5,33.12	1.69	0.90
(d) Rajasthan ..	11,19.60	38.49	—	58.92	12,17.01	3.86	2.06
(e) Uttar Pradesh ..	27,10.62	41.35	—	4,23.93	31,75.90	10.06	5.39
TOTAL: ..	**41,38.98**	**2,41.45**	**9.95**	**8,54.68**	**52,45.06**	**16.62**	**0.89**
3. SOUTHERN REGION							
(a) Andhra ..	16,39.68	4,09.78	7.83	2,49.85	23.07.14	7.31	3.91
(b) Kerala ..	5,79.61	1,47.42	—	1.93.90	9,20.93	2.92	1.56
(c) Madras ..	15,22.69	4,78.90	—	6,73.36	26,74.95	8.48	4.54
(d) Mysore ..	8,89.41	3,07.27	6.27	2,51.26	14,54.21	4.61	2.47
TOTAL: ..	**46,31.39**	**13,43.37**	**14.10**	**13,68.37**	**73,57.23**	**23.32**	**12.48**
4. WESTERN REGION							
(a) Gujarat ..	3,02.94	6,94.20	28.67	7,20.13	17,63.94	5.59	2.99
(b) Madhya Pradesh ..	6,89.67	41.52	—	1,93.58	9,24.77	2.93	1.57
(c) Maharashtra ..	10,22.27	18,39.36	16.89	38,68.01	67,46.54	21.38	11.44
TOTAL: ..	**20,32.89**	**25,75.08**	**45.56**	**47.81.72**	**94,35.25**	**29.90**	**16.00**
GRAND TOTAL: ..	**136,35.72**	**53,77.32**	**69.61**	**124.73.06**	**315,55.71**	**100.00**	**53.51**
Investments not included in the above Statement:							
Central Government Securities					249,17.78		42.25
Other Approved Securities (in Statutory Corporations —vide Statement 6)					9,24.06		1.57
Investment concerned with Factories out of India (vide Statement 7)					4.00		0.01
Foreign Investments					15,71.38		2.66
				TOTAL:	**274,17.22**		**46.49**
Investments included in the above statement					315,55.71		53.51
				GRAND TOTAL	**589,72.93**		**100.00**



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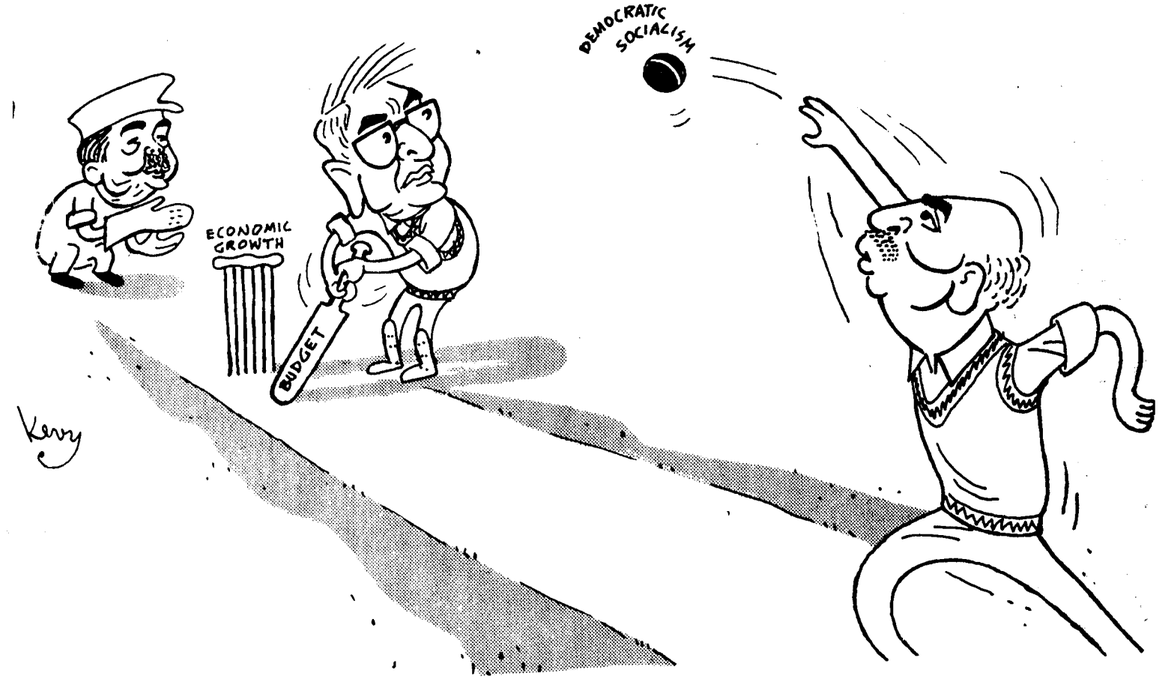
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On a Good Wicket

WHEN THE Finance Minister presents his budget in Parliament later this month, he should certainly be batting on a good wicket. Last week we indicated some of the advantages he could avail himself of. As was suggested there, Mr. Krishnamachari will be under no compulsion to make any new tax effort of significance. Indeed, there cannot be any reasonable ground for any net addition to the Central taxation. This is because it ought to be possible for the Exchequer, at the existing levels of taxation, to meet all reasonable demands of public expenditure either on Defence or development. As a matter of fact if proper allowance is made for the natural growth in tax revenue and if the Government makes, as it should, an attempt to cut down wasteful or avoidable spending in Administration, Plan outlays or elsewhere, it should not be difficult for the Finance Minister to moderate the incidence of taxation on various sections of the community, including the investing and entrepreneurial classes, at least at some of the points at which the tax burden has now become clearly crippling.

In recent months Mr. Krishnamachari has been taking a number of decisions towards providing relief to hard-pressed sections of the community. His latest act has been to grant an *ad hoc* increase in the dearness allowance to Central Government employees. The Finance Minister, no doubt, is aware that gestures of this kind would be meaningless if, along with them, the existing tax burden is increased or the price level continues to go up. It follows that the budget which he is to present on the last day of this month cannot in reason impose any net new tax burden on the community. More important still, it ought to be borne in mind by the Finance Minister more than anybody else, that his good intentions in the matter of relieving economic and social distress are bound to be frustrated unless supplies of goods and services in the economy increase fast enough to place some restraint on the price level. It follows that, as a logical corollary to his recent decisions, he ought also to find place in his budget for such fiscal measures as would stimulate production and investment for more production in the future. In the recent past the gross national product, which represents the national resources available for consumption or investment, has tended to be a stagnant pool. If there is to be some replenishment of this reservoir, current production as well as investment for future production ought to be promptly stimulated, which is a task to be properly regarded as a prime responsibility of the budgetary policies to be enunciated soon.

We are aware that the Finance Minister has been doing some very profound thinking on the ways and means of activating the existing institutional forms of industrial financing as well as experimenting with new forms and devices. We have no doubt that Mr. Krishnamachari will have many fruitful ideas to expound in this regard both in his budget speech and subsequently. We are likewise conscious of the fact that the Finance Minister is keen on creating through his budget a stimulating climate in this country for foreign capital, both public and private.

A good sign is that the critical studies made on behalf of the World Bank of the various aspects of our development plans, policies and performance are being now responsively and intelligently studied in the Government of India, particularly the Finance Ministry. The object, here, is, evidently, to find out in what directions economic policies and procedures can be reasonably and suitably reorientated in order to make it easier for industrially advanced, capital-exporting countries and their governments to participate in this country's economic development in an increasingly effective manner.

The immediate concern, of course, is to see that the ground is properly prepared for the Aid-India Consortium, which is to hold its next meeting soon after the Indian Central budget, so that the governments in the Consortium might be persuaded to consider in the most favourable manner possible this country's request for further external assistance, particularly for the fourth year of the third Plan. But there is also the equally important purpose of impressing a much larger audience, namely, the sources of finance for foreign investment in the economically advanced countries. It has now been recognised that the aggregate level of inter-governmental assistance to this country's economic development has reached a level which will probably be its peak. In other words, broadly speaking, it is unlikely that this country will receive much more than a total of one billion dollars a year as development assistance from foreign countries for its further economic development. It is again, rather likely that it may become increasingly difficult to persuade the assisting nations to provide this order of aid indefinitely. Since India's need of external finance, however, is not going to decline in, at least, the next ten or 15 years, it is clear that there should be a sustained effort on the part of this country to supplement its receipts of foreign public capital with increasing amounts of foreign private capital. This is a trend of thinking which is also becoming prominent in aid-giving countries. For instance, in a speech delivered some time ago to the United Nations Special Economic Council explaining U.S. attitudes to the role of public and private capital in developing nations, Mr Jonathan B. Bingham, U.S. representative, said this:

"We believe the flow of public and private capital should go hand in hand. It would be foolish to assume that the flow of public funds will increase if the flow of foreign private capital decreases.

"On the contrary, since most aid to developing countries comes from private enterprise economies, it is logical to conclude that hostility to such investment is more likely to lead to a lessening than to an increase in the flow of public assistance. This could easily start a downward spiral in the flow of development capital which would please no one but the troublemakers of the world.

"It is our conviction that we must rather dedicate ourselves to an upward spiral involving an increasing flow of private investment in response to appropriate opportunities. Only in this way can we maximize the total flow of capital to the developing countries in the interest of their optimum growth."

Here it is interesting to note how small is the part of U.S. private export capital currently being invested in India. According to certain estimates, out of nearly $5 billion of total U.S. foreign investments around the world annually, India is receiving only about 32 million dollars. Surely, this is a sad commentary on the quality of the effort that has so far been made by us to develop any positive and purposive programme for attracting foreign private capital from the most important capital-exporting country in the world. Mr. Joseph P. Bourdrez, Adviser in the Indian Investment Centre, in a speech which he made in Bombay recently, gave some interesting statistics in this connection. He pointed out that, U.S. private investments in the countries of the European Common Market in 1950 were $ 647 million or only twice the amount of the present U.S. private investments in this country. But in 1962, U.S. private capital invested in the Six had grown to the enormous amount of $3,600 million. Mr. Bourdrez explains this tremendous increase in terms of the fact that, while in many fields the making of new investments in productive units in the home country was becoming comparatively less attractive, American entrepreneurs looking at the opportunities offered to them in Western Europe discovered that the profitability there was quite often likely to be higher than that of possible expansion at home. They discovered that the location of units in other markets, often for diversified products, would profit the stabilizing factor in a company's overall position, as ups and downs in different markets would tend to balance out. Mr. Bourdrez proceeded to say, "In practice this appeared to be so. One can hear from many U.S. industrialists the statement that the largest contribution to the profitability of their companies is often made by their overseas investments".

In a subsequent part of his analysis, Mr. Bourdrez pointed out that in Western Europe, too, industry had started moving towards a similar situation, "namely, a contraction in profitability of investment in the home area". As one Belgian industrialist put it to Mr. Bourdrez, "all industries will have to look more and more for investment opportunities overseas, because they can no longer produce economically enough in Europe". The moral of all this surely is that this country cannot continue to ignore the desirability of formulating positive economic policies which will enable it to obtain an increasing share of private capital from the United States, Western Europe or other advanced countries such as the United Kingdom or Japan, which may be seeking investment opportunities across national boundaries. The advantage which this country has in this respect is that it has a vast population which has been harnessed to economic development and is therefore potentially one of the most rapidly expanding markets in the world not only for mass production industries but for all industries over a wide range of goods and services. Currently, there is a rapidly mounting realisation in this country that it will not only be foolish but even criminal to lose time in developing industries. The importance and promise of industries such as petro chemicals, special steels, fertilizers and aluminium seem to have captured the imagination of the people and even of the Government, with the result that big, bold targets are being set up for the fourth Plan and the Plans beyond. But the achievements of these targets can be considered possible only if the order of capital and the quality of know-how—much of both of which will have to be obtained in the form of foreign investments—attracted to this country are, in pace and volume commensurate with its enormous requirements. This is the setting in which the forthcoming Central budget will be evaluated.

It is true, of course, that a single budget cannot turn the trick. But thanks to the follies of the past, it is now becoming imperative that a beginning should be made in the direction of right policies over a period. Investors, whether at home or abroad need assurance that the tax system would be pragmatic and not predatory, whether for ideological reasons or from other motives. The Super Profits Tax in particular and certain of the earlier fiscal innovations (some of which had happily proved short-lived) had done much damage to investors' faith that the Indian tax system would be basically steady, stable and capable at all times of bearing out the reasonable assumptions and expectations on which investment decisions are made. Whether and to what extent the damage is undone will certainly be one of the more relevant measures by which the Finance Minister's economic statemanship will be assessed when the Central budget is presented.

Eastern Economist 20 Years Ago

FEBRUARY 18, 1944

The railway budget presented in the Legislature on Wednesday last affords a striking instance of a theory-ridden Government playing with the welfare of the masses of the population in the name of anti-inflation. For there is not a shred of justification for the proposal to raise railway fares by as much as 25 per cent. Despite their notorious inefficiency and corruption admitted on all hands, the railways have from the mere financial point of view been doing extremely well since the war. The raid made on depreciation fund to the extent of Rs. 30 crores up to 1935-36 and the arrear contribution to the tune of Rs. 36 crores were not only fully paid off; but during the last five years the railways besides accumulating a depreciation fund which on March 31, 1944 will stand at Rs. 87.93 crores, have made a contribution to general revenues amounting to nearly Rs. 89 crores and built up a reserve to the extent of nearly Rs. 21 crores. The prospects of large earnings for the year 1944-45 are equally bright. Without any further increase in rates and fares railways could have met all the demands made on them and yet have sufficient surplus left for all their legitimate requirements now as well as in the post-war.

In the circumstances no concern which pretends to lay claim on its being run on a commercial basis would have chosen to put up the fares; and yet the railways using their monopolistic position have not only resorted to increased taxation but found ingenious explanations for their proposal, none of which can stand close scrutiny.

Hotels for Tourists

THE CASE for private enterprise has been repeatedly stated in these columns and elsewhere, but the truth must also be told about its responsibilities, the realization of which must not await paternalistic prompting and sermonizing by the Government. Initiative if not a sense of honour should impel what has been described as a "kept private sector" to grow out of a state of dependence. It is only right that the thought born of prudence should come from the private sector just as any lead to concretize this independence should also emanate from within the ranks. The immediate occasion for this homily is the sixth annual convention of the Federation of Hotel and Restaurant Associations which was held in New Delhi recently and was addressed by Mr. Raj Bahadur, Union Minister for Transport, and the Director-General of Tourism. Mr. Raj Bahadur emphasized the Government's view that, while private hoteliers were entitled to all assistance and encouragement, the public sector had a vital role to play in the provision of hotel accommodation.

Mr. Peter Wright's report submitted last year on behalf of the World Bank to the Aid India Consortium explicitly suggested that, before India sought external help for her foreign exchange resources, she should be asked to make a determined effort to earn some of it herself. He had suggested that foreign airlines collaborating with local tourist agencies should step in to serve India's visiting tourists in areas not covered by IAC services. The implied charge of lack of enterprise was directed not only against the Government of India but against Indian entrepreneurs as well. The Jha committee report that followed set the situation to rights somewhat by making less propagandist and more practical suggestions. It had recommended (a) the adoption by hoteliers of a programme of comprehensive hotel construction not only for rich tourists but middle-class ones; (b) the provision by State Gov-

ernments of better road and transport facilities; (c) the framing of comprehensive tour programmes, all found, at reasonable prices. The committee had argued that foreign exchange released to hoteliers to effect necessary improvements in their business should be viewed as a mode of investment designed to prevent "leakage transactions" in foreign exchange which did not pass through any authorized dealers in the country. A Classification Committee has since toured the country visiting 186 hotels in 110 cities with a capacity of 11,732 beds and has graded them according to an internationally approved star system. The rating was unanimously endorsed by the three members of the committee, one of them a representative of the Federation. There has been some grousing presumably because of cases of under-classification but the Transport Minister assured the convention that individual representations in this regard would be carefully looked into.

Tourist traffic has increased by 300 per cent over the last seven years as against a mere 11 per cent increase in the country's hotel-bed capacity. Further growth in tourism will be seriously retarded if hotel capacity was not extended suitably and fairly quickly; the immediate shortage appears to be of the order of 9,500 beds. If needless loss of foreign exchange resources is to be avoided, 36 hotels will have to be set up in 20 cities in India in order to provide room accommodation for 5200 persons. The Tourist Department has estimated that this programme would entail an expenditure of Rs. 25 crores of which Rs. 3.80 crores would have to be in foreign exchange.

So far four hoteliers have secured loans to the value of Rs. 148.12 lakhs from the Industrial Finance Corporation and another eight hotels an aggregate of Rs. 37 lakhs from State Finance Corporations. New hotels are exempt from taxation on six per cent of their capital for the first five years of their operation. The Department of Tourism also helps with quotas of steel, cement and imported capital equipment, which it secures from the relevant departments of the Union or State Government. Hoteliers are also being encouraged to seek foreign collaboration on terms specified by the Government and this should help both to improve standards and promote tourism. A study team sponsored by the National Productivity Council and the United States Agency for International Development has submitted a report to the Government after a detailed examination of the hotel and restaurant industries in Japan and the United States.

This is not all. There is no chef like the one who knows the preferences of every habitue or a waiter who appears from nowhere at the merest nod and executes every unspoken wish. In addition to the schools of catering and hotel management already existing in Bombay and Delhi, the Government has also recently started institutes of catering at Madras and Calcutta. A craft school for waiters and cooks is in the offing and the Planning Commission has already agreed to a provision of Rs. 3 lakhs for the purpose. Furthermore, the Government has decided that five students may be sent abroad each year to study "hoteliering". As for the Government it will set up hotels only in areas of tourist interest where private hotels do not exist.

One cannot ask for more. The facilities afforded to hoteliers have had the effect of virtually ranking hotels alongside of the 22 key industries listed by the Swaminathan committee. It is now up to the hoteliers to vindicate this liberal and preferential treatment accorded to them by the Government.

Rice Mills : Another Guinea-pig?

THE RESOLUTION on Democracy and Socialism adopted at the Bhubaneswar Session of the All-India Congress Committee pointedly stated that processing of agricultural produce, especially paddy, should not remain in private hands. This categorical statement against a particular sector, which is not very large in the national context, caused some surprise in view of the official declarations that the policy of nationalisation would be pragmatic. and purposive.

The resolution suggested that rice mills and other processing units should be operated under co-operative management and if it was not possible to do so in all cases, the Government itself should *progressively*—mark the word—take over the operation of the mills. There is, no doubt, that this slant in favour of marketing of agricultural products either through the State or through the co-operatives is not a healthy development.

What were the reasons which prompted the stalwarts of the Congress Working Committee to incorporate this suggestion in the resolution? Was it due to ideological reasons alone or was it under pressure of the Leftist wing in the Party that this step had been taken? Whatever the motivation, it is necessary to understand the area of operation of the rice mills and the part that they play in the economy. The census of manufactures (see Table I) for which data are available upto 1958, shows that there were 1,744 registered rice mills which came under the purview of the Factories Act. These rice mills processed not more than two million tons of rice in relation to about 32 million tons of output in the country. Mr. S. K. Patil, who was until recently the Union Minister for Food and Agriculture, stated at the Bhubaneswar Session that there were about 43,000 rice mills in the country. *Rice Economy of India*, a publication of the Ministry of Food & Agriculture, issued in February, 1961, put the total number of rice mills at not more than 28,000. Table II gives the State-wise distribution of rice mills in the first half of 1960. It shows that out of 28,149 rice mills, Madras had the largest number at 7,400 followed by West Bengal at 4,912 and Mysore at 3,060. A large majority of the rice mills were Huller type, the Sheller type mills forming only a negligible proportion of the total. The combined Huller-Sheller type mills also constituted a small fraction of the total. The numerical picture, however, did not give a true idea of the capacity of the different types of mills. The Sheller type mills and the combined type mills had much larger capacity than the Huller type mills. No data on capacity is available from any of the published sources.

TABLE I

RICE MILLS : 1947-58

	1947	1958
1. **No. of Factories :**		
(a) Registered	1,479	1,744
(b) Returns Received	1,268	1,452
(c) Coverage (percentage)	86	83
2. Average number of days worked	191	195
3. **Productive Capital Employed :**		
(a) Fixed Capital (Rs. Million)	48.6	71.4
(b) Working Capital (Rs. Million)	48.4	119.0
Total (Rs. Million)	97.0	190.4
4. No. of persons employed	51,126	57,831
5. Salaries & Wages (Rs. Million)	14.8	24.7
6. **Materials Consumed :**		
(a) Fuel, Electricity etc. (Rs. Million)	4.7	7.9
(b) Paddy, Oilseeds etc. (Rs. Million)	321.8	729.6
Total (Rs. Million)	326.5	737.5
7. Production (Rs. Million)	340.5	793.2
8. Value added by Manufacture (Rs. Million)	15.9	44.8

Source : Census of Manufactures

Table III gives the percentage of hand-pounded rice to total production in the various States of India. It shows that the States of Mysore and Madras have almost given up hand-pounding in favour of rice-milling. In the case of Mysore 95 per cent of the rice was milled through the rice mills. In Madras also hand-pounding of rice was only 8.2 per cent of the total. If these percentages of hand-pounding of rice are applied to the production figures of 1962-63, it will be found that out of the total output of rice at 30 million tons, about 18 million tons were hand-pounded and about 12 million tons passed through the rice mills. In other words, the rice mills handled about two-fifths of the total rice produced in the country.

Mr. M. Bhaktavatsalam, Chief Minister of Madras, has given a lead by expressing grave doubts about the wisdom of nationalising rice mills. Replying to the debate in the Legislative Assembly on the Governor's address, he said that the proposal to control agricultural operations will create a chain of adverse reactions. On the one hand, the producers may not be able to sell their produce at their price and to the parties of their choice, while, on the other, they may be forced to sell their rice at a price fixed by the Government and to the specified Government agency. It is highly likely that the producer himself will resent such an arrangement. This common sense on the part of an experienced Chief Minister of a rice-producing State should surely count for more than the amateurish enthusiasm of wild spirits such as Orissa's ex-Chief Minister who is yet to set up any of those village factories which he had promised himself sometime ago.

TABLE II

NUMBER OF RICE MILLS

State	Huller Type Mills	Sheller Type Mills	Combined Huller-Sheller Type Mills	Total
Assam	60	2	262	324
Maharashtra	1,459	71	331	1,861
Gujarat	1,533	128	129	1,790
Kerala	2,615	66	3	2,684
Madras	7,299	95	6	7,400
Madhya Pradesh	1,501	79	253	1,833
Mysore	2,506	461	93	3,060
Orissa	738	35	54	827
Punjab	1,529	85	38	1,652
U.P.	1,087	131	93	1,311
West Bengal	4,882	5	25	4,912
Delhi	1	1	..	2
Himachal Pradesh	Break-up not available			343
Manipur	48	1	..	49
Tripura	99	..	2	101
				28,149

*Relates to Greater Bombay and 21 districts only.

TABLE III

PERCENTAGE OF HAND-POUNDED RICE TO TOTAL PRODUCTION

State	Percentage of hand-pounded rice to total in 1953-54	Production in 1962-63 ('000 tons)	Total production of hand pounded rice ('000 tons)
Andhra Pradesh	50.1	3,605	1,806
Assam	66.0	1,501	991
Bihar	97.4	4,213	4,103
Gujarat	38.5	372	143
Kerala	69.5	1,088	756
Madhya Pradesh	79.1	2,276	1,800
Madras	8.2	3,800	312
Maharashtra	38.5	1,116	430
Mysore	4.3	1,350	58
Orissa	87.2	3,593	3,133
Uttar Pradesh	66.0	3,071	2,027
West Bengal	70.2	4,340	3,047
	Total	30,325	18,606

Highlights of the Week

THE PRESIDENT'S ADDRESS

THE ADDRESS to the Budget session of Parliament, which began on February 10, 1964, by Dr. Zakir Hussain, who is now discharging the functions of the President of India, is so admirably factual a narrative presented without any dressing that it is not only unexceptionable, but it hardly sounds like a narration of achievements presented on behalf of a Government. At any time, the view the Government has of its own actions is important for other people but for this session in particular, it affords an important setting in which important decisions regarding its finances are taken, and one cannot help feeling that its modest optimism is justified.

The dust has settled on the mid-term appraisal controversies and even if some of the reproaches pronounced against the Government were well merited, it has always been quick to respond to legitimate criticism and surprisingly, quick to remedial action too. It is only natural that, in an underdeveloped country where agriculture accounts for such a large proportion of the national income, a 3.3 per cent. shortfall in output should so considerably retard figures for the rate of growth. The outlook for Indian industry during the coming financial year is a bright one as the President pointed out citing some less noticed facts. The first A.C. electric locomotive rolled out of Chittaranjan last year; Heavy Electricals in Bhopal has increased its output; the development of Kiriburu iron ore mines has been completed; Trombay has begun to export radio isotopes: agreements have been signed with Canada and the USA for the Tarapore and Rana Pratap Sagar atomic power stations.

The President expressed the Government's view that fair price shops, price support policies and other well-known measures taken by the State and Union Governments should suffice so to increase agricultural production as to match the rising levels of consumption of food. While no one doubts the sizable increases in urban consumption of food nor the migration of rural population to cities in search of jobs, the increase in agricultural efficiency should really have come first of all. It is only then that the country can be said to be truly placed on the road to industrialization 'without loss of national product.' Trite as it may seem, it is true that the extra supplies of grains that are now forthcoming at higher, supported prices come from buffer stocks and not from increased production as they ought to. Agriculture in this country will progress only when produce actually grown for the market is able to offset the fluctuations in production that could be ascribed to bad weather.

Actually it is for the political arrangements that a troubled Government was able to make during the financial year under review that it deserves fulsome praise. In addition to Goa, Daman, Diu, the former Union territories of Himachal Pradesh, Manipur, Tripura and Pondicherry graduated into a status of equality with the other States of the Union and now have their own Legislative Assemblies and Councils of Ministers. Nagaland, too, thus held its elections in January, and a properly elected Government is now in power in the State. The undoctrinaire and purposive political integration which began with Sardar Patel's policy towards the former Princely States has gone on unnoticed since his time and is now approaching its consummation. While the Chinese threat at the northern frontiers has receded, the President was unable to report to Parliament any progress in gaining acceptance by China for the Government's Colombo proposals, but surely no patriotic Indian could have stopped himself from hoping that General Ne Win's visit to Delhi had possibly something to do with a reasonable offer of negotiations by China.

The Emergency has nevertheless had unforseen but desirable consequences. The Army and Air Force have been expanded and modernized with arms and other aid received from the United States and Commonwealth countries. While the timely arrival of modern infantry weapons helped the Indian Army to tide over a crisis, more enduring arrangements are being made to develop an indigenous capacity for basic weapons. The ordnance produced in State factories during the year under review was double the figure for the previous year and contrary to misleading reports, Dr. Zakir Hussain was able to announce that preparations for manufacturing supersonic aircraft for the Air Force were going ahead according to plan. Also an announcement appeared last week that a factory to manufacture electronic devices for MIG planes was to be located in Hyderabad. The Vice-President also revealed that the country had received transport aircraft from the Soviet Union. Together with the Carribus from Canada, the third of the Avro-748s from the Kanpur depot which was handed over to the Air Force following the successful conclusion of its proving flights, the IAF is now well provided for its transport requirements of medium range. Dr. Hussain underlined the fact that the country's dealings designed to secure its defensive military potential had thus actively served to further its policy of non-alignment in world affairs.

The Test Ban agreement arrived at, in principle, between the Soviet Union and the United States and subsequently adopted by the United Nations was among the recent occurences in international politics that the Vice-President briefly alluded to. While assenting to the principle enunciated by Premier Khruschev that force should be renounced in the settlement of territorial or border disputes, Dr. Hussain expressed the hope that the principal powers concerned would find ways and means of implementing this principle and acting on it.

The admission of Kuwait to the United Nations and the recent emergence to independence of Kenya and Uganda were among the other subjects touched upon in the Presidential address. Dr. Hussain also expressed his Government's by now familiar hope that the other countries of Africa still in servitude would achieve their independence. Indo-Pakistan relations, the other hardy annual that comes up regularly for review both in the United Nations and the Presidential address, were as usual space as well as time-consuming.

SUPERSONIC LINERS FOR AIR INDIA

AIR INDIA'S Chairman, J. R. D. Tata, is reported to have placed an order with the Federal Aviation Agency for three supersonic aircraft to be used on its Atlantic run. While precise details of the deal are not available, it is clear from specialized aviation journals that there are only two major producers who offer supersonic aircraft in the world market—the SST (supersonic transport), now being developed in the USA, and the Concord, being developed by BAC-Sud, an Anglo-French enterprise. The American SST prototype is expected to be ready for route-proving flights by 1968. If it proves successful, there should be a supersonic liner in operation over the Atlantic by 1970-71, for it is only on flights between Europe and North America that these planes would be economical to operate. The supersonic plane proposed by Lockheed-California Company to the Federal Aviation Agency is designed to fly at 2000 m.p.h., nearly three times the speed of sound. It has a double delta wing and will carry 218 passengers.

It would appear that the American aviation industry has put everything it has by way of finance, skill and enterprise into the project. The plane is expected to have a gross weight of 400,000 lb., an empty weight of 100,000 lb. and will fly at speeds in the neighbourhood of Mach 2.2. (Mach is the speed of sound at sea-level i.e., 1100 ft. per second). The sonic boom is bound to be quite an explosion and also since this will be the first aircraft of its kind to take to air, a number of unresolved problems and drastic changes will be left over till the test-flight stage. It has been estimated that the loss will be of the order of £ 100 million only if the prototype fails, but if the project has to be abandoned after certification, the loss will be of £1000 million. Naturally, the cost of any changes made at the stage of final manufacture will be passed on to the airlines concerned. The technical details revealed by the manufacturers make interesting reading. Mach 2.2 is the maximum speed aimed at since, beyond that range, aluminium, if used as construction material, cannot stand the strain and will then have to be replaced by alloys, such as steel and titanium which are good up to speeds of Mach 4.5 or 5. Beyond that is the unknown space age which may well become a reality during the 'seventies.

The Anglo-French Concord, which will cost anything from £6 to £7.5 million, is also expected to be ready about the same time. The question which has caused much speculation in aviation circles is: who would produce the first supersonic airliner? Alternatively, the criterion of efficiency has been defined as: who would produce more of them in three or four years? The BAC-Sud seems to be more concerned with the transition from sonic to supersonic speeds, when the strain will more than double from the sonic level of 1.5 lb. per square foot. Although the operating cost of Concord will amount to 65-70 per cent. of that of subsonic jets, the seat-per-mile cost will only be five per cent. less, for it is only at speeds exceeding Mach 2.2 that engine efficiency will increase in direct proportion with the Mach number. The reduction in cost that would accrue to the passenger would not therefore be very considerable, for much of the outlay would be spent on effecting improvements in safety. The take-off speed of Concord has been given as 205 kt (one knot equals 1.85 kilometres) and it will have an approach speed of 150 kt.

The British Overseas Airways Corporation announced on February 8 that "the information supplied by the Federal Aviation Agency, charged with co-ordinating the project, has shown that the specifications of the American aircraft differ considerably from that of the Concord and it appears that the two aircraft will be complementary to each other rather than directly competitive. In these circumstances, it is in the interests of the British Corporation and the national French airline now to envisage the operation of both types of aircraft; they have, therefore, decided, with the agreement of their respective Governments, each to reserve six delivery positions for the American Supersonic transport. Coming as it does after the decision to place a contract relating to eight Concords, this reservation of deliveries places the BOAC in a good position in relation to those major international airlines who have signed contracts for the Concord ....".

"The Financial Times" of February 8 revealed that the Concord was planned to fly at 1450 miles per hour over ranges up to 3700 miles carrying about 100 passengers. But the UK Minister for Aviation has announced in Parliament that plans were being considered for an increase in its power and other changes that may achieve greater range and payload. Meanwhile, Sir Miles Thomas, Chairman of the BOAC between 1945 and 1956 has criticized what he calls the "wild rush" for the supersonic airlines. He is reported to have said that "until we know a little bit more about finance and accountancy of these supersonic aircraft, I am inclined to deplore the wild rush of airlines to get their names in the queue on an order sheet for an aircraft which has not yet been specified, of which the economics are hazy and which does even consist of a few feint lines on a drawing board". He thought that the aircraft should be put into the hands of the miliary for use either as freighters or simply as test aircraft before fare-paying passengers were taken abroad. In order, perhaps, to suggest that the speed of road transport arrangements made by airlines to carry passengers from the airport to the city-centre which compared unfavourably with the high speeds of the jet age, Sir Miles Thomas added that he had become interested in a company called "Speed Transport" which could provide quick transport between London and the airport, which was separated from existing traffic levels.

AN AFRICA POLICY

IT IS no accident that the African policies of the Government found the barest mention in the Presidential address. In truth we have been overtaken by the breath-taking events of Africa of the last few weeks that we are in great danger of being left without a policy. Mrs Lakshmi Menon, speaking in Bombay on February 5, clarified the issues involved.

If the object is not to apportion blame, the solution becomes clearer. When Gandhiji left South Africa in 1914, he returned to India to take up his unfinished work and his own view of the problem of Indians living abroad, necessarily conditioned by his times, was rather different. He was concerned with concretizing the legal status assured to Indians living in the Empire anywhere under the Imperial proclamation. Many of the Chinese indentured workers—they were at no time so numerous in South Africa and Gandhiji did as much for them as he did for his own expatriate countrymen—had returned home by the time. When it was realized in India that Imperial obligations to subject peoples were not being—and indeed could not be—fulfilled, the situation of Indians living abroad—in the African countries in particular—changed. Many left or to those who stayed on in these countries it became clear that they had to conform to the laws of the land.

Mrs Lakshmi Menon pointed out that Indians—many of them traders in Africa—did not adequately associate themselves with the aspirations of local peoples owing to unimaginative self-seeking at the worst or to a failure of sensibility at the best. The new regimes in many countries such as Kenya and Uganda have generously offered citizenship to non-African residents although over 1100 Indians returned to Bombay only the other day. They had been employed in the railways, the post offices and a number of other semi-technical occupations. They said that they had opted for return to India on the termination of their contracts. Mrs Menon's conclusion was that nothing more could be done in this regard unless "human rights" are actually "violated" as they are constantly in South Africa.

GROW MORE

SAVE MORE

WORK MORE

FROM THE PRESS GALLERY

Dasappa Has His Day

By Our Parliamentary Correspondent

NEW DELHI : Tuesday

THE BUDGET Session of Parliament, assembling on Monday, got off on both feet, with the reading of the President's address being punctuated twice (instead of the usual once at the end) by the playing of the National Anthem by the attending band. It would, of course, be far-fetched to suggest that the premature playing of the Anthem as soon as the Vice-President had read the address in Hindi and was about to read it in its English translation, had been manoeuvred by the Lohia crowd. But the jubilation of that group over the fact that, at least because of fortuitous circumstances, the address had come to be read first in Hindi, was unmistakable. All this, of course, gave the DMK fanatics their chance to do their stunt which they did by boycotting the reading of the address.

Certain passages in the address were promptly commented upon in the lobbies. It was pointed out, for instance, that the President's address was rightly firm in denouncing Pakistan for reviving tension and hostile feelings over Kashmir and for spurning this country's proposals for dealing properly and effectively with the situation created by recent outbreaks of communal violence in the two Bengals. It was, however, being asked why the passages dealing with the continuing Chinese aggression had been less forthright. One complaint heard in this connection was that nowhere in the address had it been reiterated that it continued to be the Government's policy to effect the removal of the invader from Indian soil. More on this theme will certainly be heard during the debate on the address.

On Tuesday, the PSP Group in Lok Sabha, assisted by others on the Opposition Benches (as well as some Independents), attempted to move an adjournment motion on the communal disturbances in East Pakistan, but succeeded only in securing from the Speaker an assurance that a day would be set apart for a discussion. Meanwhile, in a long statement on this and connected matters, the Home Minister strove to convince the House that "pressure would be maintained on the Pakistan Government to see reason and follow internationally recognized canons of behaviour in respect of their duty towards the minorities".

Note may be taken of the amusing sidelight on the rather innocuous Bill which the Finance Minister introduced in Lok Sabha on Monday to restrict the negotiability of currency notes inscribed with political propaganda. It appears that, earlier, there was agitated speculation, particularly in Calcutta and Bombay, that the Government would be demonetising hundred-rupee notes in an attempt to run "unaccounted money" to earth.

Although the general and superficial reaction to the Railway Budget was one of relief over the absence of any increase in passenger fares, the more thoughtful legislators are already asking whether the hiking up of freight rates year after year is not economically an unsound move although it may politically be an easy alternative. With production rising rather less than it must, such decisions as putting up freight rates can well add to the inflationary potential. Many among Mr. Dasappa's audience, again, were not quite impressed with the statistics paraded before them about improvement in railway performance. It has been suggested in this connection that much of the seeming improvement in operational efficiency is in reality due to the fact that, in a previous period, efficiency had been permitted to go down so much — and

RAILWAY BUDGET AT A GLANCE

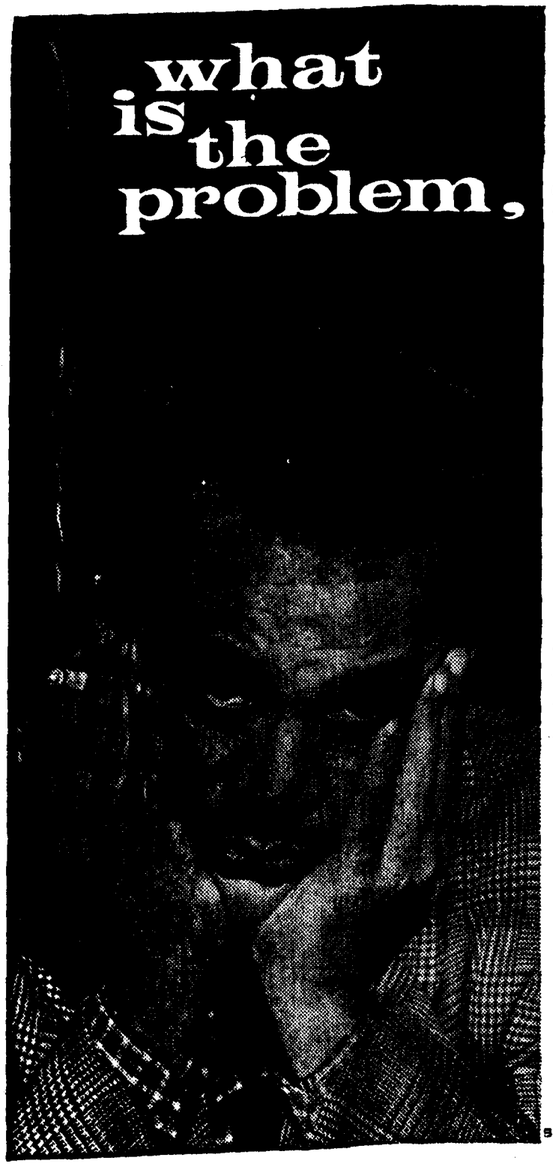
(Rupees in crores)

	Actuals 1962-63	Budget 1963-64	Revised Estimate 1963-64	Budget 1964-65
Gross Traffic Receipts ..	566.79	599.69	622.22	668.00 (a)
Ordinary Revenue Working Expenses Net i.e. after taking credits or recoveries ..	362.52	379.18	393.46	414.82
Appropriation to Depreciation Reserve Fund from Revenue ..	67.00	80.00	80.00	83.00
Appropriation to Pension Fund ..	—	—	—	19.00 (b)
Net Miscellaneous Expenditure (including cost of works charged to Revenue) ..	13.95	16.40	15.96	17.08
Total :	443.47	475.58	489.44	533.90
Net Railway Revenue ..	123.32	124.11	132.78	134.10
Payments to General Revenues:				
(i) Dividend on Railway Capital-at-Charge (@ 4.25 per cent for 1962-63, @ 4.50 per cent for 1963-64 and @ 5.75 per cent on fresh capital for 1964-65) ..	68.76	80.61	82.53	90.73*
(ii) In lieu of Passenger Fare Tax ..	12.50	12.50	12.50	12.50
Net Surplus :	42.06	31.00	37.75	30.87

(a) This includes the effect of the adjustments in freight rates including levy of a two per cent supplementary charge on all basic freight rates, other than export ore, proposed in the budget for 1964-65. (Total Estimated increase Rs. 11 crores in 1964-65).

(b) Represents contribution from Revenue to the Railway Pension Fund to be created from 1-4-1964.

* Includes about Rs. 1.50 crores due to increase in rate of Dividend (interest) from 4.5 per cent to 5.75 per cent on the fresh capital outlay for 1964-65.



what is the problem, sir?

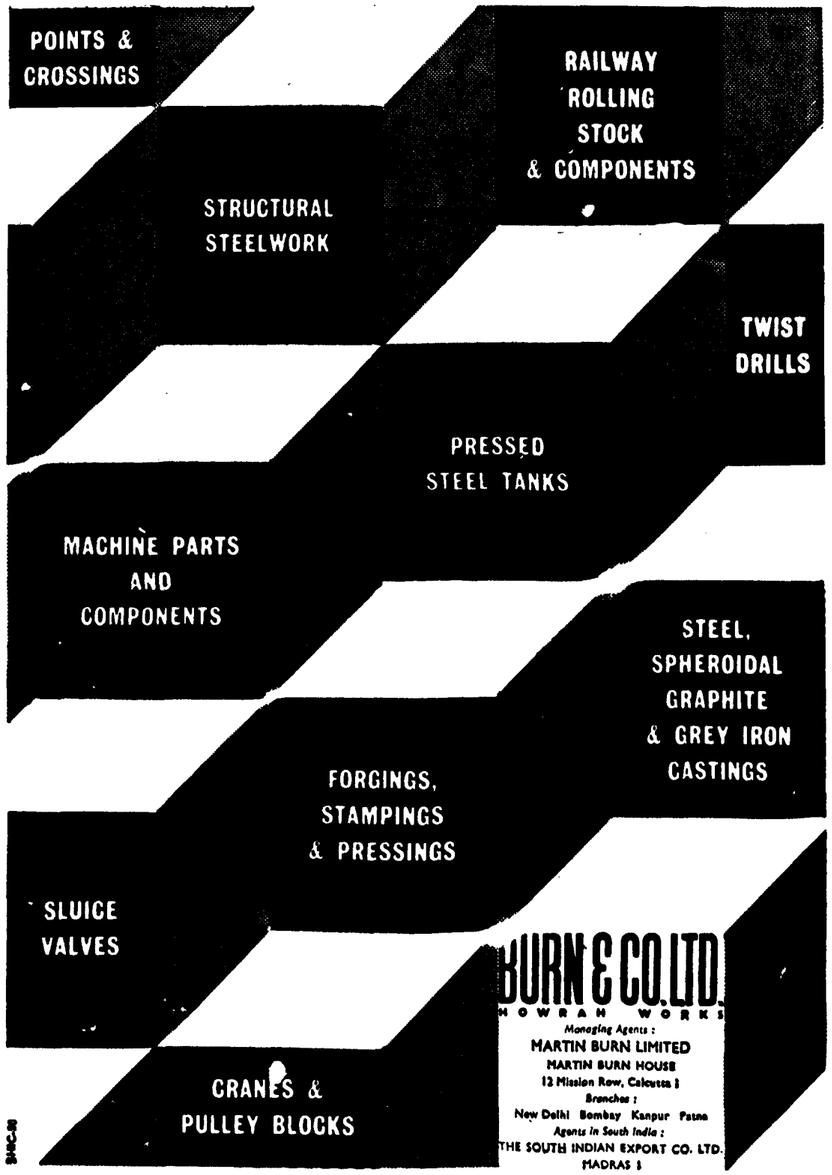
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that too, it is alleged, in part deliberately, in order to provide suitable conditions for large-scale indulgence in corrupt practices at many levels in the railway administration. Proceeding, it is argued that the improvement now claimed is therefore the result, largely, of the belated measures taken in the Railway Ministry to cleanse its fouled nest. Many informed MPs insist that the real facts about trends in productivity on the railways still remain to be found out and it is suggested that this is a job for an independent, outside body of experts well-versed in advanced railway management and operational practices as currently adopted in other countries with modern rail systems.

There is, however, general approval of the decision taken to step up the contribution to the Central Exchequer from the present 4.5 per cent to 5.75 per cent at least in respect of new capital made available to the Railways. There is little doubt that being a large and expensive user of scarce capital, the Railways should increasingly submit themselves to realistic financial tests and requirements. Finally, quite a few legislators have been amused by Mr. Dasappa's claim that the reduction in freight rates proposed in respect of a select list of goods has been motivated by a desire to readjust freight rates to costs of haulage. The less flattering reality appears to be that the Railways are heavily losing to road transport in the carriage of these and other items; the freight readjustments are thus only a bid to strengthen the Railway's competitive position.

The Railway Budget

The Railway Budget for 1964-65, presented to Parliament on February 11, 1964 by the Railway Minister, Mr. H. C. Dasappa, contemplated no increase in passenger fares or parcel rates.

A small increase of two per cent in the supplementary charge on goods freight rates including coal rates has, however, been proposed. This is to meet at least part of the cost of the recently sanctioned concessions to Central Government employees by way of increase in dearness, city compensatory and house rent allowances as well as improvement in the family pension scheme and in lower rated pensions. There will also be some additional commitment arising from Government's proposal that Railways should pay interest (dividend) at 5.75 per cent to the General Exchequer on fresh capital made available to the Railways during the Budget year and thereafter until the position is reviewed by the next Railway Convention Committee in 1965. For capital provided for the Railways up to the end of the current year, the 4.5 per cent rate as approved by the Parliament last year will apply. The increased interest rate is to reflect the increased cost of raising capital.

Simultaneously, a downward adjustment in the classification of some high rated commodities has been proposed, by way of rationalisation, which will reduce the freight rates on several items of finished products in consumer goods.

In respect of coal, a graduated increase in basic coal freight rates within a maximum increase of Rs. 3 per tonne, for distances from 501 kilometres and up to 2100 kilometres has been proposed. This measure, while raising some additional revenue, will also be a step towards rationalisation. The existing taper in coal freight rates for long distances requires review, so as to make freight rates on coal for such distances conform more nearly to the cost of its haulage as computed by recent cost studies. The proposed adjustments keep this objective in view.

The Railway Minister stated that many railway employees, who had hitherto preferred to continue under the Railway Contributory Provident Fund Scheme for retirement benefits would now elect pension in view of the enhanced benefits in lower rated pensions sanctioned from October 1, 1963 and the improvement in the Family Pension Scheme from January 1, 1964. With large numbers of railway staff in varying age groups coming over to pension, it is necessary for the Railways as a commercial department to even out the resultant fluctuating burden from year to year on account of pension payments. A Pension Fund was accordingly proposed to be set up, by making, an annual contribution from Revenue to the Fund on the lines of the provision made from Revenue for the Railway Depreciation Reserve Fund. An initial contribution from revenue of Rs. 19 crores will be made in 1964-65, part of which will be found by reducing the provision for Government contribution to Provident Fund, since the number of non-pensionable staff, hitherto under the Railway Provident Fund Scheme of retirement benefits, will correspondingly decrease. The net additional cost on account of the Pension Fund in 1964-65 will be Rs. 15 crores.

The proposal of the Government to raise the present 4.50 per cent interest (dividend) rate to 5.75 per cent on capital made available to the Railways after March 31, 1964, would mean additional resources to General Exchequer of a little over Rs. 1.5 crores in 1964-65 and nearly Rs. 5 crores in 1965-66 assuming the same capital outlay in 1965-66 as in 1964-65.

The aggregate of these additional commitments in 1964-65, would be of the order of Rs. 22 crores, made up of a sum of Rs. 20.5 crores under staff including the net requirements of the Pension Fund and the effect of the increased dearness allowance and city compensatory and house rent allowances and a sum of Rs. 1.5 crores as additional dividend to General Revenues. The expenditure chargeable to the Development Fund, which is a fund fed solely from the annual surpluses, was also mounting steadily with the persistent demand for more facilities for the steadily increasing passenger traffic, welfare measures, including housing, for the increasing number of railway employees, etc. An annual average surplus of about Rs. 19 crores in the second Plan had been found insufficient, and the Railways had been obliged to borrow from the General Revenues in the Second Plan period for financing works chargeable to Development Fund. It was essential not only to have enough surplus for the purposes of the Railway Development Fund but also to earn increased surplus proportionately with the increasing investments so that a reasonable return on the capital is maintained. The increase in freight rates recommended by the Railway Freight Structure Enquiry Committee in 1957 had been effected only in stages, reaching the average increase of about 13 per cent recommended by the Committee only on 1st July, 1962. The five per cent supplementary charge imposed thereafter, on 1st April, 1963, together with the proposed further two per cent, the Railway Minister pointed out, had to be viewed in relation to 33.5 per cent increase in the per capita cost of staff and in the price of coal since 1957.

Exemption from Surcharge

Export ore will be exempt from the proposed additional surcharge. The surcharge will also not apply to the Defence and the Posts & Telegraphs traffic, which is governed by separate tariffs, nor to the Railways' own departmental traffic. Since the increase will be only two in 110, it would amount effectively to 1.8 per cent only.

The adjustments in coal freight rates will not affect about 45 per cent of the total coal traffic which moves for distances up to 500 Kms, though the two per cent supplementary charge will apply. Even for movement beyond 500 Kms and up to 2100 Kms, the increase in no case will exceed Rs. 3 per tonne in the basic rate.

On the other hand, the proposed downward adjustment in the classification of certain commodities, which now bear the highest rates, will mean an appreciable reduction ranging between 3.9 and 23.5 per cent. For instance, at 500 Kms, the present rate of Rs.103.10 for traffic in wagon loads, of nitric acid, will be reduced by Rs. 18.10 per tonne, the rate of Rs. 88 for Safety Matches by Rs. 15 per tonne and the rate of Rs. 73 for rectified spirit, furniture and confec-

tionery by Rs. 2.90 per tonne. There will be corresponding reductions for traffic in smalls. The adjustment will serve, as in the case of coal, to bring the rates closer to the cost of haulage and reduce the present wide spread of rates.

The proposed two per cent increase in supplementary charge was too insignificant to affect retail prices. For instance, for a distance of 600 Kms, which is the approximate average lead of general merchandise, the levy will amount to about one-twentieth of a naya paisa per kgm of salt, about one-twelfth of a naya paisa per kgm of sugar, and about one-twenty-fifth of a naya paisa per kgm of foodgrains. For commodities charged at lower classification, the increase will be even less.

Additional revenue from the two per cent general increase in the supplementary charge is estimated at Rs. 7.5 crores and from the other adjustments at Rs. 3.5 crores, making a total increase of Rs. 11 crores, which will still be only about half the estimated value of new commitments (Rs. 22 crores) in 1964-65.

The financial results for 1962-63, the latest year for which complete accounts are available, reveal a net surplus of Rs. 42.56 crores as compared to the revised estimates of Rs. 23.20 crores. The increase was almost entirely from larger traffic receipts, which came to Rs. 566.79 crores, as against the revised estimates of Rs. 549.62 crores, due particularly to a spurt in goods earnings towards the closing months of the year. Ordinary working expenses amounted to Rs. 362.38 crores, approximating closely to the revised estimate of Rs. 363.14 crores.

Revised Estimates for '63-64

The present forecast of gross traffic receipts for 1963-64 is Rs. 622.22 crores, as against the Budget Estimate of Rs. 599.69 crores. The bulk of the increase is expected to accrue under passenger and goods earnings—Rs. 7.53 crores under passenger and Rs. 12.66 crores under goods. The increase in goods earnings is attributable largely to the increase in the higher rated general goods traffic, over budget anticipations of this traffic, which is expected to more than make up for demands for rail traffic in coal, export ore and raw materials for the steel plants not coming up to expectations.

The revised Estimate of ordinary working expenses comes to Rs. 393.34 crores net, against the Budget provision of Rs. 379.04 crores. The increase in a large measure is due to general taxation changes (inclusive of increase in diesel oil prices) and increase in the prices of controlled material like coal and steel, all of which were developments subsequent to the presentation of the Railway Budget for 1963-64 and have resulted in an increase in the working expenses of the Railways. In addition, an increase of Rs. 3.5 crores is estimated under staff expenditure, due to the increase during the current year in the rates of dearness allowance for lower graded Central Government employees as well as in the house rent and city compensatory allowances payable in certain cities and towns from January 1, 1964. The rest of the anticipated increase represents a variety of other items which could not be precisely assessed in the budget, such as provision under retirement benefits with the raising of age of retirement from 55 to 58, or items representing the effect of post-budget decisions, such as enlargement in the scope of night duty allowance and increase in the rates of mileage and overtime to staff. Staff and fuel costs together account for approximately 75 per cent of the total ordinary expenses, and post-budget developments materially affecting expenditure under these two heads have inevitably increased revenue working expenses. This increase of Rs. 14.30 crores, which figures in Supplementary Demands, is fully covered by the anticipated increase of Rs. 22.53 crores in gross traffic receipts.

The contribution to the Depreciation Fund charged to Revenue Working Expenses, will be Rs. 80 crores, the same as provided in the Budget Estimates for 1963-64. The surplus creditable to the Development Fund is now expected to be Rs. 37.75 crores, against a budgeted surplus of Rs. 31 crores, or Rs. 6.75 crores more.

Capital Expenditure

The Revised Estimates of net expenditure of a capital nature in the current year, on Works, Plant and Machinery and rolling stock, has been placed at Rs. 350 crores, against the Budget provision of Rs. 325 crores, necessitating Supplementary Demands here as well. From the overall resources point of view, the improvement of Rs. 6.75 crores which is expected over the Budgeted surplus, will just meet an increase of a little under rupees seven crores required to cover better delivery of materials and accelerated pace of execution of Plan works which is included in the net increase of Rs. 25 crores over the Budget. Out of the remaining excess of about Rs. 18 crores, over Rs. eight crores represents the effect, on the Railways' Development Programme in the current year, of the general taxation changes subsequent to the presentation of the Railway Budget and increase in prices beyond what was envisaged in the Budget. The balance of Rs. 10 crores represents the restoration—now found necessary—of a cut that was made in the original budget estimates with a view to regulating allotment of funds strictly to what would be necessary according to the progress of works during the year.

In a brief review of the Railways' fully satisfactory performance in relation to the third five year Plan targets, the Railway Minister recalled that, in terms of tonne kilometres, freight traffic had nearly doubled itself in the 10-year period covered by the first two Plan, the originating tonnage increasing beyond what had been carried by the undivided Indian Railway system during the heaviest year of the Second World War. The number of passengers increased by 310 million or by 25 per cent in the same period. The rate of growth of traffic has been further accelerating. Whereas the total increase in originating goods traffic during the second Plan period as a whole was 40.3 million tonnes, the increase in just three years of the current Plan is estimated to be nearly 38 million tonnes. Railways expect to lift about 194 million tonnes in 1963-64 and 211 million tonnes in 1964-65. The aggregate goods traffic expected to materialise in the last year of the current Plan is now placed at about 245 million tonnes in the Mid-Plan Appraisal.

The rate of increase in suburban passenger traffic in the first two years of the third Plan was of the order of 17 per cent. The aggregate increase in non-suburban passenger traffic during those years has been less than four per cent; it is, however, expected that in the remaining years of the Plan, the overall increase will mount up to 15 per cent provided in the Plan.

Strategic Lines

The total outlay, including Rs. 59 crores towards the cost of strategic lines in Assam and North Bengal, approved for the Railways in the third Plan at present stands at Rs. 1581 crores. The provision, including any increase that may yet be granted, is expected to be utilised fully by the end of the Plan period. During the three years upto March 1964, a sum of about Rs. 900 crores is expected to be utilised. On present indications, the Railways hope to meet about one-third of the cost of the Development Programme in the third Plan from their own resources which includes sums annually set apart for Depreciation.

Of the Rs. 283 crores or so, of foreign exchange requirements now estimated, an amount of nearly Rs. 200 crores had already been arranged, including Rs. 48.7 crores obtained, since the last Railway Budget, as loans for the Indian Railways from the I.D.A.—an affiliate of the World Bank—the U.S. Agency for International Development and the Export Import Bank of the United States. The balance would be arranged in the next two years.

In regard to the construction of new railway lines, priority has been accorded to the lines in Assam and North Bengal and the lines required for the export of iron ore. In the former category are the metre gauge extension of Rangapara North-Lakhimpur line to Kurkong Selek and the extension of broad gauge line eastwards to Jogighopa in Assam in continuation of the already opened broad gauge line to Siliguri with a ferry across the river Ganga between Farakka and Khejuriaghat. These projects are in full swing. Of the lines required for the export of iron ore, the major construction from Bailadilla to Kottavalasa is progressing according to schedule. Laying of an additional BG line, alongside the existing Hospet-Cuntakal metre gauge line, is also in progress.

Third Plan Lines

Out of the third Plan lines under construction last year, the Virudhunagar-Manmadurai line has been opened to traffic this year upto Aruppukottai as also the Hatia-Nawagaon line. The Kalkalighat-Dharamnagar line is also expected to be opened shortly. Three major lines—the Sambalpur-Titilagarh, Bimlagarh-Kiriburu and the Robertsganj-Garhwa Road—have been opened to traffic, the first two undertaken in connection with the movement of export ore and the third for movement of coal to the North and West. The construction of Salem-Bangalore line has made appreciable progress. To facilitate the export of iron ore from certain areas of the Mysore State, the construction of the Hassan-Mangalore line had been included in the third Plan. As a first step, a mixed broad-metre gauge link to the projected port site at Panambur has been sanctioned from the present Mangalore railway station.

The handling of traffic in imported foodgrains requiring to be moved northward via Poona is likely to be facilitated by a broad gange rail link from the Mormugao port, connecting with the Miraj-Poona section which is currently under conversion from metre gauge to broad gauge. A second proposal envisages the provision of a broad gauge, in place of the existing Hospet-Londa metre gauge line en route Mormugao port, this proposal being dependent on the prospects of iron ore exports in substantial quantities from the Hospet-Bellary region over and above the ore exports now going from the Goa area. Two engineering-cum-traffic surveys are in progress to examine the justification for broad gauge lines to serve these two objectives connected with the development of Mormugao port.

Electrifications & Dieselisation

The total route length electrified since commencement of the second Plan has now risen from 388 to 1463 route kilometres. Electrification of all the third Plan lines is expected to be substantially completed by the end of the Plan. As a result of re-phasing, adopted mainly to conserve foreign exchange, only two sections, namely the Howrah-Kharagpur section of the South-Eastern Railway and Nandgaon-Bhusaval section of the Central Railway would be carried over to, and completed early in, the fourth Plan.

The Indian Railways' fleet of diesel locomotives of all gauges has grown from 171 units on March 31, 1959 to 454 units at present, and of electric locomotives from 92 to 240. Over 21 per cent of the total net tonne miles of the rail traffic carried in 1962-63 was hauled by diesel and electric locomotives. The percentage has further increased in the current year and the pace of increase will be accelerated with the indigenous manufacture of diesel and electric locomotives which has been taken in hand.

The out-turn of indigenous capacity for the manufacture of wagon production has steadily increased and come up to about 3000 wagons per month. The target of production in 1964-65 is 40,000.

In 1962-63, Railways carried 178.8 million tonnes of goods traffic, exceeding the target set for the year by nearly three million tonnes and surpassing the Railways' performance of any earlier year. The Railways expect to lift in the current year a further 15 million tonnes in the aggregate. Due to reduced demands on rail transport, the increase under coal is now expected to be about 4.00 million tonnes against about 9.5 million tonnes anticipated earlier—a shortfall of about 5.5 million tonnes, notwithstanding the availability of both production potential and transport capacity up to the earlier forecasts. The smaller increase, than earlier anticipated, is now likely to be of about 0.5 million tonnes in the export ore and one million tonnes in regard to raw materials for steel plants other than coal. The slower increase in traffic in the above categories of goods is expected to be made up, to some extent, by traffic in general goods in which the increase is likely to be about 9.3 million tonnes—nearly double of what was anticipated earlier. At present all the freight traffic, which the Railways were called upon to carry, was moving as and when offered. The supply of railway wagons for coal movement, which was a cause for concern two years ago, is now fully adequate; in fact, further spare capacity is available and awaiting demand.

The Railway Minister drew the attention of Parliament to the interim report of the World Bank Team on coal transport in the country. The Team has commended the Indian Railways for handling successfully, within their limitations, the increase in traffic density of almost unprecedented rapidity during the last 12 years. The operating performance of the Indian Railways, according to the Team, compared very favourably with that of Railways of other more developed countries.

Budget Estimates for '64-65

Gross traffic receipts for the year 1964-65 have been estimated at Rs. 668 crores, of which Rs. 184 crores are expected to accrue from passenger traffic; Rs. 432 crores from goods earnings, including Rs. 11 crores from the proposed additional surcharge and other freight adjustments; Rs. 35 crores from 'other coaching' earnings and Rs. 18 crores from 'sundry' earnings.

Railways are preparing themselves to lift goods traffic aggregating 17 million tonnes more in 1964-65 than in 1963-64. This is expected to comprise seven million tonnes of more coal from Bengal and Bihar, two million tonnes more coal from the outlying coalfields, one million tonnes of other raw materials for, and finished products from, steel plants, one million tonnes of export ore and six million tonnes of general goods. It was, however, too soon, the Minister thought, to forecast confidently whether the extra traffic would, in fact, materialise to that extent, especially in coal and general goods.

The Budget Estimate of ordinary working expenses for 1964-65 is Rs. 414.68 crores, which is Rs. 21.34 crores more than the revised estimate for 1963-64. The contribution to the Depreciation Reserve Fund is provided at Rs. 83 crores including the additional contribution of Rs. 10 crores approved by Parliament last year. Allowing for dividend payable to General Revenues at the higher rate of 5.75 per cent on the fresh capital for 1964-65 and a further payment of Rs. 12.5 crores, the usual annual payment in lieu of tax on passenger fares for transfer to the States, the Budget surplus in 1964-65 is estimated at Rs. 30.87 crores which will be credited to the Development Fund. The estimated expenditure chargeable to this Fund in 1964-65 being Rs. 33 crores, there will be a small reduction in the closing balance of this Fund.

The Budget Estimate for works, machinery, plant and rolling stock, including "Open line works—revenue" for 1964-65, has been placed at Rs. 370 crores. This includes nearly four crores of rupees for railway user amenities.

Indian National Income

B. R. SHENOY

IT WOULD be generally agreed that the objective of economic growth is two-fold: continued improvement in the standard of living of the masses of the people and a narrowing of the income contrasts between the rich and the poor. Both aspects of the objective are of particular relevance to underdeveloped economies where considerable proportions of the people are ill-clad and also under-nourished, and there exists at the same time a thin upper crust of over-affluent people, who seem to be able to afford almost anything.

Judged by this double criteria, there has been little economic development in India during the past 12 years. Though statistics show an increase of 54 per cent in Indian national income during this period and this rate of increase compares very well with that of many industrialised countries, it may not be safe to infer from these statistics that the level of living of the Indian people has gone up correspondingly.

Per capita income is more meaningful of the progress of popular well-being than the total national income. During the census decade, 1951 to 1961, Indian population rose at an annual rate of 2.2 per cent; this deflates materially the impression of the economic stride forward which statistics of the aggregate national income might create. Per capita income rose during this period at a meagre 1.3 per cent per year.

Even this slow pace of increase in per capita income exaggerates the possible improvement in popular well-being. For a dependable picture of the latter, the statistics of Indian national income and, therefore, of per capita income need to be adjusted for the ballast they contain. First, part of the increase in these statistics represents unduly large outputs of non-consumer goods fabricated at the expense of the essentials of consumption. The measure of popular well-being is in the consumer goods content of national income. The lion's share of the domestic savings and foreign aid—50 per cent in the first Plan, 60 per cent in the second and even a higher percentage in the third is appropriated by the public sector undertakings. The output of this sector is almost wholly non-consumer goods. Part of the investments in the private sector is also devoted to the same category of production.

Strange Spectacle

This presents the strange spectacle of an economy of hungry and ill-clad people, being busily engaged in producing iron and steel, marvels of engineering, heavy chemicals, electricity, coal and the like, when the masses are so sorely in need of more food, more clothes, more shoes, more education, better roads, better storage and marketing facilities, more fertilisers, better seed, better agricultural implements and so on.

Secondly, part of the increase in the national income statistics represents the creation of excess production capacities and undue additions to inventories. In terms of national well-being this is a wasteful activity. Currently, it is only in one State, Kerala, that irrigation facilities, major and minor, are being used to capacity; the other extreme is Gujarat, where 60 per cent of capacity is unused. On an average about 71 per cent of capacity is in use. Two years back, in 1960-61, this average was 70 per cent; therefore it is not as if the excess capacity was being used up rapidly. Excess production capacities are placed at an average of 40-50 per cent in 40 industries.

Additions to inventories are inevitable in a background of inflation. Under the temptation of rising prices and profits, the trade adds to stocks; when the price rise is rapid, the more prudent consumers may join them. Except for brief breaks, we have had inflation in India for the past over 20 years and inventory build-ups are common. The uptrend in the prices of even commodities the supplies of which have risen faster than money incomes, is evidence of the undue additions to stocks. Foodgrains and essential imports have frequently received considerable speculative attention.

Thirdly, as the well-being of a people must be assessed by the economic condition of the masses, not from the overall magnitudes of the national income, due allowances must be made from the latter for the unmerited or illicit shifts of income, which are known to have taken place in favour of the upper-income groups on a considerable scale during the past decade. Such income shifts have resulted from inflation, from controls and from the undue expansions of the public sector.

The magnitudes of the income shifts from inflation—through corroding the incomes of the fixed and sticky money income groups, the masses of the people, and correspondingly adding to the incomes of a fraction of the community, traders, businessmen and industrialists—may be placed at an average of Rs. 880 million per year during the past seven years.

Unmerited Windfalls

Economic controls, by creating monopolies and semi-monopolies, bring unmerited windfall gains to the traders and industrialists protected by controls; they also give rise to illicit earnings through black market transactions, which controls provoke. Monopoly gains and illicit incomes are ultimately collected from the consumers and accrue generally to people in the better-to-do sectors of society. From this stand-point, import controls are among the worst form of controls. Import licences fetch enormous prices in the market, varying from 30 per cent to 500 per cent or more of their face value, depending upon the commodity concerned. Assuming an average price of 75 per cent, the illicit or unmerited incomes from import controls may be of an annual order of Rs. 4.7 billion. These colossal seems are shared among the corrupt functionaries of the State, the "contact" men and the recipients of the licences, all people in the comfortable money income class. When the Indian consumer purchases an imported commodity, or a commodity manufactured from imported raw materials, he makes a contribution from his meagre income towards the affluence of these people.

Public sector investment outlays have shot up from Rs. 19.6 billion in the first Plan to Rs. 46.0 billion in the second; they are placed at Rs. 80.5 billion in the third. These outlays are a potent source of illicit earnings by the privileged. Mr. R. L. Garner, formerly President of the International Financial Corporation, an affiliate of the World Bank, who has had opportunities of seeing this phenomenon in several parts of the world, has observed: "There is no denying that in many countries graft and corruption in public office lay a heavy tribute on resources which should go into development. The less developed countries have no monopoly on public corruption. But its toll is more destructive in the poorer countries than in the richer societies." This graft and corruption converts into private incomes funds which are accounted to have been invested. The percentages of such conversion may vary widely with projects and opportunities. Placing this at an average of 20 per cent, the anti-social income shifts from the undue extension of the public sector may be of an order of Rs. 1.85 billion during the second Plan period.

If to the above is added monopoly revenues and illicit earnings accruing from price controls, movement controls and other restrictions, the total anti-social income shifts may be of an order of Rs. 47.5 billion per year. This approximates to the average annual increase in Indian national income

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during the past seven years. If so the masses of the people have not been co-sharers in the expansions of the national income. The benefit of these expansions has accrued to the upper-income groups almost wholly. This suggests semi-stagnation at best of the economic well-being of the masses of the people.

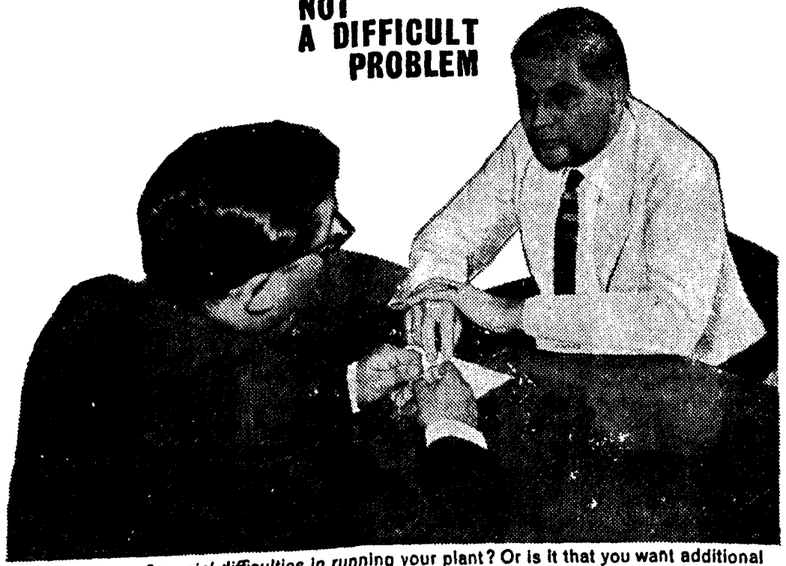
We have supporting evidence of this semi-stagnation in the consumption of food and cloth. In the Indian context of poverty, the statistics of the consumption of these basic needs should be enough testimony of the improvement in the economic well-being of the people, at any rate until this consumption reached its norms. Per capita supplies of foodgrains per day have fluctuated downward in recent years; they were at 15.8 ounces in 1958, or below the jail rations of 16 ounces, the army rations of 19 ounces and the Third Plan target of 18 ounces. The per capita supplies per year of cloth declined from 14.7 metres in 1956 to 13.9 metres in 1960.

Further evidence of this semi-stagnation is in the wage rates of the industrial and agricultural workers. Despite an increase of nearly 2½ times in the output per industrial worker, real wages in industries rose by but 10 per cent in a decade. Agricultural wages have positively declined and in the context of rising prices, the indebtedness of agricultural workers has grown. Unemployment, the twin of poverty in underdeveloped economics, has risen.

Much play has been made of the statistical assessment that, while a generation ago the average expectation of life of the Indian people was 24 years, it jumped to 42 years in the "fifties and is estimated at 47.5 years currently." It has been argued that this remarkable progress "reflected better health, better food and better living conditions." The conflict between this demographic improvement and the data pointing to semi-stagnation reviewed above is more apparent than real. The expectation of life is influenced by public health conditions and the general level of consumption. The latter remaining the same, a betterment of public health conditions alone should prolong life expectation through reducing infant mortality and the general death rate. The eradication of malaria in British Guiana had led to a population burst, the rate of increase of the Indian settlers rising to nearly 4 per cent and of the Colony as a whole to 3 per cent. The credit for the extended life span in India should properly go to the D.D.T. campaign and other health measures; it does not reflect an improvement in the economic scene, though better public health conditions are apt, in due course, to add to productivity.

Those who seem to believe that the Indian economy is forging ahead should take a closer look at the economic indicators. The available data suggest that the country is slipping down an inclined plane of economic chaos, social conflict and maybe also moral decay. There is great danger that the topsy-turvy industrial structure that is being put up may come crashing to the ground if its main prop, foreign aid, should diminish or cease. The estimate of Indian national income for 1962-63 issued on 2nd November last shows a further decline in per capita income on top of a decline in the preceding year. This is the first time that per capita income has declined in two successive years. In the past a decline in per capita income has been generally followed by a substantial rise in the following year.

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WINDOW ON THE WORLD

Planning: A New Case

From Our Special Correspondent

PARIS:

THE DEBATE about the role of democratic "indicative" planning in free economies, which has been going on in West Europe since the relative success of the French plans was recognised, will come to a head this year. This is because all the members of the Common Market save West Germany have been converted to the doctrine (along with several neighbours like Britain and Spain), and the question is now posed of a regional economic plan covering the Common Market as a unit. The ECM Commission has drawn up an "economic programme" that it thinks applicable to the six nations jointly, and it will be on the agenda for 1964. Official West German opinion has not abated its opposition to any form of avowed planning (an attitude that is compatible with surreptitious government planning such as is rife in the "liberal" economy of the Federal Republic), and no spectacular conversion can be looked for just as Dr Erhard takes over the reins. The debate promises to be agitated, often because liberal doctrinaires refuse to see that what others call "planning" or programming has little to do with the totalitarian direction of affairs, of which nations like Germany have had recent and unhappy experience.

Obsessed with that experience, liberal opponents of such schemes as the Brussels Commission has outlined believe that any form of planning entails some or all of the following things: the fixation of rigid targets, a forcing of the rate of growth beyond what is "natural" or recently achieved, interference with the price mechanism and with free markets, a general reduction of competition, extension of State activity in the productive sphere, and finally (in order to protect this whole artificial mechanism from outside forces) a tendency toward autarchy. Indeed, it would not be hard to find cases where planning has meant just those things, e.g. in the various forms of totalitarian (communist or fascist) planning, and in the plans of some developing countries. However, this is not what the majority of West European nations have in mind now and it is not what has been practised under the name "planning" in France. It is interesting to confirm this, in the case of a nation that has just launched its first four-year plan, modelling its project closely on the French precedent and drawing on the advice of the World Bank.

Contrary Position

That case is Spain, whose 1964-67 economic plan was approved by the Cortes (in one of the few genuine debates that institution has had under the present regime) in the last days of December. On every one of the points mentioned above as constituting opponents' idea of planning, the Spanish plan adopts just the contrary position. That is, it does not set fixed targets, it projects a slower rate of growth than has been achieved in the past few years, it does not limit but rehabilitates the price mechanism and free markets, it aims to extend competition and to introduce it in departments where it has been lacking, it sets rigid limits to Government activity in production and, lastly, far from favouring autarchy, it is designed to make Spain an "open" economy by integrating it into the trade and finance network of the Western world. Faced with this paradox, liberal opponents may ask in what, then, the Spanish project resembles a "plan." The answer of the Spanish Plan Commissioner, Mr. Lopez Rodo, is that the scheme is precisely a copy of French planning methods in that "what we are seeking is to increase investments by a better selection and co-ordination of them, to rationalise our productive mechanism, and to favour a competitive market."

That the Spanish plan does not answer opponents' caricature of an economic programme is suggested by the mere fact that Spain should turn to the methods of her neighbours at just this moment. For, if a plan were either an extension of governmental activity or an attempt to pull an economy up by its bootstraps, then Madrid would have no use for it and would not have been advised to adopt one by the World Bank and the OECD. On the first point, the Spaniards and their advisers are agreed that excessive governmental activity has been the root cause of the country's recent stagnation, and the plan aims to correct it. As the OECD says, "The impressive apparatus created in the past decade to direct in detail the working of industry was supposed to make the country self-sufficient, but in reality it has been one of the causes of the chronic stagnation of exports and of the balance-of-payments crisis." The plan, then, is the means to root out, or at least rationalise, disorderly governmental intervention, by making State projects answer the same criteria of fitness as apply to all other activities in a co-ordinated programme.

Take-Off Stage

On the second point, the case is just as clear. Far from needing a plan because of hopelessness about recent development, Spain is credited in the latest OECD survey with having attained, since 1961, a stage of take-off—using that expression without the mystical connotation it has in the Rostow philosophy of history, i.e. allowing that what takes off is perfectly capable of belly-landing soon after. In other words, the economy has attained a self-propelling phase that would seem to dispense the authorities from providing further stimulants to growth in the immediate future. The economy has at last got moving and there are many signs that it will keep moving, so the plan is not intended to work any miracle but rather to ensure that development is harmonised and in particular that inevitable bottlenecks are foreseen in time and dealt with rationally.

Adoption of a plan at this point, therefore, suggests that for Madrid and its friends planning does not mean what people in Bonn affect to fear. This becomes clearer in the details of the document voted by the Cortes, and, incidentally, in the discussion of the plan in that pseudo-parliament, where the worst opponents found to say of it was that it was a means of "handing Spain over to international capitalism," i.e. to West Germany and the USA, principally. To be sure, the plan entails a style of economic management that would be more favourably viewed in Bonn and Washington than by the socialists who are more commonly credited with advocating national planning. To that extent, the rump fascist party in Madrid is better founded in opposing it than are the liberals in Bonn in decrying a Common Market economic programme.

This is so because the plan is based on the belief that economic development is promoted best by private initiative, provided the operation of initiative is assisted by voluntary coordination that supplements the co-ordinating effected by free markets and real prices. This voluntary harmonisation of a host of industrial projects takes place under Government auspices and is extended to the State's own projects which, in total, constitute the biggest business in any modern society, however liberal it may be. If there is any pushing around to be done, as liberals fear there must be in any plan, the most likely victims are just the State's own departments and corporations, since the demand for harmonisation and rationalisation will be directed at the biggest and most disorderly sector of the economy first—and that is the public sector in any country. By the way, this is exactly the reason why Italian businessmen have been converted this winter to planning in their economy, because they see a national plan as the only means to stem and put sense into the proliferating activities of Government.

Liberal Intention

Insisting throughout on the restoration of free markets and the price mechanism as the way to eradicate excessive protectionism and to bring irrational State projects to book, the Spanish plan is liberal in intention. But of course it recognises that free markets alone cannot handle such problems as the equalisation of conditions in a badly unbalanced country, the control of inflation in the process of development, the most reasonable allocation of resources, etc. That is why it provides for the co-ordination of activities, the harmonisation of the major economic options and the perfection and publication of all the information that can be gathered on what the various economic agents propose to do—why, in short, it is an indicative national plan. Targets are for the most part global or macro-economic, relating to such matters as the gross national product, public outlays and the relative shares of consumption and investment. Except for a very few basic industries like steel and electricity, the plan contains no detailed targets yet, i.e., no orders to this person or that to produce so much of a certain commodity, or else. All the targets it contains, and such as may seem feasible to fix as the plan goes along, will remain subject to revision, and indeed a procedure for systematic revision is an integral part of the plan itself. Direct Government intervention, outside of agriculture, is resolutely excluded in all productive activities.

There is no question, of course, of holding Spain up as an example for imitation in the matter of economic policy, and Spanish conversion to the planning doctrine adds no weight of conviction. The point is simply to show that, in yet another case, a West European country is having resort to democratic planning without any concession to the "socialist" temptations that are reputed to lie behind it. As for toalitarianism, which in liberal eyes contaminates to a greater or less extent all national planning, it can truly be said that in Spain in 1964 the thing that is least totalitarian is exactly its national plan, an innovation that marks the liberalisation and modernisation of an inefficient dictatorship.

Overheating in the British Economy

PAUL BAREAU

LONDON:

ECONOMIC EXPANSION in Britain has recently become unmistakeably tinged with inflationary symptoms. The increase in production has been eminently satisfactory — well in excess of the target figure of 4 per cent per annum, rather hopefully fixed by the National Economic Development Council. Now the all too familiar phenomenon of over-full employment and of excessive strain on some segments at least of the economy is beginning to appear. Wages are not merely creeping but bounding up. The NEDC economists, projecting the recent wage increases and increased overtime hours and earnings over the rest of the year 1964, estimate that the wages bill this year will rise by at least 8 per cent over 1963. The most optimistic estimate of the expansion in output of goods and services puts this at 5½ per cent. Here, therefore, is the inflationary gap returning to the economic stage.

Some effect of this has already been apparent in the overseas trade figures. Although both exports and imports rose by 7 per cent in 1963 as compared with 1962 the trends over the year were disquieting. The rate of increase in exports was declining towards the end of the year, while for imports it was increasing, as British industry began to restock in earnest in order to feed the steadily increasingly volume of output. There is still no evidence that the balance of payments is in deficit. Sterling remains stable in the exchange market. Moreover, if any pressure on sterling develops as a result of this restocking boom, there are ample reserves, and several lines of them, with which to take the strain.

But if the trends apparent in recent weeks continue, the danger will undoubtedly arise later this year, or in 1965. If it does and sharp corrective measures have to be taken to protect sterling, one of the victims will be the present highly satisfactory rate of expansion. We have not yet solved the problem of "expansion without inflation", even though Ministers and the Chancellor of the Exchequer in particular proclaim this parrot cry in almost every major speech they utter.

The Chancellor has, however, recognised the danger. In a speech which he has recently made he spoke of the need for a changeover from "rapid acceleration to a high and consistent cruising speed". This reflected recognition of the need for some fairly early specific measures to pull back the rate of growth to a more sustainable level. There is every prospect that the forces feeding this rate of growth will continue to operate, given the momentum which has been imparted to them. Consumer demand is being steadily fed by higher wages and higher profits. The Government has embarked on a large number of new capital projects which whether on roads, electric power, education and health will put further strain on the resources of the economy. Within the last few days has come the half-yearly Board of Trade Survey which shows that private capital spending in 1964 is expected to rise by 10 per cent.

Drift into Inflation

Since the economy is already showing signs of overheating, the drift into inflation is self-evident. If so far it has had so little effect on sterling and the balance of paymens, it is in the first place because the same tendency is apparent in so many other countries, and secondly because so much has been said about the increasingly close monetary co-operation between the major countries of the world and of the extent of the reserves available to repel any speculative attack on their currencies.

The Chancellor, nevertheless, is worried — and rightly so. He knows full well that the essential quality of official intervention in the regulation of the economy lies in good timing. Unless some corrective measures are taken in time, those that will be needed when the storm breaks will be needlessly harsh and merely repeat the lunacies of our two not so dis-

tant bouts of 7 per cent Bank rate with all that went into this contractionist mixture.

Alas, politics are interfering with good economics — not for the first, and, needless to say, not for the last time. Were it not for the fact that a General Election is impending, it is probable that Bank rate would have been raised from 4 to 5 per cent by now. The political inhibitions are there and this no doubt explains the rather pathetic eagerness with which the Government have been clutching at various proposals for stopping if not inflation, at least its consequences, by appeals and exhortations.

Appreciable Reduction

The recent Council meeting of NEDC was made the occasion for another appeal to the trade union leaders to exercise restraint in demands for higher wages. In order to secure their allegiance various proposals were made for parallel measures to influence prices and profits. It was suggested from the Government side that a Commission should be set up, comparable to the National Incomes Commission, to which any inordinately high or important increases in prices should be referred. Some of the employers on the Council even brought forward a proposal for a graduated tax on excess profits, the excess being measured in terms of the NEDC expansion target of 4 per cent per annum.

Needless to say the trade union representatives refused to play this ball. In any case they have not the power to commit individual trade unions in the matter of wages policy, and if they signed a general declaration in favour of restraint they would promptly be disowned. Moreover, they too are governed by political motives. If there are any concessions to be made from the trade union side, they will be reserved until such time as a Labour Government is in power — and the present indications are that this will be after the next General Election which must be held in 1964.

Apart from all other considerations, these appeals are poor economics. It is attempting the impossible to substitute exhortations and incantations for economic policy. If there is excessive demand for the available economic resources, be they human or material, wages and prices will sooner or later go up. The Government cannot hope to feed inflation with one hand and try to hold back the consequences with the other. It looks, therefore, whichever government is in power after the next General Election, as if some application of the economic brakes, whether through tax policy or through a restriction of credit and dearer money, will have to occur before the year is out. The sooner the process is begun the less will be the severity of the corrective measures.

In one respect credit must be given to the British Government for a decision of economic policy which will pull in the right direction and which will take a good deal of political courage to put into effect. This is the announcement that the system of price fixing, known as Resale Price Maintenance, is to be abandoned. This will open the door to a price cutting war in retail trade. Already cries of anguish are going up from the small shopkeepers. The proposal is undoubtedly packed with political dynamite but the Government may calculate though there are 200,000 small shopkeepers there are 30 million consumers who have the vote.



DEEDAR?

LISTENING POSTS

Gas Struck at Bogapani

By Our Special Correspondent

NEW DELHI:

GAS HAS been struck by Oil India in the second test well drilled by this 50:50 partnership concern between the Government of India and the Burmah Oil Company, at Bogapani, in its second concession area in Dum Duma, Upper Assam. The first well drilled in this region at Tanali is said to have proved only a dry hole. It has, therefore, been abandoned.

An assessment of the gas discovery at Bogapani obviously will take some time. The field, of course, is believed to be commercially exploitable. Gas has been found in the Bogapani well in two fairly thick horizons.

The failure to strike oil at Tanali and Bogapani has not disheartened Oil India. On the contrary, the discovery of gas is spurring the company to intensify its exploratory efforts. Four more test wells have been planned to be drilled in this area during the next financial year. Arrangements are said to be under way to start drilling the third well near Namrup in the near future.

In view of the rapidly growing demand for petroleum products in the country and oil being a wasting asset, Oil India is understood to be determined to continue its exploratory efforts in Dum Duma for the next three or four years at least.

Alongwith oil prospecting in the Dum Duma region, seismic surveys are intended to be undertaken soon in the Ningru area in NEFA for which the company was granted an exploration licence a few weeks ago.

Meanwhile, efforts are being made to develop the Naharkatiya-Moran oilfields in the first concession area of the company, to a production potential of 3 million tonnes of crude required to feed the Noonmati and Barauni refineries. This level of output is expected to be achieved well before the second one-million-tonne unit of the Barauni Refinery goes on stream in the second half of the current calendar year.

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After a five-hour meeting here last week, the Steering Group for Iron and Steel has recommended that the fourth Plan should aim at production of 17.5 million tonnes of mild steel (ingots) — 16 million tonnes for meeting the domestic requirements and 1.5 million tonnes for export — 0.75 million tonnes of alloy steels and 4 million tonnes of pig iron. The Group has, thus, brought down its recommendation of August last for the production of 18 million tonnes of mild steel ingots in 1970-71, by 0.5 million tonnes. The new target suggested for alloy steels output, on the face of it, also is a scale-down from the one million tonne target recommended in August, 1963. But, in fact, it is a slight upward revision. The proposed production of electrical steels (180,000 tonnes) and low alloy high strength steel (100,000 tonnes) is not included in the 0.75 million tonne target. These are now considered as "tonnage" steels to be produced by large steelworks. The pig iron production target remains the same as recommended by the Steering Group in August last.

For achieving the production target of 17.5 million tonnes mild steel ingots by 1970-71, the Group has suggested raising of installed capacity to 18/19 million tonnes. This, it has recommended, should be attained through expansion of Bhilai to 3.25 million tonnes, of Rourkela to 2.5 million tonnes, of Durgapur and TISCO to 3 million tonnes each, of IISCO to 2 million tonnes, and by setting up a 4-million-tonne capacity steelworks at Bokaro, a 0.5-million-tonne unit based on Neyveli lignite and Salem iron ore and one more plant of 1.5-million-tonne capacity either in the Vizag-Bailadila or Goa-Hospet area. If two plants of 1.5-million-tonne capacity are to be set up in the Visakhapatnam and Gao areas during the fourth Plan period, one of these should be built only up to the blast furnace stage.

Dovetailing Stages

Top priority has been suggested for setting up the Bokaro Plant. It has also been recommended that instead of completing this steelworks in two stages of 1.5 million tonnes and 2.5 million tonnes, it should be pushed through straightway to a capacity of 4 million tonnes. Dovetailing of the two stages, it is thought, will require comparatively small capital outlay and should lead to more economical use of the steel mills. Taking up of the two stages of Bokaro simultaneously is envisaged to yield a production of 2.5 million tonnes of ingots by the end of the fourth Plan period.

So far as alloy steels are concerned, the Group felt that an output of the order of 3.2 million tonnes could be expected from the Durgapur Alloy Steel Plant, the Mysore Iron and Steelworks and the 13 private sector units which have made some reasonable progress. Further capacity will have to be created in this line of manufacture to fill the gap of slightly over 0.4 million tonnes. For this, the Group has recommended expansion of the Durgapur Alloy Steel Plant by another 120,000 tonnes and licensing of new units both in the private and public sectors. The Group has also suggested that the proposed Salem Steel Plant should be so designed as to be utilised for the manufacture of special steels. It has been further recommended that raw steel manufacturers should be given licences to create additional capacity for the production of alloy steels.

According to a note prepared for the Steering Group by Department of Steel, the additional capacity that will have to be set up for the production of alloy steels, should cater to the production of the following categories to the output levels shown against them.

	(In tonnes)
(a) Alloy & other machinery constructional steels such as En 8, En 16, En 18, En 32, etc.	100,000
(b) High Carbon and silico-manganese spring steels	43,000
(c) Free-cutting steels	169,000
(d) High speed, tool and alloy steels, including ball-bearing steels, high carbon high chromium steels, magnet steels etc.	47,500
(e) Stainless and heat-resisting steels	35,000
(f) Alloy spring steels, such as En 47, En 50 ..	9,400
(g) High alloy constructional steels such as En 21, En 23, En 24, En 28, En 33, En 40, etc.	10,700
TOTAL	414,600

About pig iron, the Steering Group has suggested that six more blast furnaces with an annual capacity of 400,000 tonnes each should be set up to fill the gap of 2.25 million tonnes between the present production and the 4-million-tonne target proposed for the fourth Plan. It has further recommended that most of the additional capacity for the production of pig iron should be created in the public sector as the private sector's performance in this sphere had been disappointing. Whether the new blast furnaces should be set up in the coal belt or on the coastline has been left to be decided

by the Government on consideration of the economics of the two propositions.

The acute position in regard to pig iron supplies is expected to ease somewhat towards the close of the current Plan as a result of setting up two blast furnaces at Bhilai (6th blast furnace) and Durgapur (5th blast furnace) ahead of steel-making. Orders for the sixth blast furnace at Bhilai are expected to be placed in the second or third quarter of this year. Those for the fifth blast furnace at Durgapur may be placed in about seven to ten months.

Tenders for Bokaro are expected to be issued between June and October this year. The feasibility report on the proposed steel plant in the Goa-Hospet area has been received by the Government. The report on the Visakhapatnam-Bailadila plant is expected by the end of this month. The project report on the Salem Steel Project is likely to be ready by June.

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In view of the comfortable coal supply and the improved facilities available for its haulage to various parts of the country, the Union Government does not propose to give in future any subsidy or inducement for encouraging use of furnace oil in place of coal as energy producing material. This was indicated by the Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, at a meeting of the Joint Working Committee of the coal industry last week.

The Minister also stated that the Government decisions on industry's plea for an upward revision of coal prices could be expected by the end of this month. The Swaminathan Committee's report on the issue, he added, was receiving his consideration. He, however, emphasized the need for evolving a suitable formula for ensuring that the consumer paid for the quality of coal he actually received and expressed concern at the imbalance between the demand for and supply of coking coal.

Dwelling upon the pattern of coal supplies obtainable currently — scarcity of certain grades of coal alongside glut of others — Mr. Subramaniam said that the Government was studying the question of balancing production with demand, taking into consideration the quality as also the regional pattern of output and requirements. The Indian mining interests are said to have pointed out that any long-term rationalisation of coal production should take into account not only the demand pattern but also the resources available for raising coal.

Accumulating Stocks

Although the planned target for 1963-64 coal output had been fixed at 75 million tonnes, actual raisings during this year are estimated at not more than 68 million tonnes. But, despite this, pithead stocks have been accumulating and are currently estimated at around 5 million tonnes. Both the Government and the industry feel that this state of affairs has resulted from the slackening of the tempo of economic activity in the country. The industry, however, is said to have assured the Government at the last week's meeting that it was prepared to carry stocks somewhat in excess of the normal in view of the need to keep the development of energy resources ahead of requirements.

The industry, it is further learnt, impressed upon the Minister that what was required today was not only an increase in the price of coal but also removal of some other disabilities of mining. It asked for higher depreciation and depletion allowances on the ground that it was working mines on a three-shift basis which led to wearing out of the machinery and equipment at a rate much faster than under the normal working conditions. Mr. Subramaniam is understood to have assured the industry that he will take up this matter with the Union Finance Minister. He appeared to be favourably disposed towards this plea of the industry.

Among the other issues to which the industry's representatives drew the attention of Mr. Subramaniam were the enlargement of the list of mining machinery imports, correction of the loading line of BOX wagons by the railways, the legal requirements of providing cap lamps in gassy mines, further liberalization of subsidies for stowing and hard case assistance and implementation of the recommendations of the Experts Committee on re-grading of coal on the basis of calorific value. The Minister is said to have disclosed that a revised list of mining machinery imports was already being prepared by his Ministry for the guidance of the Finance Ministry. He also thought that since most of these imports were being effected under the World Bank loans, there should be no difficulty in granting the announced concessions on these imports. He wanted the Railway Board to instal weigh-bridges at all depots. Pending this, the loading line on box wagons could be rectified in consultation with the Coal Controller, who after analysing various qualities of coal, would be advising the Railway authorities about the volumetric density of each grade of coal. He promised to discuss the legal requirements of providing cap lamps in gassy mines with the Union Ministry of Labour with a view to removing hardships caused to small colliery-owners on this account. About re-grading of coal according to calorific value, the Minister is stated to have said that the Government had accepted the recommendations of the Experts Committee in principle, but would be implementing them in stages owing to some practical difficulties. He thought that an outlay of Rs. 24 lakhs for securing necessary machinery for undertaking this re-grading programme could be easily found.

After the meeting of the Joint Working Committee, some Indian coal mining interests are understood to have informally discussed with the officials and the Minister the implications of removing ceilings on the prices of "HH" (coking) and Grade II coals. They are believed to have expressed fears that this step would have very adverse effects on the fuel economy of the country. Many producers of medium grade coal might have to close down their mines, resulting in an irreparable national loss. They are understood to have further pointed out that once a mine was closed, its re-opening required a number of years.

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The recommendations made by the Swaminathan Committee in its interim report on simplification and speeding up of administrative procedures relating to industrial licensing, it is learnt, not only cover requests for licences for setting up new units, but also those for the expansion of the existing ones. Expansion plans of the existing industrial units, therefore, will be treated in the same manner as applications for licences for new units for the expeditious issue of "letters of intent" and grant of sanctions in matters like capital goods clearance, capital issues, approval of foreign collaboration terms etc.

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In a statement issued on February 7, Mr. K. C. Neogy confirmed the doubts expressed in "Eastern Economist" of January 17, 1964, that he resigned the Chairmanship of the Committee on Transport Policy and Co-ordination not on health grounds, but owing to two other reasons — (i) insufficient co-operation extended to the CTPC by the State Governments, the Planning Commission and other Governmental organisations; and (ii) the differences that arose on policy matters after the terms of reference of the World Bank Study Team, originally invited to make a "feasibility study" of the right modes of coal transport, had been widened to include inquiries into movements of other bulk commodities, the scope of railway rating on the basis of costs, shifting of traffic from railways to roads, problems of industrial location in relation to transport and the pattern of future investments in various forms of transport.

The widening of the scope of the World Bank Team's

study, Mr. Neogy asserts, amounted to a parallel inquiry being held by this Team on the issues entrusted to the CTPC. The freedom given to the World Bank Team to select persons whom it wished to co-opt in this country to represent the Indian view also contained, in Mr. Neogy's opinion, the risk of the country being confronted with recommendations which it might not be in a position to implement if they involved modifications of the established national policies that had social and political implications. He regrets that as a possible way out, his suggestion to adopt the Argentine model for enabling the World Bank Team to secure Indian participation in its deliberations on honourable terms, did not find favour with the Planning Commission. In the circumstances, Mr. Neogy says, he was left with no option but to resign his Chairmanship.

Pointing out how complex the problem of transport co-ordination is, Mr. Neogy asserts that nowhere in the world this problem has been solved satisfactorily. He has drawn attention in this respect to a report submitted by Mr. M. R. Bonavia, the British transport expert provided under the Colombo Plan to advise the CTPC, and hopes that in conformity with the precedents set by him, this illuminating document will soon be placed in the library of Parliament.

Now new non-official is likely to be appointed as Chairman of CTPC. Knowledgeable circles opine that Mr. Tarlok Singh, Member Transport, Planning Commission, may be entrusted with the task of completing the Committee's assignment.

Swatantrites in Sanguine Spirits

From A Correspondent

BANGALORE:

THE TWO-DAY deliberations of the third National Convention of the Swatantra Party at Bangalore were a notable success not only because of the large number of delegates—over 600—that were present but also because of the refreshingly businesslike manner in which the work of the Convention was conducted as scheduled. It is not surprising, therefore, that the assembled Swatantrites dispersed from Bangalore in a significantly sanguine frame of mind. One even sensed a perceptible change — almost a transformation — in their attitude from that of an opposition party that did not seriously believe it could ever come into power into that of one that would be ready to step in if the people were to demand it. Some of the realistic suggestions offered by the Party must have already set both the Congress and the other political parties thinking hard about their own solutions and strategy to meet the new situation. There is, however, a feeling, in certain still non-aligned sections of the public, that the unsparing attacks of the Swatantra Party on the Prime Minister were avoidably ruthless, even personal, and that, because of this, the Swatantra Party has possibly lost quite a few prospective additions to its ranks. But the defence of the Swatantrites seems to be that, inasmuch as the Prime Minister is all in all and that nothing can happen in this country without his consent, overt or covert, this seemingly personal attack on the Prime Minister cannot be avoided.

Whatever or however dim or distant the prospects of the Swatantra Party coming into power may be, there is no gainsaying the contention that, given certain prerequisites, Swatantra will emerge as the main opposition party both at the Centre and in the States (Swatantrites believe they may even form Governments in some States). These prerequisites are: (1) that the polarisation (as between the Leftists and the Rightists) must not be put off any longer, and (2) that, in such an event, the Swatantra Party must align or identify itself more closely with other Rightist parties, if it cannot bring about a merger of all Rightist parties, and clearly spell out a pragmatic economic policy. In fact, it is suggested in informed quarters, this must be the mandate it should ask of the electorate, a mandate on which it would fight the next elections. Judging from the proceedings of the Bangalore Convention, there would appear to be some hope of such a consummation. Take, for example, the resolutions on the Swatantra Alternative, on the State Monopoly of Banking, on Independent Non-Political Board for Licences and Permits, on the Constitution (17th Amendment) Bill and on Electoral Understandings. All these concern subjects or issues that must needs cut across party lines, save that of the rightists and the leftists. But, if all the Rightists make common cause at least in so far as these issues are concerned, there is no reason why a stable and strong Rightist front cannot be forged out. The sooner this is done, the better it would be, argue the sponsors of this view-point.

Now, to take the above resolutions one by one. In their resolution on the Swatantra Alternative, the Party has not only refuted certain allegedly wrong assumptions about the Swatantra stand on planning but has also clearly indicated its own approach to the problems of economic development. The test it proposes to apply in each case is one to which even Gandhites cannot take exception, for it is a test that had been suggested by the Mahatma himself, namely, "to ask if the step contemplated is going to be of any use to the poorest and the weakest members of the community". Considering that it is these members, in whose interests the party in power is supposed to be doing everything, but, at the same time, these happen to be the very people who are the least benefited, the very thought of such a fresh approach must be heart-warming to those concerned. It is unnecessary to list all that the Swatantra Party has said in its resolution on the subject. Suffice it to say that the Swatantra Party believes that its approach would lead to more rapid and less painful economic development. This approach does not need explaining, as some seem to think, for the simple reason that this approach is neither new nor novel, having been successfully tried out by other countries. Even after making allowances for ostensible differences in circumstances between India and these countries, it is permissible to maintain that, with a different orientation, better results than under the prevailing pattern of planning are possible.

On the question of nationalisation of Banking, the Swatantra Party has declared its outright opposition and questioned it in principle. The speeches made at the Bangalore Convention underlined the grave consequences of any such attempt to trifle with the functioning of banks for the country's delicate credit mechanism and pointed out that, far from helping the Government, it would create problems, both at home and abroad, such as the loss of a valuable market for Government securities and the impossibility of functioning abroad, especially in countries where State-managed banks are not allowed to operate. In Singapore, for instance, it was stated, the Bank of China was obliged to close down, despite the presence of a sizable Chinese population. Moreover, asked the speakers on this resolution: Is there anything that the Government of India cannot do now which it hopes it can do after nationalisation?

The trouble with the banking industry, as was made clear, is not the absence of adequate powers with the Government to control and regulate it, but the absence of a purposeful and effective enforcement of the available powers. To give a dog a bad name and to hang it may be a good strategy in

politics, but, in the economic sphere, it may prove suicidal. If the expected gains are not going to be real or substantial, any such drastic remedy as the one proposed is surely uncalled for.

The resolution urging that the control of the distribution of licences, permits and quotas be vested in an independent non-political board relates to a necessary reform that cannot be delayed any longer in the prevailing atmosphere, believes the Swatantra Party. Setting up anti-corruption or vigilance bodies, according to it, is only to nibble at a problem that has corroded public life much too much in this country. Mr. C. Rajagopalachari, the Founder of the Party, has been contending that licences, permits and quotas are granted under powers taken by the Government in modification of the Fundamental Rights and Freedoms guaranteed in Part III of the Constitution. The issue to him is, therefore, of the greatest economic as well as political importance. He has gone to the extent of demanding that all political parties must obtain a mandate on this issue from the electorate. He is impatient to wait till the next general elections for this and so would want this mandate to be secured even in by-elections. Those speaking on the resolution understandably reflected this righteous indignation of their leader. If the suggestion is accepted, "the country can expect to have a non-political statutory board free from all influences and political pressures and enjoying the same independent status as the supreme judiciary", reads this resolution.

Seventeenth Amendment

To the Swatantra Party must go the credit for having set in motion the agitation and studiously and sedulously mobilised public opinion against the proposed Seventeenth Amendment to our Constitution. The Swatantrites feel convinced that this is a dangerous attempt further to erode the already fast famishing Fundamental Rights guaranteed to the people of India by the Constitution. In particular, they are bitterly opposed to the extension of the expropritory principle, so far applied only to feudal landlords, to ryotwari holders as well as to every other type of land-ownership. By the already extended interpretation of the term "public purpose" and now by redefining the term "Estate", to include every form of landed property, even those small pieces owned by the humblest of peasants, the Party contends, the relevant bill now on the legislative anvil perpetuates "a gigantic fraud on the Constitution and on the people of India." Accordingly, the resolution adopted by the Bangalore Convention calls for unqualified resistance to what it describes as a further attack on the Fundamental Rights of the people. It has also promised the peasants and other interests affected by the proposed amendment that it would stand by them in resisting this attempt at snatching away their lands. If, however, the party in power should get the amendment accepted by reason of its majority in Parliament, the Swatantra Party has solemnly undertaken to have the amending legislation repealed. One can vividly visualise the prospect here of a reptition of the fate that befell the controversial legislation concerning the nationalisation of Britain's Steel industry under the Labour and the Conservative Governments.

Fundamental Differences

There is then the resolution on electoral understandings. Obviously, it is not easy to get all opposition parties, not even those wedded to the common objective of fighting the Communists, to come together. There are fundamental differences in the approach of these parties to several problems, but not until and unless all these parties agree to forge a common front will they be able to put an end to the prevailing anomaly of a party which has not got even 50 per cent of the total votes polled ruling the country as though it has been returned by an overwhelming majority, as Mr. M. R. Masani, General Secretary of the Party, has pointed out in his Report to the Convention. Swatantrites, it is argued, do not ask the different political parties to abandon their differing ideologies, but they would want them to co-operate only to avoid multilateral contests which give an undue advantage to the ruling party. By the way, this experiment has been tried in some cases and has yielded gratifying results. Notwithstanding this revealing and rewarding experience, he would be an incurable optimist indeed who expects a complete elimination of multilateral contests. For, even if the seemingly impossible common front becomes possible, there may be some obliging independents who can make mincemeat of the common front. Evidently realising this, the resolution falls back, in the last resort, on Swatantrites only and calls upon them to concentrate on hard, sustained and disciplined work to spread the Party message. The Swatantra Party claims, not altogether unwarrantedly, that only its policies provide a clear-cut and effective alternative to the Congress Government's policies. As things stand today, the Swatantra Party, despite all that it has achieved, thanks to its Founder's incisive thinking and intensive campaigning, cannot by itself dislodge the Congress. But if it should get all other Rightist parties such as the Jan Sangh jointly to declare at least a common economic policy which everyone of them agrees to stand by, the people of this country would be able more clearly to identify the different ideological groups and to make their decision as to whom they should support. If the goal is orderly progress and stability, it is evident, there is not very much more time left in which to achieve such a consummation.

Dispersal of Industries

From Our Correspondent

BOMBAY:

IN THE emerging industrial complex of Maharashtra, as well as other States in the Western region, the small-scale industries constitute a large reservoir of productive capacity. How far this productive capacity is tapped fully both for normal development and for the pressures of emergency, would reflect ultimately the diffusion of industrial prosperity in the region as also the improvement of the conditions of the lower strata of the population. The concept of agro-industrial development has mainly influenced the formulation of the third Plan in the State of Maharashtra, particularly, the promotion of joint sector undertakings by State participation has been the major object to spread out industries of medium and small size, in the industrially backward zones. For this purpose, the Maharashtra Industrial Development Corporation has been planned, to organise among others, the development of industrial areas in the semi-urban and rural parts, with a Plan provision for advancing loans to the corporation of a crore of rupees. The latter is expected to finance further development activities by revolving its own funds that may be raised by the sale of plots. The provision of facilities in land, water supply and power to the public sector undertakings has also been taken note of in this programming of industrial growth in the neglected parts of the State.

Regarding joint-sector undertakings, pioneered by the Maharashtra State, the Plan target for State participation was Rs. 2.7 crores of which nearly a crore of rupees would have been invested by the end of the current financial year. Besides, the Plan target for provision of facilities for public sector undertakings of the Centre was a crore of rupees, of which, again nearly 60 per cent would have been spent by this year. Mr. S. G. Barve, Minister for Industries, after his recent talks with the Central Government, has emphasised that the expansion of the joint sector industries would be accelerated and where private sector is hesitant, the State would push through the industrial expansion on its own. He particularly referred to the possibility of Government taking over some five or six derelict textile mills and though this was not the general policy, this had to be done if the private sector did not take the necessary initiative and drive in running these industries. It was the preferred policy of the Government, as explained by him, to assist industrial expansion by participation of the private sector. But, at the same time, one would agree with him, that there are certain industries of crucial significance to the State which are lagging behind and which have not been taken up by the private sector for expansion. There are even some industries which need to be dispersed in the interests of plan growth and initiative has not so far come from the private sector to run these industries. In such cases, the State Government, he said, may have to use its own resources to promote expansion. He cited the case of pig iron project which has been on the programme for a couple of years, but for one reason or another, this has not yet taken shape.

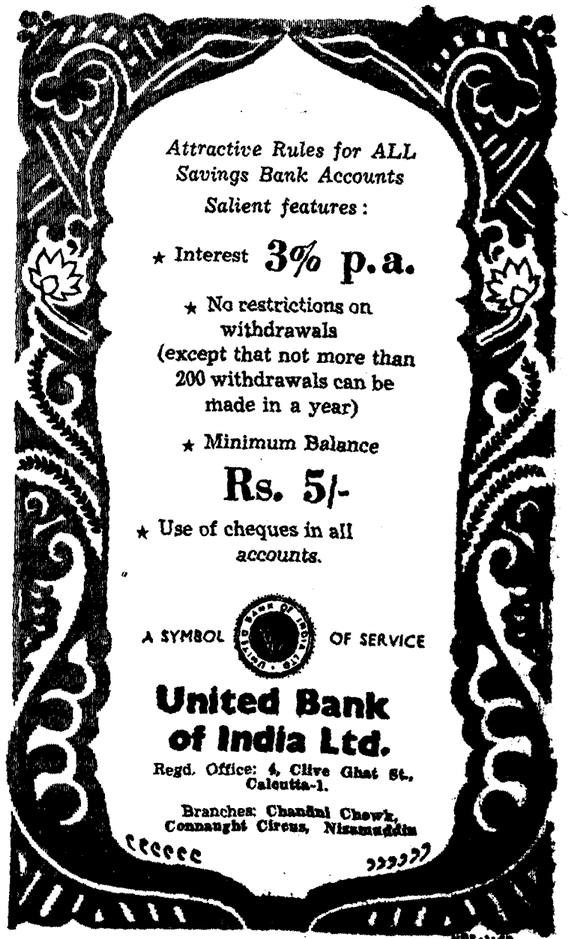
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The Small-Scale Industries Corporation of Maharashtra, which has been constituted last year, will serve as a stockist of raw materials, particularly iron, steel and non-ferrous metals required by the small-scale industries. In order to speed up the development of small industries in the rural areas, the District Industrial Board has been established on a pilot basis and these industrial boards, when they are extended to all the districts, are expected to operate with more vigour and give a fillip to the progress of the small-scale industries. Looking to the progress of the small industries so far, the end of the second Plan saw the establishment of only five industrial estates against the target of 10 estates in Maharashtra. The third Plan has proposed the establishment of 44 new estates, out of which, 2 are sponsored by the Government, 38 by the co-operative societies, 1 by the municipality and the remaining 3 by the functioning estates. Out of the government sponsored estates, one will be established in Poona for accommodating industries affected by the floods. The integration of industrial estates sponsored by the different authorities will naturally pose problems in due course.

The major problem with the small industries within the City of Bombay has been the threat of their being shifted to the suburbs. While it has been the policy of the State Government to encourage the shifting of the industries from the congested areas, the practical difficulties arising from this process, have halted this programme. It now appears that on the representation of the Federation of Associations of Small Industries in the western region, the Municipal Corporation of Bombay has decided not to issue notices on industries having a permit for a limited period to shift from their existing sites, unless they are categorised in the group of 'nuisance industries of a high intensity'. The State Industries Commissioner has also assured that they will not be asked to shift without being provided alternate sites. Besides, the Commissioner has stated the Municipal Corporation has included a number of industrial estates in the development plan for Greater Bombay, primarily meant for small-scale industries. Under the plan, 29 such sites are in the City and 8 are in the suburbs. This will show how still the City has a preference even for small-scale industries, possibly due to the facilities that are already available and lack of facilities in the suburbs. The estates contemplated in the City will comprise mostly of multi-storeyed structures, inevitable under the demands for space, while the suburban sites only will be developed as open plots. In fact, 4 of the estates in the City and 2 in the suburbs are nearing completion. The position on the whole shows the need for a further re-thinking on the location and pace of development of small-scale industries in Maharashtra, if the major policy objective is to be achieved.

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A regional conference of the constituents of the FICCI in Gujarat, Madhya Pradesh and Maharashtra which met recently in Bombay revealed the usefulness of such periodical discussions as also the limitations of such meetings without adequate preparation on the vital subjects that affect regional development. The observations of the President of the FICCI covered a wide general field. However, the need for an intensive effort towards better co-ordination in the sales-tax policy pursued by the State Governments and uniformity in their administration was a point that received unanimous approval at the conference. He also stressed the impact of the sales-tax laws on our export performance and commended the action taken by the Maharashtra and Gujarat Governments in granting relief or concession in sales-tax on commodities exported. The inadequacy of power and other economic overhead facilities in the new State of Gujarat was prominently highlighted as a drag on the onward move of the economy. In this connection, it was appropriately stressed that the Narmada river project should be implemented with utmost



speed. Several views were expressed at the conference on the large leeway to be made up in improving the transport and communication facilities, particularly in the less developed areas and the removal of inter-State regulations and restrictions which hamper the development of road transport. It was felt very necessary to expedite linking of Kandla port with the hinterland if the port should develop as expected. And concern was also expressed at the inordinate delay in the construction of the proposed Jhund-Kandla broad gauge railway line. One useful suggestion made at the conference was that there should be meetings of businessmen at district and taluka levels; this would contribute significantly to the study of local problems and the practical difficulties at every stage of development. The regional conference of the FICCI could indeed be a powerful focal point if pointed study papers were prepared in advance for discussion on specific regional problems.

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The Indian Merchants' Chamber, Bombay, has prepared a pre-budgetary economic survey and review of budgetary trends which deals with all the important sectors of the economy. It is shown that the additional taxation at the Centre will yield Rs. 800 crores more for the Plan period than was originally estimated. Including the tax effort at the State level, there will be an increase of Rs. 700 crores in receipts above the estimated target. This will take the proportion of normal tax receipts to national income to over 14 per cent as compared to 11.4 per cent indicated in the third Plan. Another analysis made by the Chamber regarding the income-tax data between 1953-54 and 1960-61 showed that the distribution of income for all individuals had shifted in favour of persons earning less than Rs. 5,000 per year. Again, the distribution of income for individuals earning more than Rs. 5,000 per year had shifted against higher income brackets. A comparison with the rates of direct taxation in the UK, the USA, Malaya and Japan (see table below) indicated that the rates of direct taxation in India were the highest at all income levels; only in the case of the UK and Japan the rates were slightly higher than that of India in the income ranges up to Rs. 26,666 per annum.

PERCENTAGE OF DIRECT TAXATION

Income (Rs.)	India	U.K.	U.S.A.	Malaya	Japan
13,333	6.9	7.7	2.9	2.5	15.6
26,666	17.6	18.8	11.4	6.9	23.0
40,000	27.7	22.6	14.8	10.3	27.5
53,333	35.9	24.5	16.9	12.9	30.6
66,666	42.5	26.5	18.7	15.6	33.6
80,000	47.7	28.8	19.9	18.7	35.3
93,333	51.5	31.6	21.6	21.7	37.2

Wanted: A Realistic Tax Policy

From Our Correspondent

CALCUTTA:

WELFARE BEFORE wealth and distribution before production —this has been the policy of the Government in pursuit of what it calls its broad socio-economic objectives. Consequently, the fiscal policy, which has been oriented towards that end, has succeeded in neither increasing wealth nor in promoting welfare. In his address at the third quarterly meeting of the Indian Chamber of Commerce, Mr. K. K. Birla sought to drive this point home. The main problem today, as Mr. Birla rightly emphasised, is not limitation of incomes, but their all round expansion through a higher rate of production and through larger savings and investment. Until the country's capital resources grow to a suitable point, any emphasis on social objectives would only remain ineffective. The Government's tax revenue over the past 12 years rose by 175 per cent, while the increase in national income over this period was only 54 per cent. The aggregate yield from taxation, said Mr. Birla, during the first three years of the third Plan was Rs. 1,900 crores against the tax target for the entire Plan period of Rs. 1,100 crores. It is obvious that the economy is unable to bear the tax load any further, so the rate of growth in industrial production and expansion has disturbingly slowed down. Mr. Birla urged rethinking on fiscal policy, pointing out that a tax system which does not stimulate simultaneous expansion in the country's productive activity is bound to do serious harm to the cause of economic progress.

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What is happening to the heavy machinery complex which is being built near Ranchi in Bihar at such great cost? A fire at the Heavy Engineering Corporation's plant is reported to have destroyed Russian-built machinery including transformers, generators, fitted components for overhead electric cranes, electric cabinets, lathes, and milling machines to a total (estimated) value of about a crore of rupees. Another fire, it is reported, had broken out earlier, but damage, if any, has gone unreported. Public opinion is agitated by the fact that the authorities are extremely reluctant to disclose any materiil information. One inference is that security arrangements are insufficient; another is that fire fighting equipment is inadequate. A more serious thing to consider is that the loss of all this equipment will mean further delay in the completion of the project which has been given a pivotal position in the country's scheme of industrialisation.

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It has been a persistent complaint of Assam that the financial help which has been available to it from the Centre for the State's five-year Plans are far less than what is required. The State had asked for an additional allocation of Rs. 14 crores for 1964-65, over and above Rs. 20 crores of Plan allotment, but the Centre, while tentatively promising Rs. 10 crores, actually gave a grant of Rs. 7.7 crores. Consequently, the State Government has little choice but to curtail such essential projects as power and flood control but reduction in these programmes would affect the State's economy very adversely. Flood damage to food crops apart from loss of life and property every year has been extensive and the State will not be able to attract industries as long as her present power deficiency persists. Moreover tea gardens in the State want more electricity to improve working facilities and living facilities for labour. The State Government is already committed to build a power grid for the gardens, but it has not the funds to do it. Therefore, the State Electricity Board is at present negotiating with the Tea Board for a loan. Side by side, the Government is pressing the Centre for giving at least Rs. 10 crores instead of Rs. 7.7 crores it has sanctioned, and according to a Press report quoting Assam's Minister for Industries and Planning, New Delhi is now inclined to restore the cut of Rs. 2.3 crores. Assam is also trying to get some P.L. 480 funds for her rural development programme, and a move has been made through the US Consulate in Calcutta.

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In keeping with the current favourable trend in the new issues market and flotation of new companies, the number of companies newly set up in eastern India during the quarter ended December 1963, came to 93, as many as 75 being in West Bengal alone. The relatively underdeveloped State of Orissa had only seven companies, but in terms of the aggregate authorised capital this State's share was the most impressive. For the total of 93 new companies, the authorised capital altogether amounted to Rs. 19.98 crores. Orissa accounted, for Rs. 11.16 crores, whereas West Bengal with its figure of 75 had an authorised capital of Rs. 8.38 crores. The remaining 11 companies were distributed between the two other States of Bihar and Assam, the authorised capital in their case coming to only Rs. 44 lakhs. It is obvious that the new companies in Orissa are giant-sized, which are mostly additions to the growing industrial complex in northern Orissa, centred round the Rourkela steel plant. This State's industrial potential is vast and well known, but the chief hindrance has been the absence of an adequate network of roads and a system of transport which could make its mineral belt easily accessible.

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The Union Minister for Transport, Mr. Raj Bahadur, made a sensible speech at the two-day conference of State Transport Secretaries and Transport Commissioners held in Calcutta last week, concerning the economic problems of the road transport industry. While asking the participants to offer their suggestions on such important questions as the organisation of the road transport industry into viable units, taxation of the industry, the problem of its finances and the need for co-ordinated development of roads and road transport, Mr. Raj Bahadur said that there was a definite case for making a proper study of the impact of taxation on the development of this industry. Transport operators have been complaining that taxes account for as much as 30 per cent of their costs, and these have become great disincentives retarding the growth of the industry. This is indicated by the fact that vehicles of all makes are not being readily absorbed by the industry, although the traffic demand on the road transport industry has been steadily growing. The study group appointed by the Union Ministry of Transport is now enquiring into taxation procedures obtaining in different States concerning the vehicles plying on inter-State routes with a view to rationalising and co-ordinating them, and thus ensuring that, while the operators make their legitimate contribution to the exchequer, they are not subjected to any avoidable hardship. Mr. Raj Bahadur wanted the States to co-operate with this group and furnish their answers soon so that the Road and Inland Water Transport Advisory Committee could have the group's report at an early date and consider the actions to be taken.

Power Plans for the South

From Our Correspondent

MADRAS:

NO APOLOGY is needed for again discussing developments in the power situation in Madras State. The years 1964 and 1965 will stand out as major landmarks in the history of the Madras State Electricity Board as, after the big addition to hydel generating capacity with the commissioning of three units under the Periyar scheme a few years back, the biggest additions to installed capacity will be effected in this and the next year. Indeed, with the completion of a number of projects in the next two years there will be a virtual doubling of installed capacity without, of course, taking into consideration the thermal units erected at Neyveli by the Central Government. If the developments in Neyveli are taken into consideration, it can be said that 1963 also was an important landmark in power generation as three units having a capacity of 50 mW each were completed in that year.

The implementation of schemes relating to the latter stages of the Kundah project, the two phases of the Mettur Tunnel Scheme, the execution of the Periyar Extension Scheme and the commissioning of first units on the Parambikulam project are expected to add to generating capacity by 580 mW towards the end of next year. In 1964-65 under the Kundah project alone it is reckoned that four sets will be commissioned, one each in Plant 1, 2, 3, and 5 accounting for a total 135 mW. The Mettur Tunnel Scheme will account for 100 mW, two sets of 50 mW each being involved in the first stage. As the fourth unit at Periyar also is scheduled to be completed by the end of this year, the fresh capacity created would be 270 mW. It is also hoped that the fifth and sixth units at Neyveli will come under steam taking the aggregate total for 1964-65 to 370 mW. In 1965-66, which is the last year of the current Plan period, the Kundah project will have another two units of 60 mW and 50 mW each. While the third and fourth units in the Mettur Tunnel Scheme will be able to generate additionally 10 mW, the first fruits from the Parambikulam project will also be derived in that year, two units in Sholayar accounting for 70 mW and one unit at Sarkarpathy for 30 mW, in all 310 mW. As it is expected that by March 1966, the seventh unit at Neyveli also will be completed, the new additions will amount to 410 mW or 780 mW including 200 mW from the Neyveli thermal station.

This bunching of projects will indeed result in a considerable improvement in the power situation though it will also bring in its wake new problems. The execution of the different projects has been carried out expeditiously and efficiently and the Madras State Electricity Board should probably be thinking about what it will have to do during the next Plan. Available water power resources in the State have been virtually exhausted and a search is going on now for harnessing relatively small falls. It is not expected that these new hydel projects will be able to account for more than 80 to 100 mW. It has, therefore, been emphasised that the Hogenekal project should be taken up as early as possible and the investigations completed thoroughly and without loss of time. It is not known what will be the decision of Mysore State. But with our neighbouring State busy with the construction of huge hydel projects, it would be helpful from the point of view of the consumers on both sides of the border if the Madras State Electricity Board was asked to handle the work on this project in a big way. There is a difference of opinion about the location of the project, the Madras Government's estimate being 800 mW if the project is located at Hogenekal and Mysore Government's estimate being 1,250 mW if it was situated within Mysore territory. The economics and feasibility of the respective schemes are, therefore, to be examined clearly and a satisfactory decision reached. Meantime, it has also been suggested that the Kalpakkam Nuclear Station should be constructed by the Madras State Electricity Board under the formal supervision of the Central Government as there seems to be a feeling that the work will be completed in a much shorter period if it were handled at the State level especially as the Canadian Government might be interested in providing the necessary equipment for this nuclear station after the example of the Ranapratapsagar project in Rajasthan. It is also not known what exactly will be the final decision on the proposal for installing thermal capacity based on coal for 300 mW.

The schemes for the fourth Plan will necessarily be different from those of the earlier three Plans when the Board was preoccupied mainly with the exploitation of available water power resources. There will obviously have to be some different thinking and a large number of schemes taken up which will maintain the tempo of development.

Immediately, the State's Minister for Industries and Electricity has emphasised the need for proper utilisation of available capacity. It is apprehended that for sometime there will

be idle capacity in the nights though during day the peak load problem would still be felt. Even now the indusrtial units are working on a staggered basis while agricultural operations are carried out during nights. With the completion of the smelter of the Madras Aluminium at Mettur, the expansion plans of Mettur Chemical and the promotion of many large industrial units, the utilisation of generated power during day time and even during night for part of the capacity will not arise. It is pointed out that Madras Aluminium smelter alone will consume nearly the whole of power generated at Mettur. It has also been suggested that the expansion of ingot capacity of this unit cannot be delayed for long. But there will still be the problem of minimum load during nights especially as the thermal stations have to be operated at optimum levels. Mr. Venkataraman, therefore, suggested a few days back that industrial units which are engaged in single shift working must take advantage of the improved power situation and introduce two shift working, the additional shift operating during nights. It is expected that with the extension of rural electrification, there might even be a surprising increase in the use of power for agricultural operations. If the whole situation is carefully watched in the next two years and the necessary adjustments are made there can be a substantial boost to industrial and agricultural production.

★★

The TVS group is embarking upon a new venture in the field of automobile ancillary industry to manufacture "foundation brake equipment" for all automotive vehicles manufactured in India. The project is likely to cost Rs. 2.5 crores; the factory will be situated at Padi, near Madras. The collaboration of Joseph Lucas (Industries) Limited, UK, and their associates, Girling Limited, Birmingham, UK has already been secured. The latter are the leading manufacturers in a wide range of braking systems and feed a large part of the European market. The TVS has decided not to raise any capital from the market in the first instance. Rs. 1.5 crores will be the paid-up capital while the balance will be arranged through borrowings from various sources. The paid-up capital to be subscribed by the group will be 51 per cent of the total while Girling Lucas will subscribe the balance 49 per cent. The collaborators will get only 2 per cent royalty taxable in India and another 1½ per cent royalty for technical assistance to be provided by them.

Currently, automotive brake equipment of different types originating from the UK, the USA, Italy and Germany are in use, and there is a considerable lack of standardization. This new venture will strive to achieve a high degree of standardization in designs and suitability. It will manufacture complete foundation brakes for passenger cars, trucks, trailers, tractors and allied hydraulic operating equipment. This is the first fully integrated project in India for brake equipment. The first India-made brakes will be marketed by April 1964. It is estimated that in the initial stages of production, the indigenous components will be nearly 85 per cent of the product and will rise to 95 per cent in the course of the next three years. The licenced capacity of the factory is 96,000 units per annum though the capacity to be attained by the end of 1965 will be around 50,000 to 60,000 units. But for a few lathes, etc., all the machinery will be imported and the collaborators will meet the foreign exchange requirements through their share of capital. It means that no foreign exchange expenditure is involved in the promotion of the project. When the unit attains its full capacity, it is likely to save the country's foreign exchange equivalent to Rs. one crore. Sixteen Indian technicians are already obtaining training in the UK factory of Girling and more will be sent if and when required. The price of the equipment to be manufactured by this factory ranges from Rs. 215 to Rs. 1500 per vehicle, depending upon the size of the equipment. It has been estimated that the prices of these brakes will be the same as the landed cost of equipment produced in the UK. There is a possibility of a reduction in prices in 1965.

PLANNING OR ANARCHY?

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The moving finger writes

POLITICS IN the Capital are getting curiouser and curiouser. Not long ago everybody was saying that Mr. Nanda had done a good job in Kashmir. And yet no sooner had Mr Lal Bahadur been inducted into the Cabinet than Kashmir affairs had been quietly taken out of Mr. Nanda's hands and made over to the Minister without Portfolio. I am not saying that Mr. Lal Bahadur is a wrong choice or a poor one for the task. On the contrary, I gladly acknowledge that he has been an excellent diplomat in a difficult situation, combining tact and patience with decision and firmness. But what I am asking is why the Home Minister, who has not by any means proved inadequate, should have so promptly been put on the shelf so far as Kashmir is concerned. The present situation in our domestic politics being what it is, it is obvious that the nuances in the Prime Minister's dealings with his colleagues are bound to be widely noticed.

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It is equally strange that neither the Minister without Portfolio, who is supposed to be the Prime Minister's understudy in a sense, nor the Home Minister, who after all is No. 2 in seniority in the Cabinet, nor even the Defence Minister, who has been rather left alone in recent political speculations, apparently had anything much to do with Gen. Ne Win who paid a surprise visit over the weekend. The Chairman of the Burmese Revolutionary Council had an hour's talk with the Prime Minister at which no one else was present. Apart from Mr. Nehru, Mr Dinesh Singh, Deputy Minister in the External Affairs Ministry, was the only one (excepting the permanent officials) who is reported to have had any business discussions with the visiting General. Considering that our Burmese guest had obviously not come simply to enquire after Mr. Nehru's health and considering also the Prime Minister's own recent illness, I think that such goings on are rather unsatisfactory. It has been suggested that India's relations with China was among the topics which interested the Chairman of the Burmese Revolutionary Council. If that is the case then senior and concerned Ministers of the Government should have been let in on the talks. In the circumstances, I do hope there will be a full statement in Parliament on the Ne Win visit.

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I am raising these matters here for certain important reasons. I have an uneasy feeling that an effort is being made to reassert too soon and too dogmatically the totality of the Prime Minister's presence and leadership in the Government. Hence, perhaps, the curious spectacle of Mr. Nehru witnessing the Cricket Test Match or being present in Parliament for the Presidential Address, with a personal physician in attendance. I would, of course, concede that the Prime Minister is not wholly to blame. What must be held responsible are the elements of immaturity, opportunism or sheer political adventurism in the ruling party. For this reason I must confess that I am entirely unimpressed either by Mr. Mahavir Tyagi's determined clowning at the meeting of the Congress Parliamentary Party held on the lawns of the Prime Minister's house last Sunday or by the devout resolution adopted on the occasion calling upon Mr. Nehru to resume normal leadership soon. It seems to me that if a certain standard of political and personal morality is not developed among Congressmen, particularly their leaders, in the crucial months ahead, much of Mr. Nehru's own Life Dream of building a great India—impersonal except in its millions and both stable and strong by virtue of a leadership which has confidence in itself and can co-operate within itself for the good of the country—is bound to be frustrated. To put it bluntly, what is really needed now is for those in the leadership of the ruling party to make honest and reasonable use of their opportunities to convince the nation of their appropriateness or adequacy for the national needs and challenges that might crop up in the future. In any case, if people would huddle under a banyan tree on the least indication of an anxious or uncertain outside, the tree certainly should be the last to blame.

★★

Mr. D. Sanjivayya, lately Congress President, in one of his recent speeches urged Congressmen to set up a code of conduct. Mr. Sanjiva Reddy, admirably aided and abetted by the Congress Parliamentary Board, has now done so. Surely, the most electrifying good news to come out of political affairs in recent months was the prompt offer of the Andhra Pradesh Chief Minister to quit office in deference to an observation in a judgment of the Supreme Court in a case arising out of the nationalisation of road transport in Andhra Pradesh. It is to the credit of the Congress High Command that it has found courage to endorse Mr. Reddy's decision, since it is obvious that its attitude in this case is bound to be compared (to the embarrassment of persons in high places) with the position taken in the Kairon affair. As to Mr. Sanjiva Reddy, his status and reputation, in the result, are bound to go up and it is pleasant to note that he belongs to a younger generation of able Congress leaders who may well come to play an increasingly important role in national affairs in the not-too-distant future.

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Mr. Kamaraj, I learn, is staying, while in New Delhi, at the Madras House, which is the Guest House of the Government of Madras. While this may be an improvement on the earlier practice of Congress Presidents being provided with Central Government bungalows in the Capital, one might still ask whether it is at all right that public buildings, built and maintained out of the tax-payer's money, should be permitted to be utilised by political parties or their bosses. The Madras House, if I understand its purpose aright, is intended to accommodate Ministers and officials of the Government of Madras visiting the national Capital on official work — i.e. Government work. The Congress President is a member of the Madras Legislative Assembly, but he is not a Minister now, nor is he an official or a representative of the Madras Government visiting Delhi on Madras Government work. In the circumstances, I do not see how his use of Madras House can be justified.

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I see that the E. A. Ministry has sponsored a demonstration tour of Japan by P. C. Sorcar, the well-known Indian magician. The Japanese Government and the Japanese people, of course, are themselves great wonder-workers. I am not talking here of pulling rabbits out of hats, but of the far more useful tricks such as the building up of one of the world's most productive and dynamic economies under almost all the limitations that can be imagined. I can hardly wait for Budget Day to find out whether our Government has by any chance become wise to a Tokyo trick or two of working an economic miracle. That miracles alone may perhaps be able to save this country from its economic stagnation is certainly a relevant thought.

Vik.

Trade Winds

INTERNATIONAL FINANCIAL TRENDS

PRESENTING the annual survey of the activities of the International Monetary Fund, its Managing Director, Mr. Paul Schweitzer, summarized the main financial and economic developments in the world during the last two years. He pointed out that 1962 was a year of generally favourable developments and that this trend, on the whole, continued in 1963. In both years, economic activity expanded in most of the industrial countries. In 1963, the cyclical upswing that began in the United States about three years ago accelerated, there was a revival in activity in the United Kingdom, and most of the other countries continued to increase output under condition of high level of employment. The continued upward trend in some of these countries had its effect on wages and prices, especially in Western Europe. Increasing inflationary pressures in these countries have recently called for corrective action. In contrast, there has been continued relative stability in costs and prices in the United States and the United Kingdom. On the whole, there has been progress towards a better equilibrium in world payments during the last two years. However, capital movements among the industrial countries have, at times, caused strains during these two years. Large out-flows of capital earlier in the year 1963 have recently induced the United States to intensify its programme of action to reduce its overall payments deficit. However, the payments imbalance of the United States, even though calling for continued vigilance, appears, on the whole, to be approaching not unmanageable proportions.

It is also encouraging that international financial trends among the developing countries as a group, have improved somewhat during the last two years. The downward movement in the prices of primary products has been reversed and the value of exports of the primary producing countries has recently risen, at least at the same rate as world trade. Nevertheless, it must be recognized that the majority of these countries still face considerable difficulties in carrying through their policies of economic growth and in achieving a reasonable balance in their international transactions.

In general then, the international financial scene has been calm. Among industrial countries, there has been further progress in monetary co-operation and the monetary system as a whole has operated smoothly.

LEIPZIG FAIR

With the theme of "Technical progress in the service of free international trade", the German Democratic Republic's famous Leipzig Spring Fair will take place from the 1st to 10th March, 1964. The Fair will be comprised of two main sections, the technical and the consumer goods sections. There will be 60 Fair groups with a total exhibition space of 3,00,000 sq. metres. About 60 countries will be participating in the Fair. Besides all industrial European countries, there will be exhibitors from 11 Asian countries, 10 African countries and 9 American countries, including the United States. Visitors from 90 countries are expected to come and see the 64 Leipzig Fair.

The Directorate of Exhibitions, Ministry of International Trade, will set up an "Indian Collective Pavilion" and co-ordinate and arrange the display of exhibits and samples from the interested Indian parties. The Indian exhibits at the Fair will cover more than 1,000 square metres. The character of the Indian exhibition is now changing from year to year. While at the beginning the main stress was put on such traditional goods as handicrafts and textiles, India's exhibition at the Leipzig Fair now reflects more and more the growing industrialisation and economic strength of the country. Next to primary products such as tea, coffee, tobacco, cashewnuts, spices and oil cakes, the exhibits now include an increasing number of engineering goods such as machine tools, electric motors, automobile and bicycle parts, electric cables, scientific instruments, chemical and pharmaceutical products, etc.

PARIS FAIR

The Government of India have decided to organise participation in the forthcoming Paris International Fair, which is scheduled to be held at Paris from May 17 to 28, 1964.

The Fair offers an opportunity and effective media for publicising Indian merchandise and the products of newly developing Indian industries not only in France and its adjoining countries but also in the former French territories in Africa from where a large number of businessmen and industrialists usually visit the Fair. It is, therefore, designed to give both visual and commercial publicity to a selected range of India's exportable merchandise for which a market in that area could be developed.

Apart from the display and visual publicity of Indian goods, information on their quality, utility, price range, availability and full addresses of the suppliers in India, their terms of trade etc. will also be disseminated in the Fair.

EXPORT-IMPORT ADVISORY COUNCIL

In the interests of better co-ordination, the Export Promotion Advisory Council and the Import Advisory Council have been merged into one and named "Export-Import Advisory Council". The functions of the re-constituted Council have been enlarged in the context of the fast developing world trade and the need to conserve India's foreign exchange. The Council will, inter alia, advise Government on policies and programmes of foreign trade, make suggestions on import-export policy and procedure, export promotion, import rationalization and substitution, and discuss the difficulties of the trade, manufacturers and consumers as a result of the operation of import-export controls. The Minister of International Trade will be the Chairman of the Council and its members will include representatives of the established importers, actual users, export promotion councils, commodity boards and other organizations of importers and exporters. The first meeting of the Council will be held in New Delhi on 26th and 27th February, 1964.

INTERIM WAGE INCREASE

The Government of India have accepted the recommendations of the Central Wage Boards for Iron Ore Mining industry and for Limestone and Dolomite Mining industries, for interim wage increase for workers. The concerned employers have been requested to implement the recommendations as early as possible. The minimum emoluments of unskilled workers are to be raised to Rs. 2.50 per day or Rs. 65 per month. Emoluments include basic wages, dearness allowance, cash food subsidy and/or value of food concessions in cash or in kind, but not bonus. All workmen will get a minimum interim increase of Rs. 7.80 per month (or 30 nP. per day). Workmen whose total emoluments are Rs. 100/- and above, but less than Rs. 150/-, will get an interim wage increase of Rs. 10.40 per month (or 40 nP. per day) and those who get Rs. 150 and above shall get Rs. 13 per month (or 50 nP. per day).

In those cases where workmen are already getting an interim wage increase as a result of recommendations of the Iron and Steel Industry Wage Board, no further interim increase will be given. The amount of interim relief shall be shown as a separate item till the final recommendations of the Wage Board are made and thereafter such final recommendations will prevail. The interim wage increase is to be paid with effect from January 1, 1964.

The wage increase will, however, have the effect of increasing the cost of production of iron and steel and will also affect the industry in respect of exports. Though the Wage Board could not yet examine these points carefully, it is expected to submit its recommendations to Government on these points in due course.

ELECTRIC FURNACE EXPERT

Mr. H. Sanders, a leading British expert on industrial furnace applications, is now touring India, meeting metallurgists and engineers and acquainting business executives with new, improved techniques of melting and heat treatment of ferrous and non-ferrous metals. An authority in electric furnaces, Mr. Sanders has spent 30 years on industrial furnace development work with A.E.I.-Birlec in Birmingham, which is perhaps the largest industrial furnaces organization in the world. He is visiting industries in West Bengal, Madras, Mysore, Kerala, Maharashtra, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh and Delhi. While in Delhi, he will deliver a lecture at a joint meeting of the Institution of Engineers (India), the Indian Institute of Metals and the Indian Institute of Foundrymen, on 20th February, 1964.

AIR FRANCE

Air France's new office at Scindia House, New Delhi, formally inaugurated by the Vice-President of India, Dr. Zakir Hussain, is among the most modern of the 180 Air France Agencies spread all over the world. In his speech, the French Ambassador, Mr. Garnier, recalled that the importance of Delhi as a tourist centre had been steadily growing over the years. Referring to Mr. Rieffel, Air France's Regional Manager for South Asia, the Ambassador pointed out that the number of travellers who leave Delhi for Europe or the United States and fly direct to or through Paris, had increased by 40 per cent. during the last one year (from 1962 to 1963).

The bilateral air agreement between the Indian and French Governments permits the Air France four weekly frequencies through India, East bound and West bound. Hence, Air France is now operating three flights a week through Delhi and one flight a week through Calcutta, East to Bangkok, Saigon, Manila, Hongkong and Tokyo, and West to Teheran, Tel-Aviv, Rome and Paris.

LUFTHANSA INCLUDES AMSTERDAM

With effect from 1st April, 1964, Lufthansa will include Amsterdam in its European network. There will be a daily flight between Frankfurt and London via Amsterdam. Lufthansa used to maintain regular services to Amsterdam on this route, before the war.

FICCI PRESIDENT

Mr. K. P. Goenka, a well-known industrialist of Calcutta, has been unanimously elected President of the Federation of Indian Chambers of Commerce and Industry for the year 1964-65. Mr. Goenka has been on the committee of the Federation since 1948 and became its Vice-President last year. He has been closely associated with a number of governmental committees and public bodies such as, Export Promotion Advisory Council, Reserve Bank of India, Central Tea Board, etc.

EXPORT PRICES OF CARDAMOM

The Government of India has refixed the minimum export prices of different grades of cardamom as follows: **Alleppey Green Cardamom:** AGEB—Cardamom extra Bold Rs. 19.50; AGB—Cardamom Bold Rs. 17.50; AGS—Cardamom Superior Rs. 16.50; AGS 1-Shipment Green-1 Rs. 15.50; AGS 2-Shipment Green-2 Rs. 13.50; AGL-Light Rs. 11.50 (No change); **Coorg Green Cardamom:** CGEB—Extra Bold Rs. 19.50; CGB-Bold Rs. 17.50; CGI-Superior Rs. 16.50; CG2-Coorg Green or Motta Green Rs. 15.50; CG3-Shipment Rs. 13.50; CG4-Light Rs. 11.50 (no change); **Mixed Cardamom:** MEB-Mixed Extra Bold Rs. 19.50; MB-Mixed bold Rs. 17.50; MS-Mixed Superior Rs. 16.50; MSI-Mixed Shipment I Rs. 15.50; MS2-Mixed Shipment II Rs. 13.50 and ML-Mixed Light Rs. 11.50 (No change).

The ceiling prices as at present in force will remain unchanged.

MICA EXPORTS BANNED

Exports of Mica under any form other than fabricated Mica have been banned. Shipments of unfabricated mica will, however, be permissible if irrevocable letter of credit to the extent of at least 90 per cent of the invoiced value of the goods has been opened in favour of the exporters. Shipments of the following varieties of Mica will be allowed only at, or above, the minimum f.o.b. price per kg. indicated against each: No. 3 Book form splittings 1st quality Rs. 41.80, 2nd quality Rs. 37.40; No. 4 Book form splittings 1st quality Rs. 37.40, 2nd quality Rs. 31.90; No. 4½ Book form splittings 1st quality Rs. 31.90, 2nd quality Rs. 27.50; No. 5 Book form splittings 1st quality Rs. 28.60, 2nd quality Rs. 24.20; No. 5½ Book form splittings Ist quality Rs. 19.80, 2nd quality Rs. 16.50; No. 6 Book form splittings Ist quality Rs. 12.10; 2nd quality Rs. 9.90; No. 3 Loose splittings Rs. 30.80; No. 4 Loose splittings Rs. 26.40; No. 4½ Loose splittings Rs. 22; No. 5 Loose splittings Rs. 19.80; No. 5½ Loose splittings Rs. 11; No. 6 Loose splittings other than cheap loose Rs. 4.40; No. 6 Ist Loose splittings Rs. 3.85; No. 6 2nd Loose splittings Rs. 2.75; No. 6 3rd Loose splittings Rs. 2.20; and No. 6 cheap Loose splittings Rs. 1.65.

Certain fabricated varieties of mica viz., micanite, built-up mica, mica tapes, mica cloth, mica silk, mica paper, mica folium, all varieties of mica cut or punched to specified shapes and sizes and mica powder will continue to be allowed to be freely exported without any stipulation of letter of credit and without any fixation of any export floor prices.

EXPORT PARTNERSHIP

The two leading British manufacturers of traction equipment have joined hands to form an export partnership known as the British Rail Traction Group (BRTG), which will handle export business from the U.K. for a.c. electric traction, employing the single-phase 50 cycle system, and also for new d.c. electrification schemes.

BOARD FOR BOKARO

Bokaro Steel Limited—the public sector company for setting up the Bokaro Steel Plant—will have an eight-man Board of Directors. Mr. N. N. Wanchoo, Secretary, Department of Iron and Steel, Ministry of Steel, Mines and Heavy Engineering, will be Chairman of the Company. Mr. K. M. George, now Chief Engineer of the Central Engineering and Design Bureau of Hindustan Steel Limited, will be Managing Director. Besides the Chairman and the Managing Director, the other six members of the Board of Directors are:

Mr. K. L. Ghei, Additional Secretary, Ministry of Finance; Mr. N. M. Wagle, Managing Director, Greaves Cotton & Co. Ltd., Bombay; Mr. K. Sreenivasan, Director, South India Textile Research Association, Coimbatore; Dr. A. K. Bose, Director & General Manager, Guest, Keen, Williams Ltd., Calcutta, Mr. T. P. Singh, Development Commissioner, Bihar Secretariat, Patna and Mr. G. D. Khandelwal, General Manager, South-Eastern Railway, Calcutta.

Bokaro Steel Limited was registered in New Delhi on

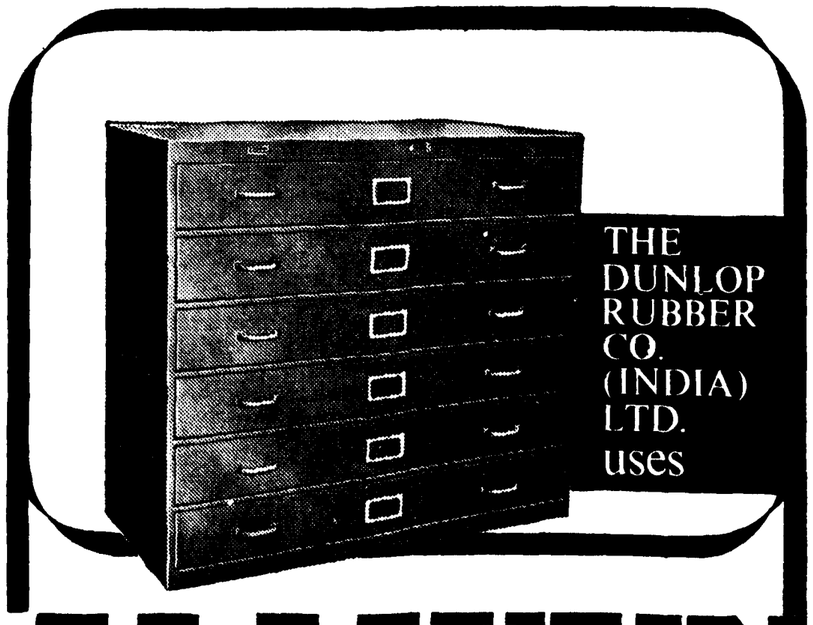
January 29. This Central Government undertaking, which will have a share capital of Rs. 100 crores, will be in charge of the various steps necessary for erecting and running the Plant.

IRON ORE EXPORTS

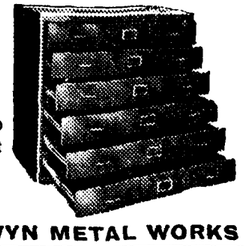
In 1962-63, the value of the exports of all commodities, including re-exports, from India was of the order of Rs. 694 crores of which iron ore contributed about Rs. 20 crores. Iron ore exports stand fourth in importance in terms of value, the first three being jute, tea and cotton textiles.

The Minerals and Metals Trading Corporation has set an export target of 25 to 30 million tons of iron ore to be attained at the end of the fourth five year Plan as against the anticipated export of 16 million tons (including 6 million tons from Goa) by the end of the third five-year Plan.

The Corporation has also drawn up plans to make Indian iron ore more competitive in Japan. At present the sea freight from India to Japan is 8 points as against Brazil's 3.7, Chile's 4.3 and the USA's 5.2. This is due to the fact that ports in India are not able to berth larger size vessels. Consequently, the loading of iron ore cannot be more than 1,000 to 2,000 tons per day. India's plans provide for the development of its ports so as to facilitate their receiving ore carriers and loading them at the rate of 2,000 tons per hour.



ALLWYN
STEEL FURNITURE



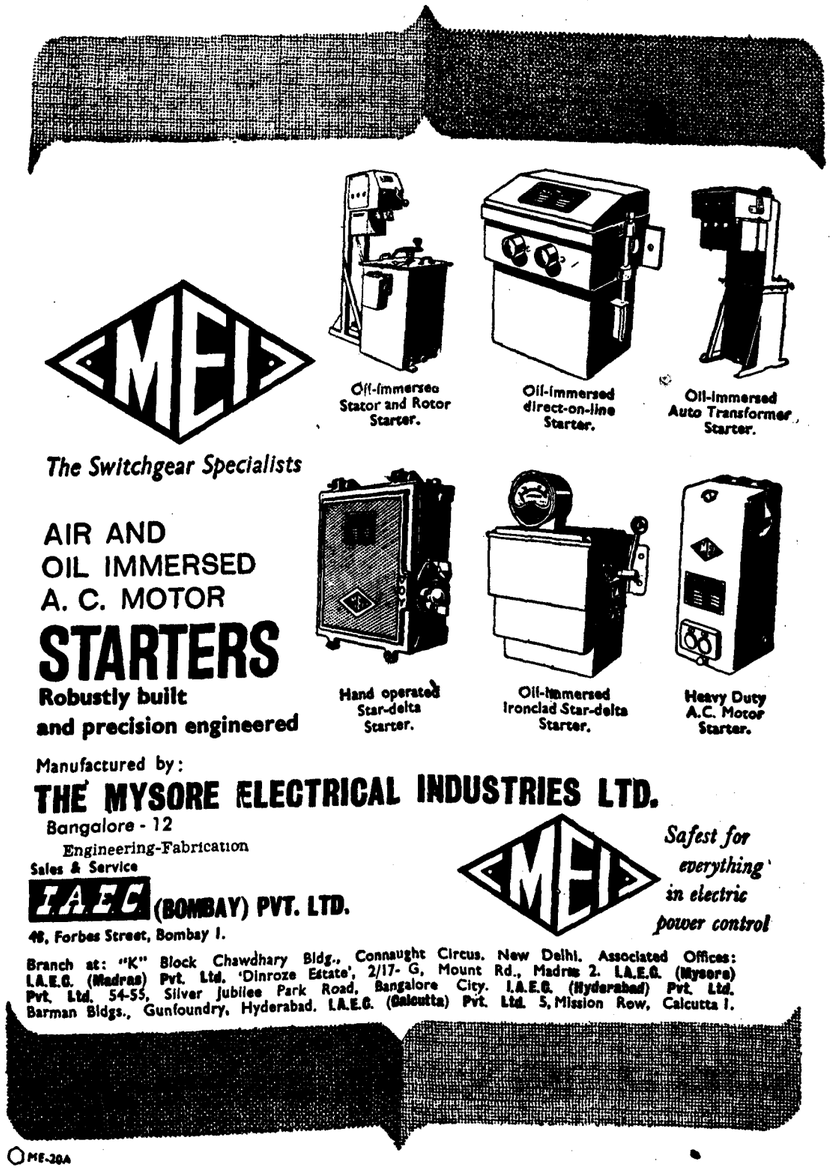
44"H X 45"W X 30"D
Plan Filing cabinet

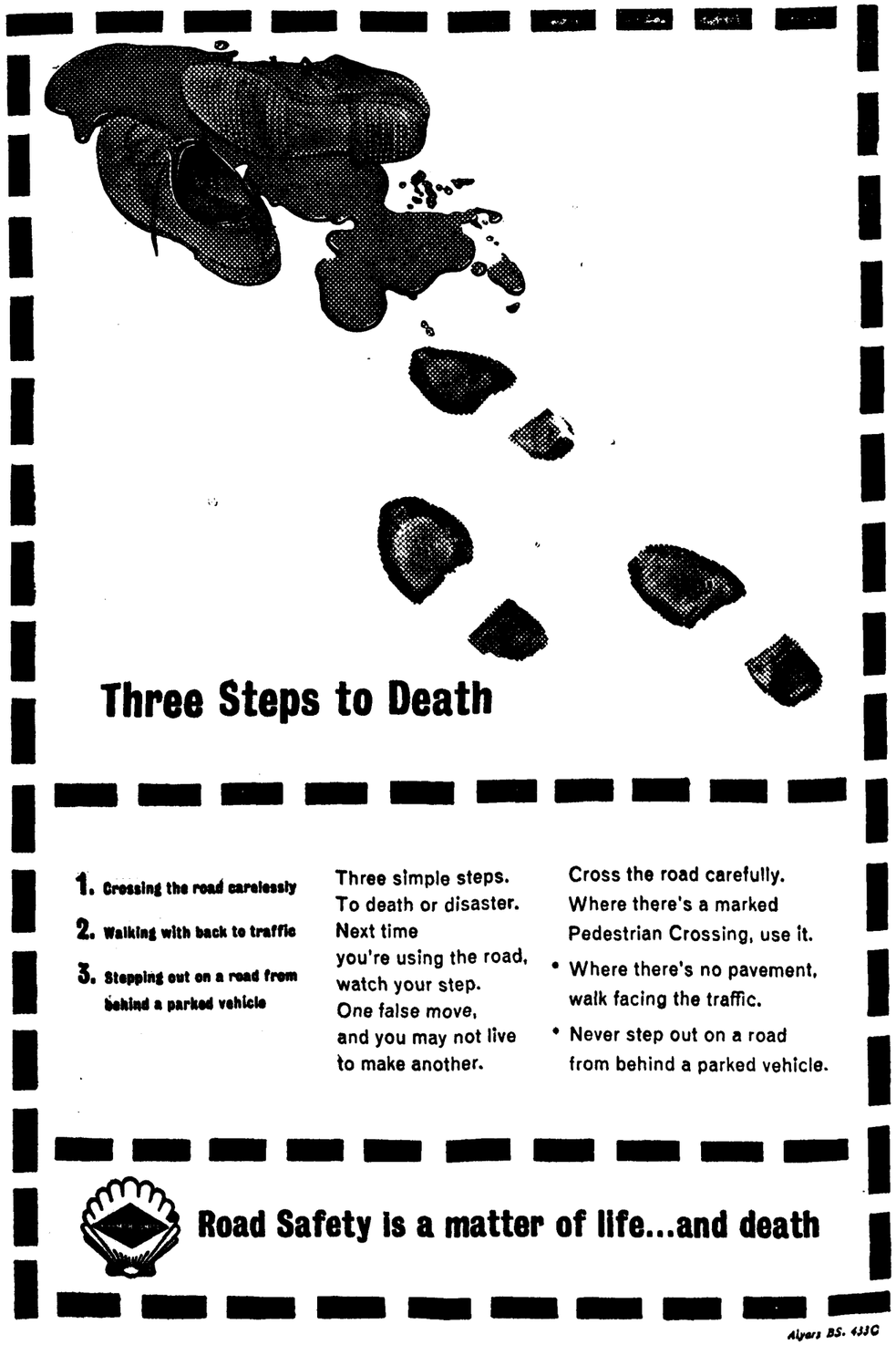
THE ALLWYN RANGE OF FINE STEEL FURNITURE includes wardrobes, beds, swivel chairs, executive desks, standard tables, tubular chairs, utility cabinets, filing units, racks, stands, locker cupboards, trays, waste-paper baskets.

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Company Affairs

VOLTAS TO ISSUE RIGHTS

VOLTAS LIMITED has been continuously expanding its manufacturing activities so that its turn-over has increased by nearly 100 per cent during the last four years. The capital structure, on the other hand, has remained unchanged since 1956 when it was increased to Rs. 255 lakhs. Mr. J. D. Choksi, Chairman of the Company, in his statement appended to the annual report for 1962-63, highlighted the need to raise fresh funds for its expanding activities. He, therefore, informed the shareholders that proposal for a rights issue will be placed before the annual general meeting for approval. The demand for fresh funds had become inevitable after the construction of a new factory at Thana has been taken up. Being the pioneers in the field of air-conditioning, it proposes to carry forward its manufacturing plans to attain self-sufficiency and for that it proposes to take up the manufacture of compressors. Apart from air-conditioning it proposes to concentrate on the manufacture of materials handling and mining equipment and a few other projects in which it will participate as promoters, shareholders and selling agents.

The Chairman pointed out that the company believes in running an efficient marketing machinery to ensure proper distribution of its products. While it offers pre-sale facilities like information and advice so that the customers can choose the equipment which is precisely required by them, it also has the reputation of providing after-sales service which forms an important part of its successful marketing. Its technical after-sales service covers quality guarantees to keep machinery or equipment sold in workable condition for a predetermined time at a total or partial cost of the suppliers, manufacturers or distributors. Even though cost of such an obligation is substantial, it tries to render this service as desired by the customers. Mr Choksi pointed out that in Bombay alone there are 15,000 air-conditioners that require service and for which the company's air-conditioning and refrigeration division receives nearly 200 calls a day. The company provides an adequate number of trained servicemen and sufficient equipment to run this type of after-sales service. For this it has its own training schemes to feed its service force. Another aspect of this after-sales service is the assistance received by the customers in obtaining spare parts. The company's inventory of spare parts, therefore, contains nearly 80,000 items representing an investment of over Rs. 2 crores. This costly after-sales service enhances its reputation and creates a wide and steady market. It also helps the company to understand the performance of its products and the reactions of its customers.

CENTURY'S BONUS ISSUE

The directors of the Century Spinning & Manufacturing Co Limited, have decided, subject to the sanction of the Controller of Capital Issues and of the shareholders in general meeting, to capitalize a part of its reserves to issue bonus shares on the basis of one equity share for every five equity shares held. The directors have also decided not to recommend any further dividend on the equity shares for the year ended December 31, 1963. It may be pointed out that it is the fourth time that the management of the company has proposed to issue bonus shares. It issued one bonus share for each share held in 1947. In the following year again, the company issued one bonus share per one held. In 1961 the company sanctioned one bonus share for four shares held. The bonus issue now proposed will raise the capital of the company to Rs. 3 crores.

BHASKAR TEXTILES

Bhaskar Textile Mills Ltd. are likely to enter the market shortly to raise a sum of Rs. 14 lakhs by the issue of equity shares and Rs. 7 lakhs by the issue of 9.5 per cent cumulative redeemable preference shares. The entire issue has been underwritten. A sum of Rs. 14 lakhs has already been subscribed by the promoters, directors, their friends and associates. The company proposes to install a cotton spinning mill with 15,000 spindles at Jharsuguda in Orissa. Construction of buildings is progressing and the unit is expected to be commissioned in the third quarter of 1964. The total outlay on the project is expected to be Rs. 109 lakhs.

COROMANDEL FERTILISERS

Arrangements are being finalised for the Rs. 4-crore public issue of Coromandel Fertilisers Ltd. It is a joint venture of E.I.D.-Parry Ltd. of Madras, International Mineral and Chemical Corporation, U.S.A., and California Chemicals Corporation, U.S.A., licensed to set up a fertiliser factory at Vishakhapatnam. California Chemicals Corporation will subscribe for consideration other than cash for Rs. 56.18 lakhs, the International Mineral and Chemical Corporation for Rs. 51.59 lakhs and E.I.D.-Parry for Rs. 6.35 lakhs. The total capital issued for consideration other than cash will, therefore, be Rs. 1.16 crores. California Chemicals Corporation will subscribe for cash Rs. 1.53 crores, International Mineral and Chemical Corporation Rs. 1.36 crores and E.I.D.-Parry Rs. 42.98 lakhs. The public issue will account for Rs. 4.01 crores.

The company has been granted an industrial licence for the manufacture of complex fertilisers and urea. The estimated cost of the project to reach the stage of production is Rs. 31.29 crores including working capital of Rs. 2.74 crores. The foreign exchange component of the capital cost will be Rs. 15.75 crores, a part of which will be met by the subscription to the share capital of the foreign collaborator, and partly by a loan from Export-Import Bank.

JAYANTI SHIPPING

Jayanti Shipping Company Private Ltd. proposes to issue capital worth Rs. 2.10 crores divided into 210,000 equity shares of Rs. 100 each at par. Of this 3,377 shares will be subscribed privately and the balance will be offered to the public for subscription. With this issue, the company will have issued its total authorised capital of Rs. 5 crores. This floatation is meant to finance three combined oil and ore carriers of 21,000 DWT each and one oil tanker of 55,000 DWT. It may be added that Jayanti has recorded gross earnings of nearly Rs. 4.30 crores during the nine months beginning from April 1, 1963 to December 31, 1963. Out of this, its earnings on foreign voyages have been nearly Rs. 3.20 lakhs. It has acquired within a period of nearly three years of its operation 12 cargo vessels of over 10,000 DWT each, six bulk cargoes of 33,250 DWT each and one tanker of 33,000 DWT. It expects to reach a capacity of 600,000 DWT shortly.

NATIONAL ENGINEERING INDUSTRY

National Engineering Industries Ltd., of Jaipur, has recently received a loan of $4.3 million (Rs. 2 crores) from the U.S. Agency for International Development. The credit will meet the foreign exchange costs of erecting a new tapered roller bearing plant with an annual capacity of 11 lakh bearings and of expanding the capacity of the existing ball bearing and straight roller bearing plants by 24 lakh bearings per annum. This will result in a net saving to India of $2 million (Rs. 1 crore) in foreign exchange annually. Federal Mogul Bower Bearings, Inc., a major U.S. manufacturer in the field, will provide technical assistance for the establishment of the new plant and also will train several Indian technicians in the United States. The entire project to be financed under the loan is expected to be in operation by the end of 1964. The loan will bear an interest rate of 5¾ per cent and will be repayable by the firm in 10 years, including a grace period of two years. In order to reduce the impact on India's balance of payments, the loan agreement will provide for National Engineering Industries, Ltd. to make repayment in rupees on

the above schedule to the Government of India. The Indian Government in turn will repay the principal to the U.S. Government in dollars in instalments spread over forty years, including a ten-year grace period.

HONG KONG AND SHANGHAI BANK

The directors of the Hong Kong and Shanghai Banking Corporaiton have announced that subject to audit the profit of the Bank for the year ended December 31, 1963, including dividends received from Mercantile Bank Ltd., the British Bank of the Middle East and subsidiaries, amounted to £2,982,270 (HK $47,716,320) after providing for taxation etc. It proposes to pay a final dividend of 11 shillings per share making a total distribution of 16 shillings a share for the year.

BANK OF PATIALA

The directors of the State Bank of Patiala have reported that the net profit for the year ended December 31, 1963, was Rs. 5.35 lakhs. A sum of Rs. 1.50 lakhs was proposed to be transferred to reserve fund, Rs. 1.97 lakhs to bonus to staff and Rs. 10,000 to staff welfare fund. The dividend proposed to be paid at the rate of 5 per cent per annum, would absorb a sum of Rs. 1.75 lakhs. A sum of Rs. 52,000 was proposed to be carried forward.

NEW STANDARD ENGINEERING

New Standard Engineering Company Ltd. celebrated its Silver Jubilee recently. During these 25 years, it has grown from a small workshop that employed five workers to a manufacturer of a wide variety of engineering goods employing nearly 2,300 workers. Gradually it has added many new items to its list of products so that today important items like blowroom lines for textile mills, pneumatic power hammers and drop stamps, electric furnaces, electric overhead travelling cranes and disc filters for coal washeries are being produced in considerable quantities. During these years it has secured the association of various foreign collaborators and the latest instance is that of Indabrator Ltd. set up in financial participation with Wheelabrator Corporation, U.S.A., and Tilghman's Ltd., U.K., for the manufacture of shot blasting equipment. Mr. R. G. Saraiya, Chairman of the Company, while welcoming Mr. S. G. Barve, Minister for Industries, Maharashtra State, who visited the Goregaon works of the factory recently, indicated that the company proposes to establish a technical consultation organisation. Moreover, a small training school which turns out 60 apprentices a year, is also proposed to be enlarged into a polytechnic with the help of the State Government.

ALKALI AND CHEMICALS

The Alkali and Chemical Corporation of India has reported during the year ended September 30, 1963, a net profit of Rs. 110.87 lakhs after provision for depreciation. A sum of Rs. 33.50 lakhs has been provided for taxation and Rs. 25.23 lakhs have been transferred to development rebate reserve. The directors have proposed to transfer a sum of Rs. 5 lakhs to general reserve. An interim dividend of Rs. 0.75 per ordinary share, subject to tax, absorbed Rs. 23.25 lakhs. The directors have now recommended the payment of a final dividend of Rs. 0.75 per ordinary share of Rs. 10 each, which will absorb another Rs. 23.25 lakhs.

The directors have reported that sales at Rs. 8.13 crores were considerably higher than the last year's figure of Rs. 6.95 crores. The net profit was also higher despite writing off a loss of raw materials and stores valued at Rs. 18.99 lakhs. The company recorded a peak output of polythene during the year and the new rubber chemicals plant was commissioned and the manufacture of the first range of products was taken up. The company concentrated on high quality paints and pretreatment chemicals and the output of hydrochloric acid was particularly encouraging. The construction of the new intermediate density polythene plant was reported to be nearing completion and the production was expected to start shortly. The company was also going ahead with its plans for a new resin unit.

MADRAS RUBBER FACTORY

Madras Rubber Factory Ltd. during its operations from October, 1960 to September, 1963, recorded a profit of Rs. 21.52 lakhs. A sum of Rs. 18.40 lakhs has been transferred to development rebate reserve. Dividend on equity shares at the rate of 32 nP per original share and 2 nP per right share will absorb Rs. 4.13 lakhs. This is the first balance sheet of the company as it went into commercial production only in June, 1963. It faced a serious trouble because of the failure of the water chilling system which delayed the commercial production. The average daily output during the remaining months of the period under review was nearly 200 tyres. Now that the unit has overcome the initial problems, it has extended its output to include various tyres for jeeps, cars, motorcycles and scooters and its present daily output is nearly 700 tyres. These tyres have been accepted as original equipment by various motor vehicle manufacturers. It has also secured orders for the supply of tyres and tubes to the Defence Department, some leading transport operators and several State transport undertakings. It has started exporting Mansfield tyres and tubes and active steps are being taken to develop the export market.

SANDVIK ASIA

Sandvik Asia Ltd., Poona, which has taken up the manufacture of Sandvik coromant tungsten carbide tips and tools in collaboration with the Sandvik Steel Works of Sweden, will introduce this item into the market shortly. Sandvik coromant tungsten carbide tips and tools are known for their quality and precision and special care has been taken at the Poona plant to manufacture cemented carbide products under the strict quality control. For the last two years Sandvik Asia Ltd. has been manufacturing Sandvik coromant rock drill steel equipment which is being marketed by Atlas Copco (India) Private Ltd. Tungsten coromant tips and tools are being marketed in India by the manufacturers themselves.

COMPANY REGISTRATIONS

Ninety-eight companies with a total authorised capital of Rs. 1,367.62 lakhs were registered in the Western region comprising Maharashtra, Gujarat and Madhya Pradesh during the quarter ending December 31, 1963. During the corresponding quarter last year 78 companies with an authorised capital of Rs. 871.45 lakhs were registered. In the Union Territory of Goa five private limited companies with a total authorised capital of Rs. 40 lakhs were registered. During this period 19 companies went into liquidation as against 23 in the previous quarter. Names of 22 companies were struck off the register.

UNIT TRUSTS

The Unit Trust of India set up under the Unit Trust of India Act, 1963, started functioning from February 1, 1964, with its Head Office in Bombay. Mr. R. S. Bhatt has been appointed chairman of the Trust and Mr. V. G. Pendharkar, Economic Advisor to the Reserve Bank as the executive trustee. Besides the Chairman and the executive trustee, the board of trustees of the Unit Trust comprises Dr. B. K. Madan, executive director, Reserve Bank of India, Bombay, Mr. N. M. Wagle, managing director, Greaves Cotton & Co. Ltd., Bombay, Mr. B. Mitter, managing director, Andrew Yule and Co., Calcutta, Mr. P. Brahmayya, Chartered Accountant, Messrs. P. Brahmayya & Co., Madras, Mr. S. D. Srinivasan, managing director, Life Insurance Corporation of India, Bombay, Mr. N. A. Krishnan, managing director, State Bank of India, Bombay, Mr. H. T. Parekh, general manager, Industrial Credit and Investment Corporation of India, Bombay, and Mr. R. L. Tuli, general manager, Punjab National Bank, New Delhi.

The Unit Trust will have an initial capital of Rs. 5 crores, half of which will be contributed by the Reserve Bank, Rs. 75 lakhs by the Life Insurance Corporation, Rs. 75 lakhs by the State Bank of India and the balance of Rs. 100 lakhs will be offered for subscription to scheduled banks or the other financial institutions in the private sector. If this contribution falls short of Rs. 100 lakhs, the Reserve Bank will make it good and may later on transfer it to the private sector institutions if necessary. The Trust will deal in stocks, shares and securities, but not in immovable property. It will formulate a scheme in accordance with which the units having a face value of not less than Rs. 10 and not more than Rs. 100 will be sold at prices determined by the Trust having regard to the dividends declared. There will be no limit on the number of units which can be purchased by or held by unit-holders. At least 90 per cent of the gross income of the Trust, less the management and other expenses, will be distributed to unit-holders. Dividends will be declared and distributed once every year.

CAPITAL ISSUES

Seven companies have been authorised to raise capital aggregating Rs. 3.17 crores. The consent of the Controller of Capital Issues is valid for 12 months.

Kumardhubi Engineering Works Limited, Calcutta, is to issue (i) 7,37,280 equity shares of Rs. 3 each to be issued at a premium of 20 per cent to the existing shareholders, (ii) 1,84,320 bonus shares of Rs. 3 each on capitalization of share premium and (iii) Rs. 40 lakhs in 7 per cent debentures.

Special Steel Limited, Bombay, is to issue capital of Rs. 46 lakhs. Of this, Rs. 26 lakhs will be in equity shares of Rs. 100 each and Rs. 20 lakhs in 20,000 9.3 per cent cumulative redeemable preference shares of Rs. 100 each for cash at par. The money will be used for the manufacture of prestressed concrete wire, card clothing wires, ball bearing wire and other spring steel wire.

Universal Road Service (Private) Limited, incorporated in Maharashtra State, is issuing further capital of Rs. 40,34,500 divided into 40345 equity shares of Rs. 100 each, for cash at par.

Southern Switchgear Limited, a new company incorporated in Madras State, has been given consent to issue capital of Rs. 30 lakhs, divided into 3,00,000 equity shares of Rs. 10 each. The shares will be issued privately, for cash at par. Shares of the value of Rs. 10 lakhs will be offered to the company's U.K. collaborators, Brush Electric Engineering Company Limited.

Assam Cements Limited, Shillong, a State Government undertaking, will issue capital of Rs. 65,74,900 divided into 1,57,490 equity shares of Rs. 10 each and 50,000 6 per cent cumulative redeemable preference shares of Rs. 100 each to be issued for cash at par.

Assam Gas Company Limited, Shillong, a State Government undertaking, will issue further capital of Rs. 27 lakhs divided into 27,000 equity shares of Rs. 100 each to be issued privately for cash at par.

Nestler Boilers Private Limited, Bombay, is raising fresh capital of Rs. 40 lakhs divided into equity shares of the value of Rs. 30 lakhs and preference shares of the value of Rs. 10 lakhs.

LICENCES ISSUED

The following licences have been issued under the Industries (Development and Regulation) Act, 1951—during the week ending 1st February, 1964. The list contains the names and addresses of the licensees, articles of manufacture and annual installed capacity:

METAL PRODUCTS

Jaipur Metals and Electricals Ltd., Near Railway Station, Jaipur (Rajasthan) — Phosphor Bronze wire and strips — 600 Metric tons.

COAL

Loyalka Brothers, Bonbiddi Colliery, P.O. Barkar, Distt. Burdwan (Salanpur P.O. Distt. Burdwan, (West Bengal) — Coal 30,000 tonnes.

ELECTRIC EQUIPMENT

Beni Ltd., 1, Crooked Lane, P.B. No. 2152, Calcutta (West Bengal) — Electric Motors D.C. 24 volts to 440 volts ¼ H.P. to 25 H.P. — 1,000 Nos. Generators D.C. for battery charging 12 to 32 volts, 0.5 KW to 10 KW — 2,500 Nos.

MINING MACHINERY

Killick Nixon & Co. Ltd., Killick House, Home Street, Bombay (Kurla-Powai Road, Chandiwali, Maharashtra) — Drilling equipment and accessories — 25 Nos.

DRUGS & PHARMACEUTICALS

Standard Pharmaceuticals Ltd., 67, Dr. Suresh Sarkar Rd., Calcutta-14 (Serampore Distt., Hooghly, West Bengal) — Penicillin 10 mega million units.

COTTON TEXTILES

Cawnpore Textiles Ltd., Kanpur (Uttar Pradesh) — Cotton yarn 12,500 spindles; Kharar Textile Mills, Kharar (Kharer, Punjab) — Cotton yarn 13,000 spindles; Shri Haji A. B. Hakeem, Chief Promotor, The Malegaon Co-operative Spinning Mill, Malegaon (Malegaon, Distt. Nasik, Maharashtra) — Cotton yarn 12,000 spindles; Kothari Textiles Ltd., Oriental Buildings, Armenian Street, Madras-1 (Madras) — Cotton yarn 25,000 spindles; The Sri Venkatesa Mills Ltd., Venkatesa Mills P.O., Udamalpet (Udamalpet, Madras) — Cotton yarn 25,000 spindles; The Premier Mills (CBE) Limited, Pulankinar P.O., Udmalpet Taluk, Coimbatore Distt. (Madras) — Cotton yarn 25,000 spindles.

JUTE TEXTILES

The Kelvin Jute Co. Ltd., Mcleod House, 3, Netaji Subhas Road, Calcutta-1 (West Bengal) — Wide Hessian (Carpet Backing Cloth) 50 broad looms.

WOOLLEN TEXTILES

The British India Corporation Ltd., P.B. No. 5, Kanpur (Uttar Pradesh) — Automatic looms 24 Nos. for the manufacture of woollen fabrics and blankets.

SUGAR

The Indian Sugars & Refineries td., 139, Medows Street, Fort, Bombay (Hospet, Distt. Bellary, Mysore) — 250 tons of sugarcane per day.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 1st February, 1964

(This information pertains to particular licences)

From M/s. Gandhi Electric Industries Pvt. Ltd., Bombay to M/s. Emco Electricals Pvt. Ltd., Bombay; From M/s. Vijayakumar Spinning Mills, Dasarahalli, Bangalore District to M/s. Badhra Spinning Mills Pvt. Ltd., Dasarahalli, Bangalore District; From M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana to M/s. Raghubir Singh, Felt Mills Ltd., Ludhiana.

LICENCES REVOKED OR SURRENDERED

During the week ending 1st February, 1964

(Information pertains to particular licences only)

M/s. Ramakrishna Industrial Pvt. Ltd., P.O. Coimbatore — Cast iron spun pipes; Name of the Licensee: M/s. Mill Stores & Bearing Co., Calcutta; Name of the Undertaking: M/s. Electric Steel & Tools Manufacturing Co., Calcutta — (1) Forged Hand Tools like spanners, pliers wrenches, etc. (2) Forgings for other industries; M/s. Sundaraj Textiles, Kalapatti P.O., Coimbatore — Cotton Textiles; Shri Mannalal Agarwal, Indore City — Cotton yarn; Shri P. S. Kalani, Indore — Cotton yarn; Shri M. P. Goenka, Khurja — Cotton yarn; Shri Darshan Lal, Dehradun — Cotton yarn; M/s. Jai Bharat Oil Mills, P.O. Khairtal, Distt. Alwar — Vegetable oil from oil cakes and cotton seeds; M/s. Shakkar Udyog Pvt. Ltd., Bombay — Cotton seed oil; M/s. Tungabhadra Industries Ltd., Kurnool — Cotton seed oil; M/s. Rohtas Industries Ltd., Dalmianagar — Slag cement.

BOOKS BRIEFLY

From Status to Contract and Back Again!

Workers, Factories, and Social Change in India: by R. D. Lambert; Oxford Univ. Press; 1963; Price 40sh.

Reviewed by JOSSLEYN HENNESSY

THE CLASSICAL interpretation of the Industrial Revolution is that it completed the disruption of a "feudal" society, based on inherited ascribed status, and substituted a "modern" society, based on contract between man and man leading to a self-made, achieved status. A society governed by contract is competitive: it makes clear the direct connexion between personal effort and reward, and as the majority of men are average citizens, neither unduly hard working nor unduly lazy, wealth in a truly competitive society is inevitably unequally distributed: it goes to exceptionally hard-working, frugal, or gifted people; indeed, it is the unequal distribution which is among the more important incentives to more production and material progress. Society based on contract is dynamic, based on status is static.

The paradox of our time is that while popular opinion rejects contract and competition as inegalitarian, it insists on the economic growth which comes from a dynamic society. Dr Lambert's book strikingly demonstrates that the trend away from contract back to status is as true of industrializing India as it is of industrialised Britain. Both countries are hurrying towards the stage in which all jobs will be the closed preserves of members of particular trade unions (as formerly of particular castes), whose traditional occupation they are, thus giving the worker an inalienable status. Once accepted as a union member, and once engaged in a job, it is the worker's status, not the quality of his performance, which entitles him to employment. The quality of performance must, of course, be sufficiently high not to outrage loose customary standards, but to excel above that minimum level attracts sanctions from the union. The difficulty that Indian and British factories have in dismissing a worker solely on grounds of inefficiency, the unions' day-to-day pressure and the threat of a strike in the U.K., and of a strike or a suit in the Labour Court in India—all emphasise status and customary standards of work in established techniques rather than the need to increase output by the higher productivity in constantly changing technologies that characterise a dynamic society.

Dr Lambert cites as a common feature of India's factory system the existence of a job complement whereby the total number of permanent jobs is fixed, either between the union and the factory, or as a Labour Court award applying to an individual factory or to a whole industry. The agreement or award fixes the ratio of men to machines, skilled categories, wage systems for each type of work, fringe benefits, etc. Significantly, those workers covered are known as "permanent" employees. They are entitled to compensation when work is not available, a specified number of days on paid sick, annual, and casual leave, annual bonuses, provident fund membership, and whatever other rights may be agreed. India follows the practice of several European countries in providing dearness allowances tied to the cost of living. In many Indian companies, dearness allowance fluctuations are more important to a worker's total wage than piece-rate performance or an increase in the basic wage as a new level of skill is attained.

Cost of living allowances apart, the workers connect pay rises not with increased productivity, or with the prosperity of their company, but with an across-the-board wage increase expected to emerge from the next round of union-employer negotiations. In a competitive economy, factories would eventually reach a point at which their increased costs could no longer be passed on as consumers resisted increased prices, and wage rises would be halted by the threat of dismissals or by the bankruptcy of the employer. In planned economies, the government avoids the difficulty by inflation, thus creating wasteful allocation of resources and further reducing the dynamism of the economy. The achievement of an occupational status divorces effort and reward and makes the labour force in a factory, or in an industry, inelastic. Status may create social justice, but the trouble is that neither in Europe nor India are workers, managers, or professional classes content with social justice: they want the rising wages and standards of living that come from a competitive dynamic society, in which contractual effort receives its contractual reward. What to do?

FACTS ON POLAND

Concise Statistical Year Book of Poland, 1963, published by the Central Statistical Office, Warszawa; available from Foreign Trade Enterprises "Ars Polona," Warszawa, Krakowskie Przedmiescie 7; price: not mentioned.

A few years ago, it was rather difficult to obtain official information regarding the growth of the East European economies including that of Poland. Recently, Governments in those parts of the world have started publishing details of their economic progress in the various fields; the pocket book under review is a good example of the thorough manner in which much useful information can be packed into a little more than 200 pages. It is interesting that national income in Poland rose by about six to seven per cent per annum between 1955 and 1962 and that per capita income improved, on an average, by five per cent per annum (simple) in relation to 1955. On the whole, the Polish economy has been doing well and expansion has been recorded in almost all sectors. Incidentally, one-fourth of the national income is still obtained through what is described as "non-socialised economy."

Readers' Roundtable

MONOPOLY ON WHEELS !

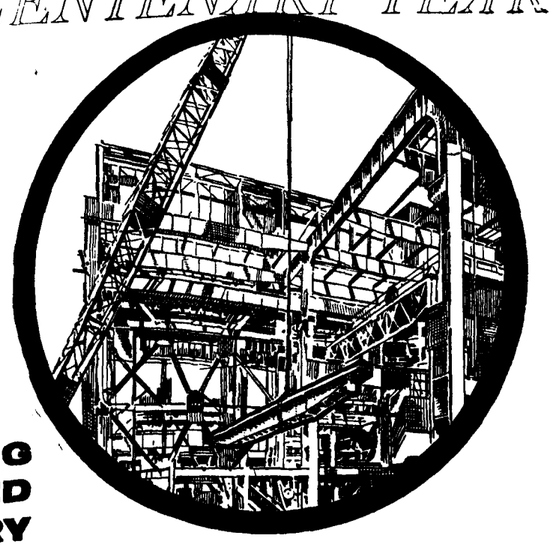
Sir,—According to a recent news report the Central Government is taking steps for the formation of a watch-dog Committee on Monopolies in the Private Sector during July, 1964 and that two officers of the Finance Ministry are to go abroad to Italy and Britain to study the working of the Monopolies Commission there.

But when the monopolist is the State itself who will protect the citizen against the State? For example look at the way in which the Madras State Transport system is working. About 70,000 passengers are hauled in each day in just 450 buses and inefficiency, bad manners on the part of the departmental staff, untold miseries to the poor passengers, and loss of thousands and thousands of man-hours just waiting for the elusive bus—these are the daily routine happenings. Even the conductors, drivers and other transport departmental staff are not satisfied with their pay and service conditions and the most tragic part of it is that the department is not making enough profits !

A Government which is dedicated to the welfare of its citizens should first of all set things right by giving the people an efficient, comfortable, cheap and speedy transport system before it ventures into other State operated business undertakings. The sad truth today is that when the Government gets hold of the goose that lays golden eggs, the ungrateful bird refuses to oblige with just plain eggs let alone golden ones and the sufferer in this sad experiment is the hard hit tax-payer.

MADRAS V. L. N. CHARI

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COMPANY MEETING

VOLTAS LIMITED

Chairman's Statement

The following is the Statement by Mr. J. D. Choksi, Chairman, Voltas Limited, circulated to the Members of the Company, with the Annual Report for the year 1962-63.

"It gives me great pleasure to report excellent results for this ninth year of our operations. We have how reached, I think, a stage from which there is no going back. Our problems have increased, but so have our achievements. The shareholders can claim a fair share of our success for they have given us, through the years, much encouragement and support. We shall need both these at the present moment.

As you know a proposal for a rights issue will be placed before the annual general meeting for approval. The capital structure has remained unchanged since 1956 when it was increased to Rs. 255 lacs. This latter sum, along with profits retained in the business have supplemented our cash credit facilities from banks and have sufficed so far to provide the company with the funds needed for its expanding volume of trade. Our sales have increased by 100% in the last four years, and as the expansion in our manufacturing activities has taken concrete shape with the start of construction of our new factory at Thana, the demand for fresh funds has become inevitable. Pioneers, as we are, in the field of air conditioning, we propose to carry forward our manufacturing plans in this field to a further stage of self-sufficiency. Once we are able to manufacture the compressors required by this industry, the company will have gone a long way towards meeting the backlog of demand created by import restrictions and the additional requirements of the defence forces, of Government and industrial undertakings and offices, to say nothing of growing requirements for 'comfort cooling.' After air conditioning, our manufacturing activities will be largely concentrated on materials handling and mining equipment and in other joint venture projects in which your company is interested and will participate as promoters, shareholders and selling agents.

Finance has, accordingly, to be provided for the manufacturing unit, and for shares in the joint ventures and finally for working funds. The Directors' Report indicates steps taken for procurement of the additional funds which include a rights issue to shareholders. I think shareholders will agree with me that the terms of issue (which require the approval of the Controller of Capital Issues) are reasonably attractive.

The tax demand on last year's profits, in spite of the additional reserves provided to meet it in the company's accounts, proved to be substantially higher than anticipated. On the same scales this year's taxes work out to approximately 65% of the profits. A tax system, so devised as to leave to the shareholders of a company, rich and poor alike, 35% of the profits for dividends (on which again taxes will be payable at rates applicable to individuals rising to 87%), rehabilitation and expansion plus contingencies can only lead ultimately to a negation of democracy in which private enterprise can play a worth-while role. The only justification for such measures would be when the nation is in a state of dire peril. We can only hope, that notwithstanding the heavy burdens on the national exchequer, the impact of these self-defeating tax measures will be substantially curtailed in the Finance Bill of 1964, bringing some relief to trade and industry and placing them in a better position to develop and expand and so meet the challenge of the Plans.

Let me now carry a stage further the main theme of my statement last year. In any marketing activity, the customer is king, and customer satisfaction is the axis on which the sphere of marketing revolves. Voltas, in conforming to the criteria of dynamic marketing has, therefore, assigned as important a role to its service, as it has to its sales.

Essentially, Voltas' trading operations are in themselves an economic service to the community, since they ensure the equitable distribution of goods at fair prices on a nationwide basis. Yet over and above Voltas' actual selling activities are the services it renders before and after sales. It is this complementary aspect of our marketing functions that I would like to describe.

While it is our practice to offer such pre-sales information and advice of a technical nature as enables a customer to choose equipment or materials that are profitable to his venture, the greater part of the company's services comes after sales; Voltas' after-sales service is now a by-word in the country. This reputation has been achieved over years of careful planning and execution. It is our strong conviction that after-sales service is an important phase of the whole plan of marketing. After-sales services, if adequate, create continuous customer goodwill and confidence and stimulate repeat orders and establish brand loyalties.

After-sales service, in the widest sense, is any service rendered to a customer after the transaction of sale is made. It is any service performed after an order is booked or after a formal agreement to sell and buy has been reached. Basic after-sales services include good packing, quick deliveries at the customer's convenience, timely presentation of invoices that are easy to read and understand, courteous methods of collecting outstandings and a helpful attitude in settling claims which may arise.

The company's technical after-sales services mainly cover quality guarantees to keep machinery or equipment sold in workable condition for a predetermined time at the total or partial cost of the supplier, manufacturer or distributor. The cost of these obligations is substantial. But the Company tries to render that type of service as is close to the requirements of the customer.

Many of you are familiar with the Voltas Crystal room air conditioners and, as you know, air conditioning for comfort-cooling enters into the personal life of people. To ensure that our clients enjoy the comforts of air conditioning without interruption, our services are so organised as to enable a telephone call requesting service to be attended to without appreciable delay in most centres of the country. You will realise what this means in a city like Bombay, where there are 15,000 air conditioners that require service by the company and in which Voltas' air conditioning and refrigeration division receives about 200 calls a day. As much thought and planning must go into the devising of an after-sales service system as is accorded to a production plan. Consequently, the company has to provide for an adequate number of trained servicemen, for suit-

able equipment and facilities and sufficient working capital as would be provided in any large scale activity in an industrial or business organisation.

To provide for this and, at the same time, to maintain a high standard of service, the company has its own training schemes to feed its service force. Every six months, about 40 trainees receive basic training at our Chinchpokli Works and are then absorbed by the various divisions for more specialised and on-the-job training.

On a wider scale, where the company's clients are project authorities, Voltas' after-sales service assumes even greater significance. As many of you are aware, your company supplies giant machines like bulldozers, excavators and cranes that are used for the larger projects of the nation. The standing charges and operating cost of any one of these machines vary from Rs. 50 to Rs. 250 per hour. One can fairly visualise the extent of the loss to the nation in the event of a breakdown of such machinery. In most cases, the company's service staff not only erect these machines at project sites, but also train the customer's own works forces to take over their maintenance and working with a minimum loss of time and efficiency.

Another aspect of after-sales service is the assistance a customer receives in obtaining spare parts. Severe import licence restrictions make it impossible for us to maintain our own stocks of spare parts at levels which we consider fully adequate for customer requirements. However, in many ways, we assist customers, including Government projects, in obtaining import licences for essential parts and in storing and distributing them. The company's own inventory of spare parts contains 80,000 items, representing an investment of over Rs. 2 crores with an organisation of close on 175 persons. The company goes a step further in ensuring customer satisfaction by assisting its dealers in establishing their own service schemes and service stations and by training their personnel.

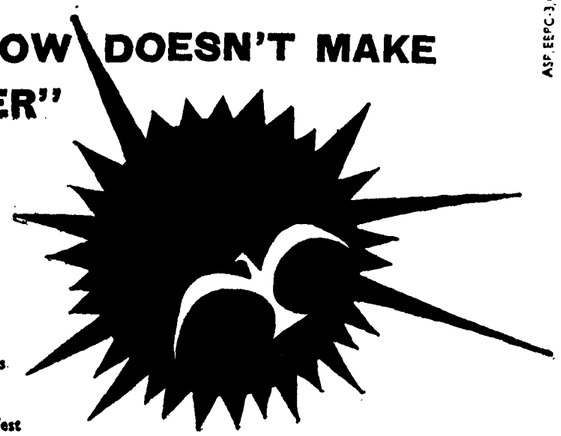
The costs of after-sales have to be controlled if these are not to run away with profits. But judicious expenditure in after-sales service is in the best interests of good business. After-sales service acts as a market builder. When the services prove satisfactory, the company's reputation and that of its products are enhanced and a wider market created through customer satisfaction and goodwill. Moreover, after-sales service helps the company to watch continuously the performance of a product and to gauge market reactions. It provides a feedback service on which to base the development of better products.

23 percent of the company's staff are directly or indirectly assigned to various forms of service. This alone will give a measure of the importance we attach to this aspect of marketing. In the present phase of national development, in which most items of equipment are in short supply, the importance of keeping installed equipment in working order can easily be assessed. We hear much these days about the necessity of nationalising the import and distribution trades of this country. Few of the radical 'nationalisers' may be aware of the obligations and services that are involved in importing and distributing technical equipment and machinery such as I have tried to outline in this statement. The oft maligned "middleman" may appear in a different light if the service aspects of distribution and marketing are properly understood.

I should like to close this statement by expressing the appreciation of the Board and all of you for the excellent services performed by the organisation as a whole during the year."

Note: **The above statement is not a report of the proceedings of the Annual General Meeting which will be held on the 27th February, 1964.**

"ONE SWALLOW DOESN'T MAKE A SUMMER"



ASP.EEPC-3.63

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RECORDS AND STATISTICS

Revival of Capital Market?

ANALYSING FIGURES of new issues during the five months ending January 1964, the Directorate of Research and Statistics in the Company Law Board has arrived at the conclusion that the capital market has staged a recovery in relation to the slackness which prevailed a year ago. The official viewpoint is contained in the handout reproduced below; the so-called revival which made the directorate jubilant is already petering out because of the oblique hints contained in some of the statements made by responsible (irresponsible?) sections of the Congress Party to track down "unaccounted money" and to apply a ceiling on incomes and wealth.

Total amount of new capital proposed to be raised by the companies in the form of preference and equity capital from the capital markets during the five months' period ending January, 1964 was Rs. 25 crores as compared with Rs. 10 crores during the preceding five months of April-August, 1963 and Rs. 4 crores issued during the corresponding period of five months ending January, 1963. The marked increase in the amount of new capital raised in the country in recent months is one of the indicators of the fact that the depressed conditions in the capital markets which came in the way of industrial expansion in the first and second quarters of the current financial year have come to an end; this improvement to a large extent may be attributed to the new economic and financial policies announced by the Government in recent months.

New Companies

The above finding is based on the study of the prospectuses issued during the five months period 1st September, 1963 to 31st January, 1964 made in the Directorate of Research and Statistics in the Company Law Board. It confirms the earlier conclusion of the Directorate derived from the study of the trend of new company registrations that there has been a big increase in the new companies in the October-December, 1963 period which demonstrated the revival of promotional activities after months of subdued activities. The study of prospectuses reveals that out of Rs. 25 crores raised during September, 1963-January, 1964 period, Rs. 22 crores were proposed to be raised in the form of equity shares and Rs. 3 crores in the form of preference shares. A major portion (i.e. 54 per cent) of the capital to be raised during the period was floated during the month of January, 1964 and the remaining 46 per cent was raised during the earlier four months. The larger amount of capital raised during January, 1964, in spite of the usual uncertainty which develops in January-February due to impending budget proposals, seems to strengthen the inference that the recent changes in the economic and financial policies of the Government have raised the level of confidence in the capital markets.

The study further discloses that out of Rs. 25 crores covered in the 35 prospectuses, approximately Rs. 14.3 crores were actually offered to the public during September, 1963—January, 1964 period as against Rs. 5.6 crores out of Rs. 10.1 crores in the April-August, 1963 period and Rs. 2.2 crores out of Rs. 3.8 crores in the corresponding period of the last financial year. While the extent to which the institutional underwriters have underwritten and might have taken up the shares in the case of some issues is not known very precisely, the fact that the company promoters offered a big 'chunk' for subscription to public, demonstrates their optimism in this regard to the public response and conditions in the capital markets.

Out of 35 issues floated during the five months period of this financial year, 18 were by completely new companies accounting for 68 per cent of the total capital issued, whereas only 32 per cent was issued by existing companies as additional capital. During the five months ending January, 1963, the capital raised by completely new companies formed only 48 per cent of the capital raised during the period. Thus, during the last five months not only was the amount of new issued capital much higher but the amount raised by completely new companies in the total capital was also very high.

An analysis of the size of the capital raised in the country during the period shows that 9 out of the 35 issues were of a size exceeding a crore of rupees, whereas in the corresponding period of the last financial year there were no issues of such a big size and only two out of 22 during the period April-August, 1963. Details about the capital issued during the periods September, 1963—January, 1964, April—August, 1963 and September, 1962—January, 1963 are set out in Tables I, II and III.



TABLE I

LIST OF PUBLIC LIMITED COMPANIES (ENGAGED IN INDUSTRIAL PRODUCTION) WHICH ISSUED PROSPECTUSES DURING 1-9-63 TO 31-1-64

Name of Company	New/ Further Issues	Amount Issued (In lakhs of Rs.)	Amount offered to the public. (In lakhs of Rs.)
1. Delhi Cloth & General Mills Co. Ltd.	Further	50.00 (P)	50.00
2. Sakthi Pipes Ltd. Pollachi Ltd.	Further	47.19 (E)	36.00)
		18.00 (P)	18.00)
3. Kerry Jost Tools Ltd.	New	20.00 (E)	9.86
4. S. B. Joshi & Co. Ltd.	Further	19.36 (E)	19.36
5. Electric Construction & Equipment Co. Ltd.	Further	12.50 (P)	12.50
6. Panipat Woollen & General Mills Co. Ltd.	Further	30.00 (E)	
		10.00 (P)	33.97
7. Tamilnad Card Boards & Paper Mills Ltd.	Further	15.00 (E)	14.51
8. Omega Insulated Cable Co. (India) Ltd.	Further	40.00 (E)	40.00
9. W. S. Insulators of India Ltd.	New	90.00 (E)	62.50)
		20.00 (P)	20.00)
10. Fibre Glass Pilkington Ltd.	New	120.00 (E)	56.80
11. Devidayal Tube Industries Ltd.	Further	41.04 (E)	41.04
		10.00 (P)	10.00
12. Arunuday Mills Ltd.	New	25.00 (E)	12.50)
		5.00 (P)	5.00)
13. Madras Forgings & Allied Industries (CBE) Ltd.	New	15.00 (E)	11.00
14. John Oakay & Mohan Ltd.	New	50.00 (E)	28.00*
15. Aruna Sugars Ltd.	New	75.00 (E)	48.04)
		10.00 (P)	10.00)
16. United Carbon India Ltd.	New	155.35 (E)	46.60
17. Bombay Wire Ropes Ltd.	Further	44.97 (E)	27.50
18. Herenles Hoists Ltd.	Further	5.00 (E)	2.50
19. Indian Metals & Ferro Alloys Ltd.	Further	34.48 (E)	16.17)
		20.00 (P)	20.00)
20. Johan Fowler India Ltd.	Further	15.97 (E)	10.67
21. Keytuo Industries Ltd.	New	10.00 (E)	4.90
22. Puro Pharma Ltd.	New	3.00 (E)	2.70
23. Engel India Machine & Tools Ltd.	New	50.00 (E)	30.00
24. Sakthi Sugars Ltd.	New	75.00 (E)	39.90
25. Borax Morarji Ltd.	New	30.00 (E)	9.00
26. Bharat Forge Co. Ltd.	New	155.00 (E)	77.00)
		75.00 (P)	75.00)
27. Firth Sterling Steel Co. of India Ltd.	New	50.00 (E)	27.00
28. Mahindra Ugine Steel Co. Ltd.	New	207.00 (E)	107.00)
		50.00 (P)	50.00)
29. A.P.V. Engineering Co. Ltd.	Further	17.00 (E)	9.25
30. Andhra Sugars Ltd.	Further	10.00 (E)	10.00
31. Chemicals & Fibres of India Ltd.	New	250.00 (E)	62.50
32. Devidayal Cable Industries Ltd.	Further	27.50 (E)	25.00)
		10.00 (P)	10.00)
33. Bharat Steel Tubes Ltd.	Further	30.00 (E)	42.90)
		30.00 (P)	30.00)
34. Mafatlal Fine Spg. & Mfg. Co. Ltd.	Further	108.75	54.38
35. Lakshmi Machine Works Ltd.	New	250.00	100.00
Total		2497.11	1429.05

* including Rs. 3.50 lakhs to be subscribed by Dyer Meakin Breweries Co.

TABLE II

LIST OF PUBLIC LIMITED COMPANIES (ENGAGED IN INDUSTRIAL PRODUCTION) WHICH ISSUED PROSPECTUSES DURING APRIL 63 TO AUGUST 63.

Name of Company	New/ Further Issued	Amount Issued (In lakhs of Rs.)	Amount offered to the public (In lakhs of Rs.)
1. Air Control & Chemical Engineering Co. Ltd.	Further	90.00	49.00
2. Autofin Ltd.	New	25.00	20.00
3. Bharat Fertilizer Industries Ltd.	Further	15.00	12.50
4. Borosil Glass Works Ltd.	New	150.00	38.25
5. Devangere Cotton Mills Ltd.	Further	18.00 (P)	10.50 (P)
6. Facit Asia Ltd.	Further	22.55	7.35
7. Hind Auto Industries Ltd.	Further	24.06 (E)	15.19)
		5.00 (P)	5.00)
8. Indian Detonators Ltd.	Further	15.00	15.00
9. Jay Shree Tea & Indusries Ltd.	Further	29.16 (P)	24.80 (P)
10. Leiner-Knit Gelatine Co. Ltd.	New	16.50	12.50
11. Madras State Lorry Owners Associated Booking Service Ltd.	New	2.25	1.25
12. Multimetals Ltd.	New	75.00	25.00
13. Napco Bavel Gear of Indai Ltd.	New	110.70	38.81
14. Particle Boards India Ltd.	New	25.00 (E)	25.00 (E)
		5.00 (P)	5.00 (P)
15. Precision Bearings India Ltd.	New	73.88	28.00
16. Shankey Wheels Ltd.	Further	60.00	60.00
17. Seshasayee Wire Ropes Ltd.	New	50.00	27.80
18. Shalimar Wire & Industries Ltd.	New	22.00	14.75
19. Shamsher Sterling Cable Corporation Ltd.	Further	27.50 (E)	17.50 (E)
		7.50 (E)	7.50 (P)
20. South India Steel & Sugars Ltd.	Further	57.33 (E)	41.00 (E)
		16.50 (P)	14.00 (P)
21. Suryalakshmi Cotton Mills Ltd.	New	20.00 (E)	12.12 (E)
		5.00 (P)	4.88 (P)
22. Usha Refrigeration Industries Ltd.	Further	42.50	24.50
Total		1010.43	557.20

TABLE III

LIST OF PUBLIC LIMITED COMPANIES (ENGAGED IN INDUSTRIAL PRODUCTION) WHICH ISSUED CAPITAL DURING 1-9-62 TO 31-1-63

Name of Company	New/ Further Issued	Amount Issued (In lakhs of Rs.)	Amount offered to the public. (In lakhs of Rs.)
1. Amalgamated Electricity Co. Ltd.	Further	28.63 (E)	28.63
2. Kalpetta Estates Ltd.	Further	4.00 (E)	4.00
3. Upper Doab Sugar Mills Ltd.	Further	25.00 (E)	25.00*
4. Arlabs Ltd.	Further	20.00 (E)	10.00
5. Chitale Sugar Works Ltd.	Further	20.19 (E)	20.19)
		8.65 (P)	8.65)
6. Gajraj Pannalal Ltd.	Further	12.50 (E)	11.05
7. Asian Refractories Ltd.	Further	18.50 (E)	15.50)
		7.00 (P)	7.00)
8. Associated Law Reports Ltd.	New	0.50 (E)	)
		0.50 (P)	0.53)
9. Vidarbha Paper Mills Ltd.	New	10.00 (E)	5.00
10. Authaban Publications Ltd.	New	2.00 (E)	1.70
11. Bharat Industrial & Canning Co. Ltd.	Further	0.58 (E)	0.58
12. Sun Paper Mills Ltd.	Further	30.00 (E)	15.00
13. Hindustan Dowidat Tools Ltd.	New	18.50 (E)	)
		5.00 (P)	15.00)
14. Super Spinning Mills Ltd.	Further	20.60 (E)	12.25
15. Pyrotenax India Ltd.	New	55.00 (E)	14.25
16. Prestolite of India Ltd.	New	40.00 (E)	15.00
17. National Standard Duncan Ltd.	New	50.00 (E)	12.25
Total		377.15	221.58

* Including Rs. 10 lakhs offered to existing shareholders.

E denotes Equity Capital. P denotes Preference Capital.

Increased Exports in 1963

TOTAL EXPORTS during the calendar year 1963 will set up a new record. The total exports in 1963 (based on the actual exports of the first 11 months) are estimated to be in the neighbourhood of Rs. 785 crores i.e., an increase of Rs. 98 crores in total net exports or about 15 per cent more, as compared to Rs. 687 crores which were the total net exports in 1962. This rate of increase, which has been achieved in 1963, has also been the highest so far.

The statement below gives exports of major items during 1962 and the estimated exports during 1963 (based on the actual exports of first 11 months of 1963). It might be observed that the rise in exports has been well-spread over a number of commodities notably in jute manufactures; tea; sugar; vegetable oils; H. P. S. Ground nut; oil cakes; pulses; cashew kernals; fruits and vegetables; tobacco; hides, skins and leather; steel scraps; iron ore; engineering goods; textiles (including handlooms); handicrafts; carpets; chemicals and marine products.

For the first time in the recent years not only have exports of cotton textiles not declined but on the contrary they have increased. Black pepper and raw wool are the only items worth mentioning among those few whose exports have declined. The internal consumption of raw wool has increased because of defence requirements. In black pepper the world prices have declined considerably.

It will be seen that an increase of about Rs. 100 crores in 1963 has been due to the larger quantity exported, though in a few selected commodities the higher unit price has also contributed to the extra earnings. It is also encouraging to note that for a number of items, in spite of decline in the unit price, export earnings have increased due to the increased quantum exported.

Free Resources

Another salient feature emerging is that most of the increased export earnings came from the free resources rather than from rupee area countries, which accounted for increased earnings. The increase of about Rs. 85 crores in export earnings was registered from free resources and less than Rs. 15 crores increase in exports was from the rupee area countries. Again, most of the increase in export earnings was achieved in items whose exports were made without any incentives or assistance. Aided exports, which form a small proportion of our total exports, have shown modest increase. Export sector industries, agricultural commodities and some other items continue to receive Government assistance in maintenance, modernisation and diversification.

The anomaly of high cost and rising consumption at home and extensive search of markets abroad is a short-term solution and cannot be taken as normal. Only increasing national production will be able to fulfil rising domestic demands and increasing demands for exports. Exports success is a function of total economy and as such cooperation of all sectors of economy in this national task of increasing exports is most vital.

Greater emphasis is now to be laid on improving the quality, packing, design, after-sale services and selling techniques. It is also necessary to establish a "code of ethics" for exporters and export manufacturers and producers.

While the broad class of exporters and export commodities have shown a healthy tendency for quality control, for sample adherence and pricing for exports, there have been a few noticeable instances of slackness in quality maintenance and fulfilment of contractual obligations. The question of removing unhealthy competition and under-cutting prices has also to be vigorously tackled by all the sectors of economy and Government. It is also necessary to stop abuses and mal-practices in foreign trade by firm action wherever called for. Government have taken stringent and firm action in the few cases of mal-practice and abuses. Export of zari goods, export of garments made of art silk and synthetic fabrics and export of stainless steel have been totally banned. Continuous care and vigilence and severe action will have to be taken in rooting out any mal-practice or abuse. All these can be accomplished by evolving and implementing a broad "code of ethics" by all the interests concerned.

Important Events

Some important events are taking place in the beginning of this year, 1964, which are of importance to export promotion. The Institute of Foreign Trade will start functioning shortly and would help to provide various services for export promotion. The Export Inspection Council has started functioning in the field of quality control and preshipment inspection. The Export Credit & Guarantee Corporation (ECGC), which has been established, will be providing more liberal and speedier facilities in the field of export credit. The Council of Trade Fairs and Exhibitions will help in commercial publicity, holding and participating in trade fairs and exhibitions and market promotion. The Marketing Development Fund is assisting in market research, commercial publicity, trade promotion, commodity and area surveys, after-sales services and commercial information and statistics.

The first World Trade Conference will be held, under the auspices of the United Nations, in March 1964 at Geneva. This Conference has aroused great hopes among less developed countries. The right of full and free access for raw materials and manufactured goods from the less developed countries to the markets of industrialised countries in bigger quantities and of better prices and improved terms of trade alone will provide the less developed countries with the means to finance their rising import bills and would help to secure for the less developed countries a solid economic foundation. The economies of the richer countries and their capacity for reconversion and innovation in production fields make it possible for them to bear the cost of the desired changes in the pattern of world trade.

The export climate at present though satisfactory, needs to be strengthened and calls for all round efforts and cooperation to increase and diversify the production for enlarging exportable surpluses at competitive prices.

Imports have also been kept under strict watch and scrutiny. Import substitution and import rationalisation are being brought about. As a result, there has been a reduction of about Rs. 40 crores in total imports at Rs. 977 crores in the first 11 months (January-November) of 1963 (for which period final figures are available) as compared to Rs. 1,017 crores which was the total imports for the first 11 months (January-November) of 1962. Thus, the increase in exports and saving in imports has improved the overall trade balance, the trade deficit having been reduced from Rs. 401 crores during January-November 1962 to Rs. 274 crores during the corresponding period of 1963. Sterling balances of India as in the last week of January 1964 stood at Rs. 111.7 crores.

EXPORT OF MAJOR ITEMS

(Value Rs. Crores)

S. No.	Commodities	1962	1963 Total for 1963	1963 Jan-Nov Actual	1963 Dec. Esti-mated	Net increase (+) or decrease (—) in 1963 over 1962
1.	Tea ..	123.6	132.0	116.7	15.3	+ 8.4
2.	Coffee ..	8.0	8.0	7.1	0.9	—
3.	Pepper ..	8.3	6.0	5.2	0.8	— 2.3
4.	Other spices ..	8.2	8.3	7.6	0.7	+ 0.1
5.	Vegetable oils non-essential ..	9.5	16.5	15.3	1.2	+ 7.0
6.	Vegetable oils essential ..	4.2	3.1	2.8	0.3	— 1.1
7.	Oil cakes ..	27.1	34.0	30.8	3.2	+ 6.9
8.	Lac .	4.7	5.0	4.2	0.8	+ 0.3
9.	Gums and resins	2.3	3.3	3.0	0.3	+ 1.0
10.	Cashew kernel ..	18.4	23.4	20.1	3.3	+ 5.0
11.	Other fruits and vegetables ..	7.7	8.5	7.9	0.6	+ 0.8
12.	Cotton raw and waste ..	15.5	14.5	14.2	0.3	— 1.0
13.	Sugar and manufactures ..	14.8	26.0	25.5	0.5	+11.2
14.	Fish ..	3.5	6.0	5.2	0.8	+ 2.5
15.	Raw wool ..	6.5	4.0	3.7	0.3	— 2.5
16.	Leather tanned or dressed ..	22.6	25.0	22.7	2.3	+ 2.4
17.	Hides & skins raw	10.1	10.5	9.8	0.7	+ 0.4
18.	Jute manufactures	150.1	160.0	145.0	15.0	+ 9.9
19.	Cotton textiles ..	47.0	49.0	44.3	4.7	+ 2.0
20.	Woollen manufactures ..	4.8	7.5	7.0	0.5	+ 2.7
21.	Art silk fabrics	7.3	8.0	7.2	0.8	+ 0.7
22.	Coir, yarn & manufactures ..	12.1	12.1	10.9	1.2	—
23.	Iron ore ..	29.4	36.0	32.5	3.5	+ 6.6
24.	Manganese ore ..	8.5	8.0	7.4	0.6	— 0.5
25.	Other ores ..	2.0	1.7	1.6	0.1	— 0.3
26.	Mica ..	10.4	9.0	8.1	0.9	— 1.4
27.	Iron & Steel scrap	2.2	4.5	4.1	0.4	+ 2.3
28.	Ferro Manganese	0.9	0.5	0.4	0.1	— 0.4
29.	Engineering Goods	9.0	12.0	11.4	0.6	+ 3.0
30.	Chemical & allied products ..	3.5	4.5	4.1	0.4	+ 1.0
31.	Foot-wear ..	2.7	3.5	3.0	0.5	+ 0.8
32.	Bones & Bristles	4.2	4.3	3.9	0.4	+ 0.1
33.	Coal and coke ..	2.8	2.3	2.1	0.2	— 0.5
34.	Plastic goods ..	0.8	2.0	1.8	0.2	+ 1.2
35.	Sports Goods ..	0.6	0.7	0.6	0.1	+ 0.1
36.	Other Miscellaneous items ..	81.7	107.3	95.1	12.2	+25.6
37.	Estimated value of exports to Nepal by land and of articles exported through parcel post not included above ..	12.0	18.0	—	—	+ 6.0
	Grand total of Exports ..	687.0	785.0	—	—	+98.0

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Annual Number 1964

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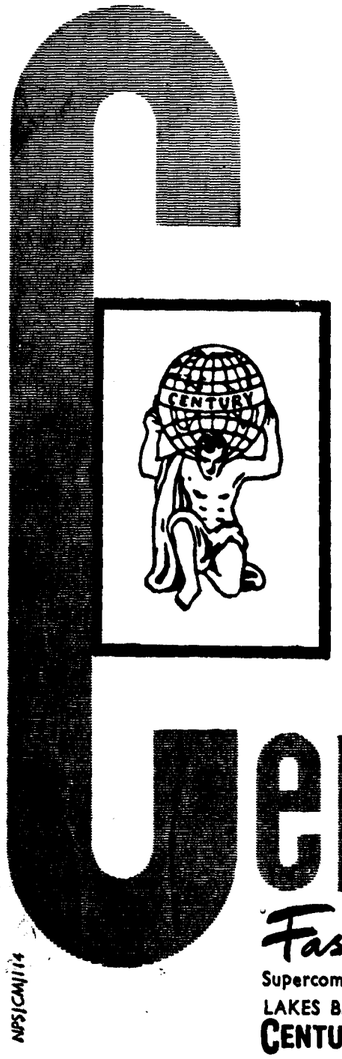
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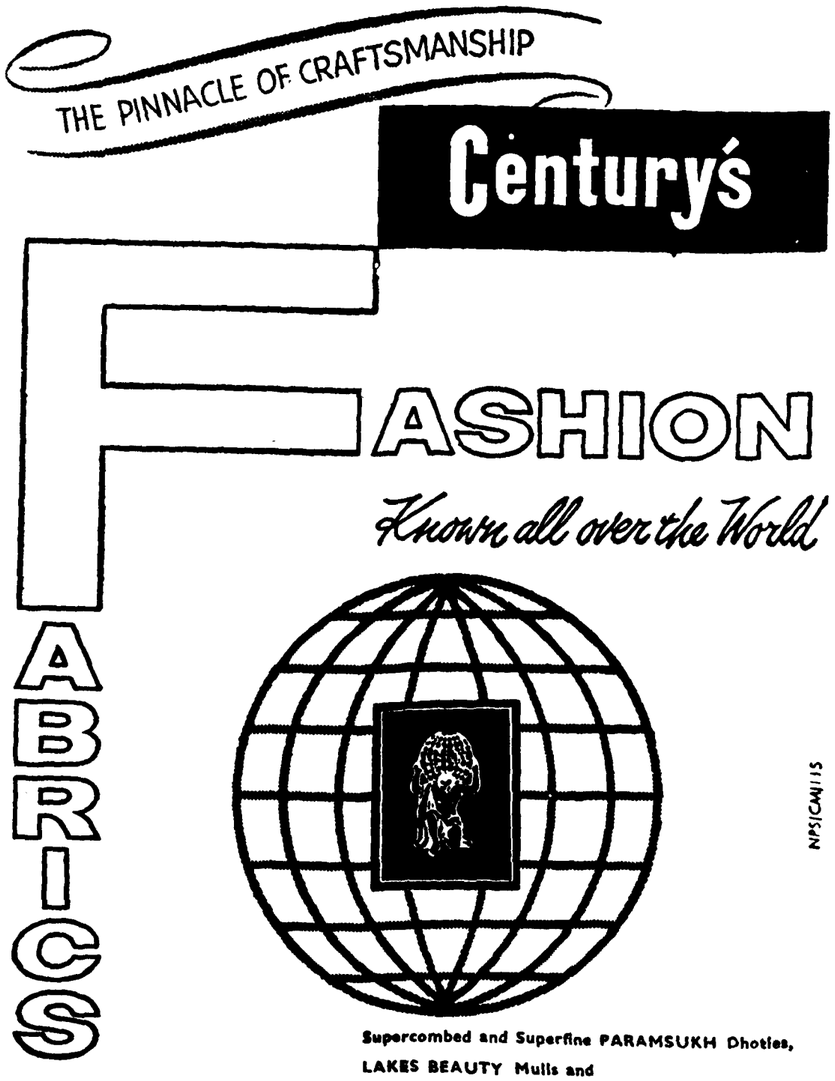
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An Exercise in Unwisdom

THERE ARE perhaps two reasons, but both sentimental, for not dealing harshly with the Railway Budget this year. This is the present Railway Minister's maiden budget—and Mr. H. C. Dasappa, again, has only recently joined the Central Cabinet after a meritorious innings as Chairman of the Estimates Committee of Lok Sabha. Unfortunately, there can be no place for sentiment in journalism and we, therefore, make no apology for choosing to describe the Railway budget which Mr. Dasappa presented to Parliament last week as an unhappy exercise in economic unwisdom.

In the first place, granted that there is a genuine need for raising more revenue for the Railways by charging railway users more, the Railway Minister ought to have the political courage to increase passenger fares rather than freight rates. There are several sound economic reasons why the course suggested here would have been a better alternative to the one which the Railway Minister has chosen to adopt. In terms of development, there is a clear case for giving precedence to outlays on increasing the capacity of Railways to move more goods than to outlays on expanding its passenger services. It follows that, whenever there is a choice to be made between an increase in fares and an increase in freight rates, an increase in fares should normally be preferred so that the community's demand for more passenger services is kept under reasonable restraint. Secondly, in a potentially inflationary situation such as the one in which we are now situated, it is imprudent to add, however marginally, to the cost of carriage of goods at various stages of processing for the market, such as raw material, the semi-manufactured or finished stage. In the third place, Parliament and public opinion are apt to be more sensitive to proposals for increased fares than with regard to proposals for increased freight rates since the impact of the former is more immediate, direct and clearly defined. And, therefore, when a proposal for an increase is made, the Railways' case is liable to be subjected to far closer scrutiny when fares are involved than when freight rates are in question.

This is the second successive Railway budget in which a general increase has been applied to freight rates. This weakens the Railways' contention that they are seriously engaged in the progressive rationalisation of the rate structure. It is true that, in the present budget, the upward revision in freight rates on coal and the reductions in respect of certain high-rated commodities have been linked in the Railway Minister's speech with findings of studies of costs of haulage. This claim, however, is not sufficiently impressive because, for one thing, cost studies of the kind mentioned are relevant to the purpose of rationalising the rate structure only when they are sufficiently numerous and extensive. On the present occasion, it is only too clear that expediency rather than any of the sterner virtues has dictated rate revision. For instance, in the case of the reductions proposed, the dominant factor is road transport to which the Railways have been steadily losing high-rated traffic.

The Railway Minister has pleaded that additional commitments on account of the new Pension Fund Scheme, increased dearness allowance and other allowances to staff and higher dividend to general revenues had made it necessary that he should try to step up receipts by putting up the freight rates. Surely such an argument cannot be accepted as a self-evident truth. There is enough proof over the years that, as in the case of the general budget, so also in the case of the Railway budget, receipts are systematically underestimated. In such a stubborn context of tax budgeting, it really becomes difficult to assess how prudently in fact railway finances are being managed. A deliberate policy of under-estimating revenue not only invests budgetary decisions, raising fares or freights, with

arbitrariness as well as waywardness, but also leads to a situation where thrift and economy are at a discount. To take only the most recent trend, the revised estimate of gross traffic receipts for 1963-64 is at Rs. 622 crores as against the budget estimate of Rs. 599 crores and this increase significantly has taken place in a period during which, as is generally conceded, the national economy had slowed down. In this sense, there is surely need for more evidence to be produced than has been presented in the Railway budget papers to justify an increase in fares.

Secondly, there is also the all-important question of productivity. It is true—and it is right—that the Railways are being called upon to incur additional expenditure on staff benefits as every other employer in the country is being called upon to. It is also true—and it is, again, right—that the Railways are being asked to pay a more economical and realistic rate on the capital it uses. Finally, it is true—and once again right—that the Railways will have to earn a surplus which bears some relation to the vast capital at charge. But when all this is said and granted, it is also true that the Railways should not be allowed to fall into the bad and pernicious habit of trying to meet these and other obligations by a repeated exercise of its semi-monopolistic position in the transport economy of the nation. The danger in a situation where Railway revenues are booming from year to year while the Railway administration nevertheless seems to be in a position to levy heavier and heavier tolls on the users of its services—without having to submit to any strict scrutiny of its performance, financial or technical—is surely fraught with the grave risks that the importance of higher productivity will gradually be lost sight of in the management of our Railways. Already there seems to be some complacency in the Railway administration and a disturbing tendency to pat oneself on the back. It is clear that it is not at all being realized that Indian Railways are years behind Railway systems in modern countries in financial management and operational techniques. The fact that for the second year in succession the Railway budget has sought to step up freight rates seems to us to be sufficient provocation for Parliament to go deeply into the question of productivity and performance on the Railways. There is a case, possibly, for an expert Railway Commission to investigate to what extent financial practices, management and technical operation on the Indian Railways have benefited or are benefiting from the gains in experience or know-how recorded and utilized elsewhere in the world.

Strengthening Railway Finances

THE PICTURE of railways' performance presented to Parliament last week is reassuring to the extent that a steady progress is being maintained towards strengthening of their financial structure. Partly this is due to the improvement that has been effected in the operational efficiency of railways over the past few years, but largely it has been the outcome of the growth in traffic and the enhancement and rationalisation of passenger fares and freight charges on the lines recommended by the Freight Structure Enquiry Committee.

The gross traffic earnings of railways which in 1961-62 amounted to Rs. 500.50 crores, went up to Rs. 566.79 crores in 1962-63. The revised estimates for the current financial year place the gross receipts at Rs. 622.22 crores. These are expected to grow further to Rs. 668 crores during the next year — to Rs. 657 crores on account of the growth in traffic and by Rs. 11 crores owing to the proposed adjustments in freight, including the levy of a two per cent supplementary charge on all basic freight rates, other than export ore. Discounting the element of under-estimation in the budget and taking note of the measures being devised to raise the tempo of economic activity in the country, with a view to making up at least part of the leeway left in the implementation of the current Plan during the first three years of its operation, it will be no exaggeration to say that the gross receipts during 1964-65 would go up at a rate substantially higher than of the last three years.

It is gratifying to note that the increase in earnings is not being completely wiped out by higher working expenses and that various reserves are receiving increased allocations. The ordinary working expenses of railways went up from Rs. 325.33 crores in 1961-62 to Rs. 362.38 crores in 1962-63. They are placed around Rs. 393.34 crores during the current financial year and at Rs. 414.68 crores in the next. Appropriations to the Depreciation Reserve Fund have been stepped up from the current financial year by Rs. 10 crores over and above the amounts stipulated under the Railway Convention. Against the allocations of Rs. 65 crores to this account from the railway receipts in 1961-62 and Rs. 67 crores in 1962-63, the accrual to DRF from the revenue during the current financial year is to be Rs. 80 crores. It will go up to Rs. 83 crores in the next financial year. Adding the depreciation on account of the Chittaranjan Locomotive Works and the Integral Coach Factory and interest on the available balance, and deducting the cost of works charged to this Fund, the net balance in it at the end of the next financial year is expected at Rs. 49.65 crores, against Rs. 34.95 crores at the end of March this year and Rs. 22.84 crores and Rs. 29.19 crores at the close of 1962-63 and 1961-62, respectively. With capital-at-charge at the end of 1964-65 anticipated to go up to Rs. 2,389.4 crores, the meagre amount left to the credit of DRF should suggest over-capitalisation of railways. But the Railways Depreciation Reserve stands in a class by itself; it does not provide for the replacement of the total quantum of depreciation of the existing assets.

Alongwith increased allocations to the Depreciation Reserve Fund, dividend payments to the General Revenues have been stepped up from 4.25 per cent of the capital-at-charge in 1962-63 to 4.50 per cent in 1963-64. On the fresh capital to be made available to the railways during the next financial year, the dividend payment will be at the rate of 5.75 per cent. This has been necessitated by the mounting costs of raising capital in the internal market and the high rates of interest payable on some foreign loans secured for the railways. The additional contribution on this score next year is placed at Rs. 1.5 crores, raising the payment to the General Revenues to Rs. 93.73 crores from Rs. 82.53 crores during the current year. In 1962-63, this payment amounted to Rs. 68.76 crores.

The major beneficiary of the improved financial position of railways, of course, have been the Development Fund. The position of this Fund started deteriorating rapidly after 1952-53 when withdrawals from it exceeded appropriations (the whole of revenue surplus plus interest on the balance held in the Fund) by a wide margin. During 1958-59, 1959-60 and 1960-61, the Development Fund had even to borrow loans from the Exchequer so that the works charged to it could be provided adequate resources. Thanks to the record surplus of Rs. 42.06 crores available in 1962-63 and the addition of Rs. 70 lakhs on account of interest, the appropriations to this Fund could outstrip withdrawals, leaving Rs. 29.68 crores as balance at the end of 1962-63. The Rs. 37.75 crore surplus expected this year will impart further strength to this Fund. Alongwith Rs. 1.35 crores available as interest, it will be possible to add to it a net amount of Rs. 9.35 crores. During the next financial year, withdrawals are expected to be somewhat of a greater magnitude than the appropriations. But should the surplus in this year turn out to be larger than Rs. 30.87 crores estimated — it, indeed, must be so in view of the expectations of traffic growing at a rate faster than assumed by the Railway Minister — there should be a further addition to this Fund instead of a marginal lowering of it to Rs. 40.78 crores.

The Revenue Reserve Fund which is expected to share the revenue surpluses along with the Development Fund, however, has had to remain content with the accretions from interest only. During 1962-63, a sum of Rs. 2.02 crores was added to it, raising the balance in it to Rs. 57.39 crores. Further additions of Rs. 2.16 crores and Rs. 2.27 crores are expected during the current year and the next one. The total balance in this Fund will, thus, be raised to Rs. 61.82 crores at the close of 1964-65. It is significant that no raids have been made on this Fund after 1955-56, despite the strains which railway finance had to undergo in the three years to 1960-61.

Apart from the above three reserve funds, another one — Pension Fund — is planned to be created next year with an initial allocation of Rs. 19 crores. This is considered necessary in view of the fact that the improvement effected in the family pension scheme since January this year is bound to lure a larger number of railway employees to this scheme. And since they will be under various age-groups, expenditure on account of pensions will have to vary from year to year, for many years to come. Expenditure during the next financial year is estimated in the neighbourhood of Rs. 4 crores. This will leave a balance of approximately Rs. 15 crores to the credit of this new fund.

The growing credits available in the Railways Depreciation Reserve Fund, Development Fund, the Revenue Reserve Fund and the Pension Fund should stand the Central Exchequer in good stead as they can be utilized by it to ease its ways and means position.

The improved financial position of railways is also proving helpful in making available increased resources for their third Plan development programmes. It is, indeed, heartening that railways, by and large, have been able to adhere to schedules and the Plan expenditure is being incurred by them according to the stipulated phased programmes. Out of a total outlay of Rs. 1,581 crores expenditure to the tune of Rs. 908.26 crores would have been incurred by the end of the current financial year. A provision of Rs. 370 crores has been made in the next year's budget and hope has been expressed that the entire stipulated outlay would be utilized "alongwith any increase that may yet be granted" — railways intend to ask for additional allocation for the Plan programmes owing to development costs going up after the last year's heavy dose of taxation administered by the Union Finance Minister. Of the Rs. 908.26-crore outlay on the development programmes expected to be incurred by 1963-64, a sum of Rs. 204.10 crores would have come from the Depreciation Reserve Fund, Rs. 74.06 crores out of the Development Fund and Rs. 33.05 crores out of the revenue receipts. Of the Rs. 370-crore proposed outlay in 1964-65, Rs. 71 crores are envisaged to be drawn from the Depreciation Reserve Fund, Rs. 33 crores from the Development Fund and Rs. 13 crores straight from the revenue receipts. It is anticipated to provide nearly 33 per cent of the total third Plan outlay out of railways' own resources.

Although the comfortable loading facilities available with the railways today are primarily the outcome of the slackening tempo of economic activity in the country, they must, however, be given credit for the commendable progress being made by them in implementing the third Plan development schemes. It is hoped that they will continue to pursue their expansion plans in right earnest and will not be lulled into complacency with the somewhat easing of the transport bottlenecks. There is particularly need to augment railways' capacity to carry general goods traffic for which demand is growing at a rate faster than original-

ly anticipated. With the downward adjustments proposed in the freight rates of some high-rated consumer goods traffic, this demand is bound to go up at a more rapid pace during the next two years. The development of the general cargo carrying capacity should as well be not at the expense of the capacity being developed for the carriage of coal and raw materials. A lead over requirements in this respect needs to be maintained if for no other reason than for obviating the repetition of the post-1958 unhappy experience. The downward revision effected by the Planning Commission, in the Mid-term Plan Appraisal, of the goods traffic likely to originate in 1965-66 — from 260 million tonnes to 245 million tonnes — contains an element of hazard parallel to the 1958 second Plan pruning.

For meeting the mounting working expenses and further strengthening of the various reserve funds as also for making available additional resources for development, railways as well have to improve their operational efficiency a good deal more than has been done in the past twelve years. The over-all operating-cum-efficiency index of railways (base 1938-39 = 100) is said to have shown improvement from 100.6 in 1951-52 to 117.2 in 1962-63 and 118.4 in 1963-64. The rolling stock and the line capacity is being more intensively utilised. This is evident from the various efficiency ratios compiled by the Directorate of Statistics and Economic Advice Branch of the Railway Board. But two crucial indices regarding fuel consumption have shown progressive deterioration since 1960-61. Fuel consumption, both for goods and passenger traffic on broad as well as metre gauge railway systems, has gone up. This may be due partly to the decline in the quality of coal supplied to railways, but the malady appears to be deeper rooted. Shunting operations too have shown deterioration since 1960-61 except in the case of metre gauge goods trains. Wagon turn-round also leaves much to be desired. Although in the case of broad gauge railways only 11.1 days were required for wagon turn-round during April-November, 1963-64, as against 11.6 during the corresponding period of the previous year and 11.2 days in 1960-61, the time taken is much in excess of the expectations of the Planning Commission which thought that during the third Plan period it could be reduced to 9.5 days. In the case of metre gauge railways, wagon turn-round, in fact, deteriorated from 8.34 days in 1961-62 to 8.35 days in 1962-63. There has been an improvement to 8.61 days during the period April-November, 1963, over the 8.78 days required during the corresponding period in 1962-63. But here too the time taken far exceeds Planning Commission's hopes of reducing it to 6.5 days by 1965-66.

The railways also have to meet more squarely the criticism of their operational efficiency, which alleges that much of the seeming improvement in efficiency is in reality due to the fact that in the previous years efficiency had been permitted to go down, partly deliberately, in order to provide suitable conditions for large-scale indulgence in corrupt practices at many levels in the railway administration. There is need to expedite plans of modernisation of our railway system through introduction of modern traction power, automatic signalling, use of automatic mechanical instruments for flaw detection, changing over of wagons from screw couplings to automatic central couplings, etc. Operational efficiency of railways in the West, particularly in the USSR, is being achieved through the innovation of importing the largest measure of modern sation and reducing obsolescence to the minimum. Management efficiency requires to be stepped up through enforcement of greater discipline on the staff, particularly when per capita cost on railway employees is going up at a strident pace. The simplification and modernisation of accounting techniques initiated recently is a step in the right direction.

Soaring Prices of Silver

SILVER PRICES in this country took an upward course in the past few weeks and, at one time, touched a new peak at Bombay at Rs. 269 per 100 kilograms (.999 fineness). The latest pressure on prices was caused by the rising demand both for industrial uses and for the manufacture of jewellery, though it is not known how much silver is absorbed every year in industrial uses and what part of the demand is due to increasing demand for silverware and jewellery. Except for the driblets which used to enter this country through the northern border in the past—which meagre source has now dried up — there is no inflow of the white metal. The domestic price, therefore, is determined by the impact of demand on limited stocks since the output of silver within the country is negligible.

A rising trend in silver prices has also been witnessed in the international markets since the close of 1961. In the New York and London markets, silver prices took a sudden spurt in the last quarter of 1961 and the same trend has continued; the price of silver reached $1.29 per ounce — the price at which the US Treasury was obliged to surrender silver against the dollar certificates. Consumption in the United States has been racing ahead of output for the past many years and the price of silver at $1.29 per fine ounce was the highest recorded during the last 43 years. At this price the silver content of a standard dollar coin commands market value equivalent to a dollar; if the price of silver moved above this level, the metal content of the coin would be priced higher than its value as money. Since the US Treasury is required by the statute to redeem paper money (in the form of silver certificates) against silver, the Treasury has been busy in converting the silver certificates into silver which, again, is currently meeting a part of the market demand.

The table below gives production, consumption, imports and exports of silver in the United States. It shows that output of silver in the US has been almost stationary since 1960 around 36 millions of ounces per annum and was estimated to be of that level in 1963. The demand for industry and arts has ruled above 100 million ounces between 1959 and 1963 and was placed at 106 million ounces in 1963. Coupled with the demand for silver for coinage purposes at 86 million ounces, the total consumption of silver in 1963 was estimated at 192 million ounces. In other words, the total consumption of the white metal was larger than its output by 156 million ounces in 1963. A part of this demand was met by the excess of commercial imports over exports at 29.9 million ounces but a lion's share of the uncovered demand was met from the treasury stocks up to 147.2 million ounces in 1963.

SILVER IN THE UNITED STATES

(In Millions of Ounces)

	1959	1960	1961	1962	1963
Output	23.0	36.8	34.9	36.3	36.0*
Consumption					
Industry & arts (net)	101.0	102.0	105.5	110.4	106.0*
Coinage	41.4	46.0	55.9	77.4	86.0*
TOTAL	142.4	148.0	161.4	187.8	192.0*
Excess of Consumption over output	119.4	111.2	126.5	151.5	156.0*
Imports					
Commercial	24.1	45.0	59.9	68.1	45.8†
Lend-Lease returns	45.0	15.7	10.4	8.3	††
Exports	9.2	26.6	39.8	13.1	15.9†
Excess of commercial imports over exports	14.9	18.4	0.1	55.0	29.9†
Changes in U.S. Treasury stocks :					
"Free" stocks	—27.1	—51.6	—95.1	+8.5	+1.4‡‡
Other stocks**	—19.2	—16.1	—34.5	—103.0	—147.2‡‡
TOTAL CHANGE	—46.3	—67.7	—129.6	—94.5	—145.8‡‡

*Tentative estimates.

†Up to September.

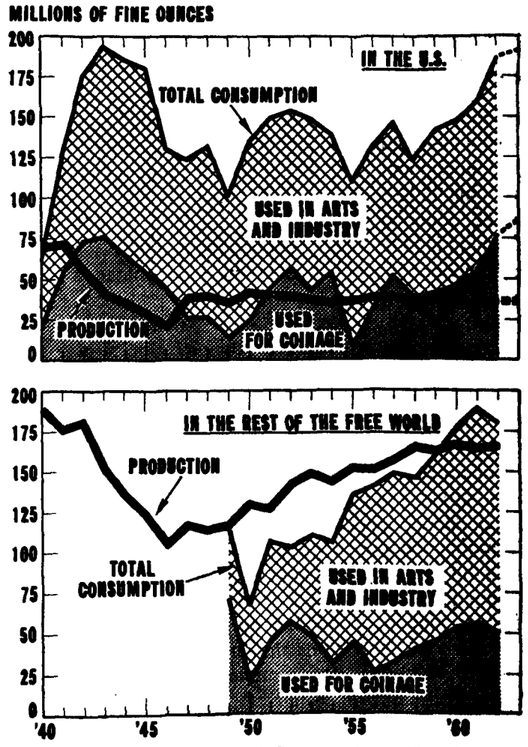
††Less than 0.02 million ounces up to September; of the 411 million ounces of silver lent by the United States during World War II to the United Kingdom, the Netherlands and certain other countries, only 8.6 million remain to be returned.

**Stocks securing silver certificates, and silver coins in the hands of the Treasury.

‡‡Up to November 22.

Source: Monthly Economic letter (December, 1963) of First National City Bank, New York.

GRAPH I.



Silver Production and Consumption, 1940-63

Graph I also highlights the same trend in production and consumption in the United States and in the rest of the non-communist world. Since 1947 production has been almost static in the United States while it has been slightly rising in the non-communist world. The gap between production and consumption in the United States has been steadily widened over the years mostly because of the demand of the white metal in the arts and industry. A similar trend has now been seen in the rest of the non-communist world wherein from 1959 onwards, the demand of silver for coinage, arts and industry purposes has outstripped production. In other words, the United States cannot now to any large extent depend upon supplies of silver from the rest of the non-communist world in order to fill its gap.

Graph II shows the trend in silver prices both in the New York and London markets since 1955. It will be seen that between 1955 and 1961 the fluctuations in the prices of silver were of a marginal type,

the price having ranged between 85 and 95 cents per fine ounce. The spurt recorded in the end of 1961 to 105 cents and then to the monetary value of silver at 129.29 cents in 1963 was a new record causing extreme pressures on the available supplies of silver both in the US market and in the rest of the non-communist world. It may be recalled that the President of the United States in November, 1961, issued directions to the Treasury to gradually withdraw five and ten dollar silver certificates and the gap to be filled by additional issue of Federal Reserve notes. This step had to be taken because of the virtual exhaustion of the "free" stocks of silver. The President also authorised the Federal Reserve Bank to issue $1 and $2 notes to replace silver certificates of these denominations which had tied up about 1,300 million ounces of silver for backing. This legislation came into effect in June, 1963, and the Federal Reserve Bank began to issue $1 "bills" at the end of November. Till September 1963, 250 million ounces of silver were, thus, freed while 189 million ounces of silver still remained as currency backing. Together with 1300 million ounces remaining as backing for $1 and $2 silver certificates and taking into account 38 million ounces of "free" silver and a few other items, the Treasury silver stocks are now estimated at 1,600 million ounces.

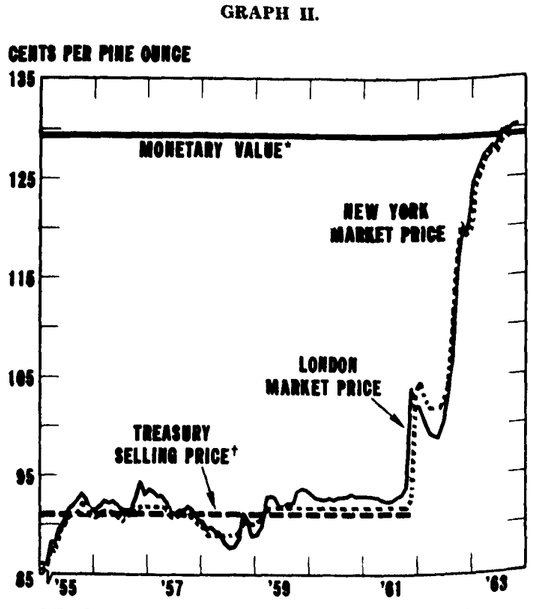
In view of the mounting demand for silver, it is feared that even these stocks of 1,600 million ounces are not likey to last for long. Secretary of Treasury, Mr. Dillon, however, holds the view that the Government, through the legislation already passed, will be able to acquire silver enough for coinage for the next ten to fifteen years. As the market price of silver is slightly above 129 cents per fine ounce, the disposals of Treasury's silver may be larger than was anticipated earlier by the US Government. The width of the gap between production and consumption is such that the Treasury may have to dispose of sizable volumes of silver each year to keep the market price below the monetary value of the standard silver dollar. This continued practice of withdrawing silver from the treasury stocks will bring nearer the day when the market price will pierce through the ceiling of 129 cents per fine ounce. At that stage the silver coins will once over again be melted in order to recover more than the face value of the coin.

Will the United States demonetise all its coins? There is no indication if this drastic step will be taken in the near future. The Treasury is reported to have stated in May, 1963, in a memorandum submitted to the Senate Banking and Currency Committee that it considered "it unwise to abandon coins before it is absolutely necessary to do so". This view has been presented because silver coinage in the United States dates back to 1792 and people have come to attach considerable importance to possessing silver coins. Even a shift from silver to any of the base metals will create a great imbalance in the demand and supply position of the base metals as well.

The hope has been expressed by the Treasury that in view of the rising silver prices, new supplies of silver might be developed somewhere in the world. Also, it is possible that the demand for silver may fall as a result of changes in technology. May be, some of the countries will give up using silver in their coins and will thus, increase the supply of silver. In the photographic industry, which is a big consumer of silver, some substitutes for silver salts may be discovered. Thus, there are a number of possibilities, though of a vague nature, for changing the present position of demand and supply.

In this country, all the silver coins were demonetised long ago and all the new coins are of base metals. The demand for silver has emerged, by and large, due to the age-old tradition of using silver ornaments, especially by the poorer sections of the society. Part of the increase in demand has also emerged from speculative investments in silver because of the reduction in activities in gold due to the controls imposed on the yellow metal. The upward trend of silver prices may not be arrested because there are no sources of new supplies and the demand continues to increase under the stress of rising incomes and increased industrial uses.

GRAPH II.



U.S. Treasury and Open Market Spot Silver Prices
1955-63
(Monthly Averages)

* The "monetary value" of silver is the value at which the metal content of the standard silver dollar, established in 1837 at 0.7734375 fine ounce, is worth $1; this makes a full fine ounce of silver worth $1.2929.... † Price at which the Treasury, at the San Francisco Mint, sold silver prior to November 28, 1961.

Note: The New York price is that quoted by Handy & Harman.

Highlights of the Week

KASHMIR IN SECURITY COUNCIL

THE SECURITY Council of the United Nations adjourned 'sine die' at the suggestion of the Moroccan delegate after Mr. Bhutto of Pakistan had earlier, in vain, asked for a short adjournment to keep alive the debate during the present session of the Council. From the point of view of India, this has been not a wholly unfavourable development since neither the clear resolution of the Council asked for by Sir Patrick Dean nor the consensus suggested by Mr. Adlai Stevenson was really acceptable to India.

Replying, on February 10, to a vituperative speech made by Mr. Bhutto, Mr. Chagla warned the Security Council that any one should "think a thousand times before he would disturb the situation which has existed since India became independent". He declared that India would not submit to intimidation and to Pakistan's threat of "bloodshed and war". "The bond that Pakistan finds with the people of Kashmir .... is not common nationality; it is not common race; it is not common tradition or common history; but the mere bond of religion". India repudiated a philosophy which equated nationality with religion. Mr. Chagla recalled that, on April 10, 1963, Mr. Chou En-lai had declared at a Press interview that Pakistan had explained the purpose of its military alliance (with China) as gaining ascendancy over India. In a series of forceful and rhetorical questions, Mr. Chagla asked to know if Mr. Bhutto was prepared to concede the same right (of self-determination) to the Pakhtoons and to East Pakistan; to the people of Bahawalpur on whose ruler accession had been forced by the Pakistan Government; and to the subjects of the Khan of Kalat.

The "very bottom" of the old resolutions of the Council regarding the plebiscite, Mr. Chagla argued, had been knocked out by Pakistan's own conduct. The continuing presence of Pakistani forces in Kashmir and the progressive induction of Pakistan-trained military personnel and of war-like equipment obtained by virtue of Pakistan's membership of military pacts and the conclusion of a pact with China, which had no common border with Pakistan, were all flagrant violations of UN resolutions.

King Charles' Head

Speaking on February 10, 1964, Sir Patrick observed that the Kashmir problem had baffled "the collective wisdom of the Security Council for 15 years". Citing a long list of UN resolutions which accorded with his view, Sir Patrick reiterated his Government's position on the right of self-determination for the people of Kashmir. He urged that their final disposition should be effected "in accordance with the will of the people expressed through the democratic method of a free and impartial plebiscite conducted under the auspices of the United Nations". He thought that it was unrealistic for the Council to consider the Kashmir problem purely "in terms of the legal effect of the Maharaja's instrument of accession."

In effect Sir Patrick Dean emphasised that the accession was a legal and not a political act. He identified the view of one of the parties to the dispute with the "principles of the Charter" wholly ignoring the fact that a UN Commission had suggested other means for the resolution of the dispute if a plebiscite was not feasible. The statement has angered many members of Parliament belonging to the major parties, some of whom suggested severance of India's ties with the Commonwealth. Yet others met Sir Paul Gore-Booth, the British High Commissioner in India, to protest against his Government's stand on the Kashmir debate in the Security Council. In proof of his country's friendly feelings, the British High Commissioner cited the readiness with which Britain had helped India with arms after the Chinese invasion and his country's "economic effort" which had greatly helped India's development.

He argued, however, that the British delegate at the UN had only called for an attitude to the status of Kashmir, which did not confine itself only "to the terms of the legal effect of the Maharaja's instrument of accession".

Honest Brokers All

A common point of view underlay all the seven other speeches in the Security Council: the parties to the dispute should get together to arrive at a mutually acceptable settlement. Mr. Adlai Stevenson, the U.S. representative, urged the need for a consensus and recalled that US support to all earlier resolutions of the Council had been accorded on the principle of self-determination and suggested mediation by U Thant, the UN Secretary General. He also added that the differentiation of the people of Jammu and Kashmir and those of India should be maintained. Mr. Castrillio Justiniano of Bolivia, who recalled India's support to anti-colonial causes and to the struggle for the growth of the developing countries, said that any new resolution must reflect the reality "which is being modified constantly". While he did not cast doubt on old resolutions, he suggested that "it will be necessary to seek new ones". Prof. Hajek of Czechoslovakia held that nothing new had happened to modify the essential nature of the dispute. He said that all unresolved problems between India and Pakistan which were linked by geography, identical ethnic origin, historical experience and a common civilization, were due to their colonial past. The Kashmir problem was thus only an example of the division created by colonial rule in Latin America, Asia, Africa and elsewhere. He thought that the two countries should themselves resolve their differences and devote their energies to economic development. Mr. M. Roget Seydouz of France was concerned with "the fragile character of balance" in the sub-continent and suggested a progressive treatment of the Indo-Pakistan problem which also respected the feelings and beliefs of both the parties.

Dr. Ferdereniko of the Soviet Union, who came from his sick bed "for the sake of India" as he put it, pointed out that he found it difficult to see that anything new had arisen. He said that only those who wanted to divide Asia would use differences of religion and other factors separating India and Pakistan for purposes which had nothing in common with the preservation of peace and security. He believed that the accession of Kashmir to India represented the final decision of the people of that State and that any differences between India and Pakistan should be solved through mutual agreement by the peaceful procedure which Mr. Khrushchev had commended for territorial disputes. The Norwegian delegate said that while it was not for him to suggest the terms of compromise, any solution must have the agreement of not only of India and Pakistan but the people of Kashmir itself, if it was to be an abiding solution.

This is no solution but a respite — nevertheless one that goes some way to meet India's point of view. The strong reaction that the debate provoked in the Government of India and in members of Parliament and the direction that the refugee problem is taking in this sub-continent all reinforced the effect of Mr. Chagla's able advocacy of India's case in the UN.

The Displaced Persons

Sir Patrick Dean implied that India's case in Kashmir was too legalistic based as it was, according to him, on the instrument of accession. Many Indian ideals have in the past been run down either as Utopian or hypocritical but the con-

cept of the secular state cannot surely be one of them. Here is no rationalist excess implemented in callous disregard of human values. Secularism in India is no irreligious protest, and if Mr. Nehru, principally among others, has presented what is really India's destiny as a conscious moral choice, it is a credit to their powers of persuasion. It must be still true of many people who have in recent times come into society that they come up against religious obstacles in their mind when they seek to articulate their affinity with fellow-members of modern social institutions. Notwithstanding that, there is an undoubted element of condescension in Sir Patrick's insistence on treating Hindus and Muslims as two nations and in his implied equation of the communal problems of India and of Pakistan.

The fact that 4.5 million persons of the minority have come away to this country since 1947 cannot be dismissed as a flight in search of better economic opportunities. As many as 70,000 persons have left their homes since the time of Dacca and Narayanganj riots and such property as they had in East Pakistan and entered this country with or without migration certificates. Some members of Parliament blamed the Government of India for not insisting on the reciprocal responsibility of the Pakistan Government towards its minorities. Surely there is no place for the futility of diplomatic protests in this moment of danger to the lives of those men and women who have managed to survive, in this moment of a faceless fear that assails these wronged and hapless people in an insecure land. Equally ridiculous is the plaint of Mr. Habibullah Khan, the Home Minister of East Pakistan, that the India Government is encouraging them to return to this country. The uncertain future that awaits them in this poor country, on which they will be an undoubted burden for some time at any rate, can hardly be described as an incentive. What the Government of India is doing for these displaced persons is the minimum that it owes, in the words of Mr. Nanda, 'to man and to God'.

THE U.P. BUDGET

THE BUDGET that Mr. Kamlapathi Tripathi presented to the U.P. Vidhan Sabha on February 13 is in many ways representative of the coming times. That "we are all socialists now" was a slur cast on the new economics that came into vogue in Britain of the inter-war period, but it is becoming true of a deceptively similar context in this country. In the Bhubaneswar Congress session it was pointed out by those looking for coherence that socialism had come to mean different things to different men, and, indeed, the specific projects towards that end envisioned by different people were bewilderingly different. There were of course the few who were firmly rooted in the realities of the Indian economic situation whatever they made of that knowledge; but, thanks to the comprehension of opinion that had been achieved within the ranks of the Congress, the budgetary and fiscal policies of State Governments have come to acquire some uniformity and are determined by the needs of a poor and ill-provided economy which, as Mr. Tripathi pointed out, is common to all State Governments. Success will, however, largely go to those who happen to be in power which is perhaps what has made politics in the States so contentious and hazardous in recent times.

Mr. Tripathi's budget speech certainly had the virtue of modesty. He claimed no more than that his budget was only a step in the direction of Socialism and wisely added that this happy consummation could not be brought about by a single State in the country. Apart from this virtue, Mr. Tripathi's budget suffers from all the weaknesses peculiar to all State budgets. Uncovered deficits, while in themselves not alarming, turn out to be due to a misdirected caution in the estimate of receipts, which would be more in place in the imaginative screening of expenditure. Thus the actual budget figures for 1962-63 reveal a surplus and the estimated deficit of Rs. 5 crores for 1963-64 did not in the sequel exceed Rs. 1.22 crores -- an eventuality that the Finance Minister could not have been unaware of since the proposals he had promised during previous Budget session did not materialize. Mr. Tripathi's budget proposals for the forthcoming year again leave open the means of finding Rs. 11.59 crores -- representing this year's deficit. In the event, the under-estimating of receipts will account for part of this sum and he hopes further that (a) new measures to be brought up later; (b) prevention of tax evasion and; (c) the recovery of tax arrears will take care of the rest. During the third Plan period, Rs. 497 crores are to be spent in Uttar Pradesh, of which Rs. 147 crores was to come from the State's own resources. The increase in the yield of State taxation has been of the order of Rs. 18 crores during the first two years of the Plan, but the rate will have to increase perceptibly if the Plan target is to be realized. However, the shortfall itself does not call for any drastic remedies since, during the first three years of the Plan, only half the Plan outlay has actually been expended.

Kind Hearts and Coronets

Thanks to the vastly extended function of the State in India, budget speeches in this country read more like a report on the Plan or a definition of policy than like a statement of accounts. The U.P. Budget for 1961-65 thus tells of detailed schemes to consolidate and extend agriculture in the State. More tube-wells are to be dug; an irrigation extension service will explore and support private irrigation facilities. Agricultural policy is to be piously aimed at increasing sugarcane yields through intensive cultivation and through rotation of crops, called "package schemes" in the case of cereals, oil-seeds and potatoes -- a case, perhaps, of a repentant sinner trying to come to terms with his conscience!

The State Government intends to rehabilitate and modernize some of the old sugarcane mills and the State-owned fair price shops which will dispose of the entire production of "atta" from the flour mills as also wheat imported into the State. The fair price shops already sell sugar at controlled rates in the countryside.

Last year a bill to levy a cess on land was kept in abeyance, strangely enough because of the emergency. This year, the State Government has gone one further and abolished the 1962-63 surcharge on land revenue. While everything is to be said for relief of any kind to farmers, the tax-payers have a right to expect economic returns on money spent or invested in agriculture for that is ultimately the only reliable way in which such expenditure can be sustained in the long run. The State's rabi crop for the last financial year was an exceptionally poor one so much so that the State Government has asked 175,000 tonnes of wheat and 150,000 tonnes of rice from Central stocks. The off-take in the fair price shops has reportedly increased at the rate of 300 per cent. A cement factory to be set up in Dalla in Mirzapur district has been included in the third Plan and the antibiotic factory in Rishikesh in that district is expected to go into production during the current financial year.

A study team of the Planning Commission which investigated conditions in four backward districts of eastern Uttar Pradesh had recommended large-scale investment in these areas some of which was to come from Central projects. Mr. Tripathi has asked for large Central assistance on this account.

Non-developmental expenditure has increased by over Rs. 20 crores in the last three years. Many of the schemes to be started during the current year will serve to make a large number of State Government servants permanent, to give them and school teachers in the State a variety of gratuity and pensionary benefits.

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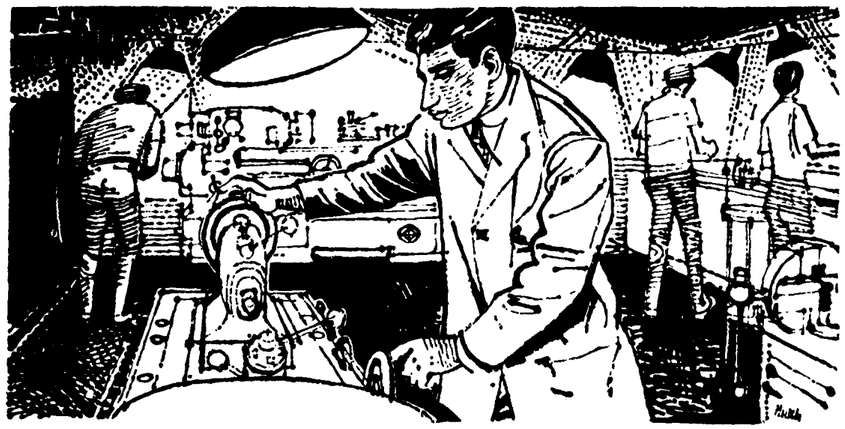
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IRSC-69

FROM THE PRESS GALLERY

The Sad Case of Sir Patrick

By Our Parliamentary Correspondent

NEW DELHI: Tuesday.

ALTHOUGH A good deal of the time of the two Houses had been taken up in the discussion of the President's Address, many Parliamentarians seemed to take more interest in the question who would be replying to the debate on behalf of the Government than in the debate itself. At one stage there was even feverish speculation whether there would be a clash in the Cabinet or, as some lobby comments chose to put it, a show-down between the Prime Minister's senior-most colleague, on the one hand, and the Minister without Portfolio, on the other.

Better informed or at least less excitable observers were however emphatic at all times in discounting the likelihood of fire-works. They pointed out that Mr. Lal Bahadur, at any rate, would be the last person to force the issue in matters such as these. It was conceded, at the same time, that, as matters stood, it was only proper and reasonable that Mr. Nanda, by virtue of his seniority, should be given the option to reply. In the event, this particular matter has been settled in a way which ought to be more or less satisfactory not only to the individuals directly concerned, but also to all others interested in the smooth working of the Cabinet. It has now been decided that Mr. Nanda will reply to the debate in both Houses, but Mr. Lal Bahadur Shastri might intervene, also in both Houses.

Mr. Krishna Menon's speech on Friday, in which he castigated Britain over the attitudes struck by its representative in the Security Council debate on Kashmir, was certainly the highlight of the Parliamentary proceedings since the session began. Mr. Krishna Menon is probably the most articulate performer in the entire Parliament and when he gets an opportunity, as he did on this occasion, to strike a note which is bound to be echoed in the sympathies of his audience, it naturally becomes all too easy for him to carry the listeners with him, no matter what reservations they may have about him or about his works in general. For what "The Statesman" justly described as "one of his ables speeches ever in Lok Sabha", Mr. Menon was repeatedly cheered by legislators on all sides of the House. As was usual with him, he used sophisticated legal arguments as well as mere political broadsides with equal effect. He characterised Britain's attitude as a violation of the U.N. Charter and of the pre-Independence tripartite agreement to which Britain was a party. It is doubtful that he actually succeeded in convincing anybody that the British stand on Kashmir in the Security Council was a part of "a process to get back her empire by the back-door", but by the time he had ended his denunciation, it was obvious that there was a general inclination to suspect the worst of "perfidious Albion".

Counsel of Despair

Sir Patrick Dean, indeed, has turned out to have made not only an extremely provocative speech himself, but also to have been the cause of provocative utterances from others. Mr. N. C. Chatterji, agreeing with Mr. Krishna Menon, declared that Kashmir's accession was no more a live issue and that it did not lie either with Britain or any other country to attempt to reopen it. Another strong speech was made by Mr. A. D. Mani in the Rajya Sabha, where the latter went to the extent of saying that India should consider leaving the Commonwealth — a counsel of despair which, happily, was only sporadically heard in either House. Mr. G. S. Pathak, speaking more in sorrow than in anger, seemed to be voicing a widely prevalent sentiment both inside Parliament and outside when he expressed a feeling of distress that a friendly country such as the United Kingdom should have put India on par with Pakistan in the matter of treatment of minorities.

An interesting feature of the discussions on the President's Address was that while all speakers were naturally keen on our country as a whole having better administration, some of them seemed to be particularly keen on Kashmir having it. Indeed, the feeling that the people of Kashmir has been mis-governed, are being mis-governed and should not be allowed to be mis-governed by a local clique, seemed to cut across party barriers. Thus, while Mr. N. C. Chatterji (Independent), among others, demanded the abrogation of Article 370 of the Constitution and full and immediate integration of the State with the rest of the Union, Mr. P. N. Sapru (Congress) was critical of the "unclean" administration in Kashmir and suggested that there should be either an all-party government in the State or President's rule promulgated. Incidentally, both Mr. H. V. Kamath (P.S.P.) and Mrs. Renu Chakravarty (Communist) urged what they called a "political" approach to the release of Sheikh Abdullah as against a "legalistic" approach.

Extreme Views

On the President's Address two extreme views have been heard. There was Mr. Bhupesh Gupta (Communist) in the Rajya Sabha who had tabled as many as 126 out of the 209 Amendments on the Motion of Thanks. Mr. Gupta's discontent with the state of affairs in the kingdom of Denmark was so great that he could not even bring himself to utter a word of praise for Mr. G. L. Nanda's universally admitted firm and fine handling of the Calcutta disturbances. On the other hand, the Communist leader groused that the Government of India had failed to anticipate the communal rioting in East Pakistan and its repercussions in West Bengal. At the opposite pole stood Mr. B. N. Bhargava (Congress), also of Rajya Sabha, who was so impressed with the beauty and perfection of the President's Address that he could express his satisfaction adequately only in Hindi verse. Poets are alleged to be the unacknowledged legislators of the world and although Mr. Bhargava, besides being a poet or at least a versifier, is also a legislator — not unacknowledged by any means, but truly and duly gazetted as such —, he seemed to have failed, as I must regretfully record, to impress his fellow Parliamentarians. Thus, undeterred by Mr. Bhargava's eulogistic effusion, Mr. Dayabhai Patel (Swatantra), proceeded to describe the Government as a "sick government", a description which his party leader, Mr. N. G. Ranga, speaking on the same day in the Lok Sabha, annotated by saying that the Government was suffering "from a jaded spirit and political bankruptcy".

Mr. Range further charged the Government with having failed on all fronts and pointedly remarked that, while today India was more isolated than ever before, "our political and international enemy, China, has improved her position". He also found fault with the Government for doing "nothing at all" to protect the interests of Indians in the newly independent African countries or in Burma, Ceylon and Malaysia. The Swatantra leader condemned the Constitution (17th Amendment) Bill as a measure affecting the "self-employment and land holdings" of millions of peasants and plugged Swatantra propaganda by criticizing the increase in land revenue in several States. Finally, in a characteristically hard-hitting passage, Mr. Ranga argued that what was happening in Kashmir now was the result of "our depending upon one-party

rule" and pressed home his advantage by warning Parliament (and perhaps a larger audience as well) that the same consequences would follow in the rest of the country "if the people are not able to have an effective opposition."

It was left to Mr. J. B. Kripalani to deliver a really withering attack on the general competence of the Government. The Acharya declared in a characteristic outburst of irony that while he could not deny the Government its "legal right to misrule the country", he would certainly challenge its moral right to do so. He said: "Our people feel that the health of our nation has been fast deteriorating. Our economy is in such doldrums that it is impossible for millions of our people to keep body and soul together. Our public life is riddled with corruption, nepotism, graft, inefficiency, indifference and these have sapped the moral fibre of the nation. No statistics are required to prove all these to the people .... They feel these conditions within the marrow of their bones, if any marrow is left in their bones. Our foreign policy has miserably failed. We have no real friends left in the world." Underlining this point Mr. Kripalani permitted himself the wry remark that, in the latest Security Council discussions on Kashmir, "even our great friend Russia" was more concerned with the "susceptibilities of Pakistan and the Western block than with our rights."

Keen Curiosity

An amusing aspect to the debates was the keen curiosity shown by Opposition speakers in the affairs of the ruling party consequent to the Prime Minister's illness. Thus Mr. Ranga took it upon himself to advise the Prime Minister that the latter should divest himself of the responsibilities of the Foreign Ministry. Not stopping there, he went on to demand that a person who was acceptable to "all democratic parties should be appointed Foreign Minister". Having made that somewhat strange suggestion, the Swatantra leader further counselled the Prime Minister that he should not accept the advice tendered in certain quarters that he should nominate for the post of Foreign Minister some one who was "not far" from his political thinking and "personal affections". Another Opposition speaker who evinced similar interest was Mr. H. V. Kamath whose advice, however, was on slightly different lines. Although he would rather that the ruling party elected a new leader, Mr. Kamath was gracious enough to express his willingness to settle for a Deputy Prime Minister who, he urged, should be appointed without any further delay. Such weak-kneed compromise naturally could arouse nothing but disgust in Dr. Lohia who, as might be expected, was quite convinced that "a sick Prime Minister" should not continue at the helm of affairs.

With so much to distract Parliamentary speech-making, it was perhaps not surprising that economic affairs failed to receive their due share of notice. In the few speeches where some attention was given to this subject, the speakers were more interested in tub-thumbing on the theme of Democratic Socialism than in giving serious and constructive consideration to the basic problem of stimulating the economy and stepping up the rate of growth. There were, no doubt, a few positive and useful suggestions such as that of Dr. L. M. Singhvi (Independent) who urged the establishment of a desert development authority to give some economic security and stability to the people in the famine areas of Rajasthan, Gujarat and Punjab. His concern was topical since, currently and in the recent past, there has been extensive suffering from drought and its consequences in the Bikaner and Jaisalmer regions of Rajasthan. Equally relevant, but on a wider canvas, was the anxiety shown by many speakers on the rising trend of prices. But such parts of the discussion in either House as attempted to touch on the nation's economy certainly failed on the whole to deal with the basic and urgent issues relevant to the sustenance of economic progress. The speech of Mr. Sachindra Chaudhri (Congress) was perhaps an exception. He did try to go into the larger aspects of economic stability and expansion and he argued that although the country had accepted a pattern of socialist economy, there should nevertheless be greater utilisation of the know-how and experience of those in the private sector.

Among other issues which engaged the attention of Parliament in the past week were the plight of Hindus in East Pakistan and the reception and relief of such of them as might be seeking refuge in this country, the identity of those who have been arrested for stealing the holy relic from the Hazratbal shrine and the present state of the State of Emergency. The Home Minister's statement that this country would not place any difficulties in the way of immigrants from East Pakistan has certainly been received well and has helped to relieve the tension which was being worked up by certain opposition groups. Mr. Nanda's performance elsewhere was less adroit. After considerable "humming" and "hawing", he came out with the names of the persons who had so far been detained in connection with the theft of the holy relic and whom it is intended to bring to trial. One of the speakers on the President's Address had claimed earlier that the disclosure of the identity of the suspects would result in dispelling the clouds of allegations and insinuations hovering over the devoted heads of certain National Conference leaders. But it is doubtful that Mr. Nanda's announcement has quite fulfilled this hope. The Home Minister, however, did say enough to lend support to the belief that Pakistan's hands, in the matter of the theft of the holy relic, are far from clean.

The Emergency had few enthusiasts in Parliament. Even Dr. Hare Krushna Mahatab from the ruling party felt compelled to plead in the Lok Sabha that the people should not be acclimatized to a permanent State of Emergency lest nothing happened if a "real emergency" arose. It must be recorded, however, that Mr. M. S. Gurupadaswamy (PSP) in Rajya Sabha took the view that it would be imprudent to ask for the discontinuation of the Emergency as there was mounting danger from both China and Pakistan. At the same time, he took exception to what he described as the abuse of Emergency powers "to suppress workers". The question of abuse or misuse of Emergency powers figured also in the speeches of two Communist stalwarts in Rajya Sabha, Mr. Bhupesh Gupta and Mr. P. Ramamurti, the former having moved a resolution demanding the lifting of the State of Emergency. Mr. Gupta condemned the Constitution (Eigh-

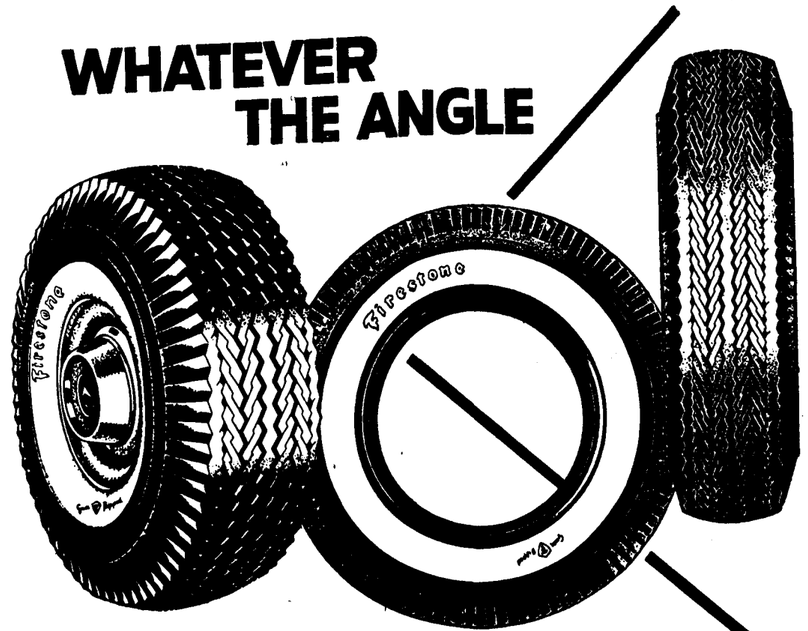
ANNOUNCEMENT

In view of the fact that the Central Budget will be presented on Saturday, February 29, the publication date of the next issue of "Eastern Economist" has been postponed by a day, from Friday, February 28 to Saturday, February 29. This issue will carry a Leading Article on our first impressions of the Budget which will be subsequently discussed in detail in the Special Budget Number to be issued on Friday, March 6, 1964.

The Special Budget Number will, as usual, analyse all aspects of the Budget proposals and the various Budget documents and present a view of the national economy in the context of the Budget statement of fiscal and economic policies. This Special Number which will be illustrated with graphs and diagrams will be priced Rs. 5 per copy, but will, as usual, be available to subscribers without extra charge.

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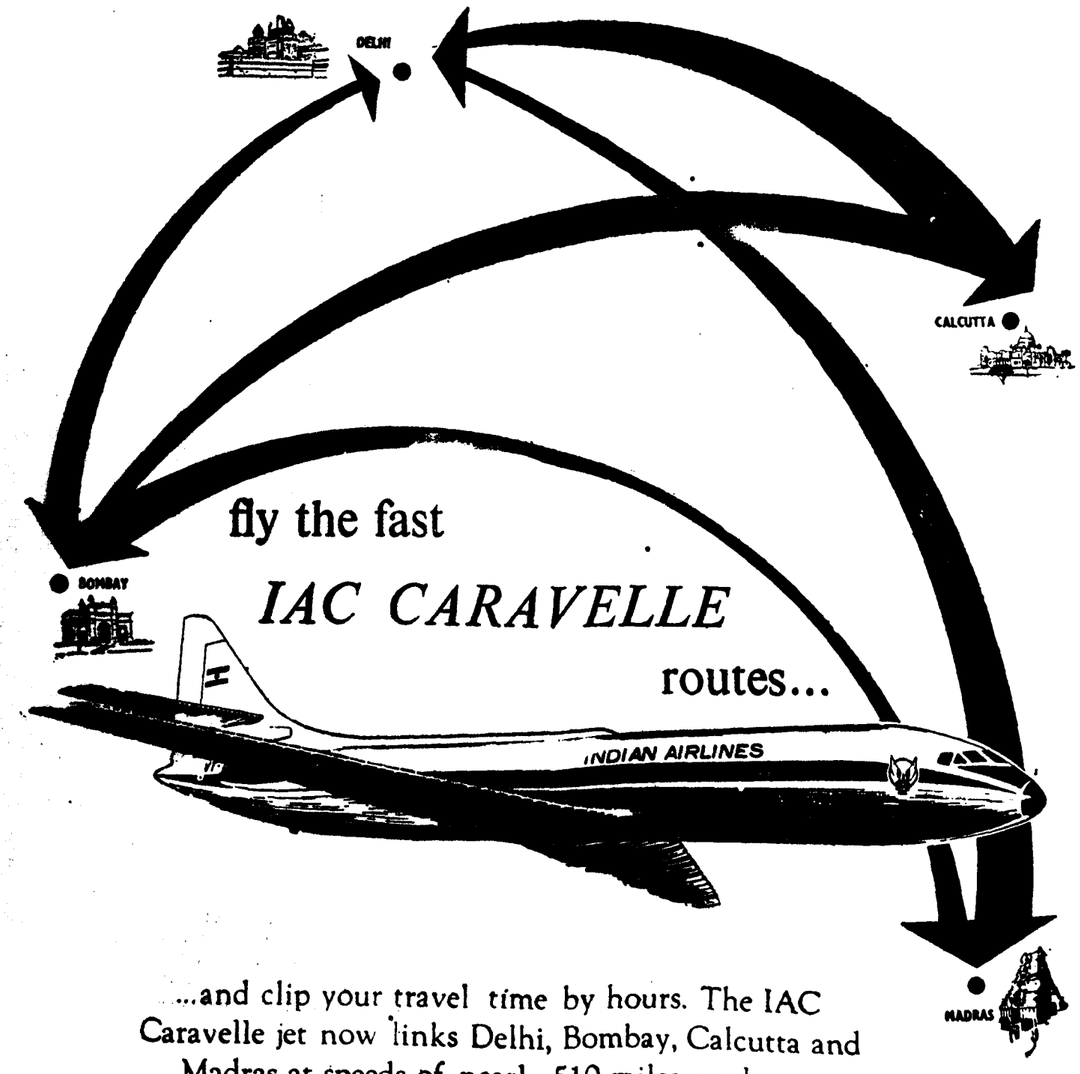
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teenth Amendment) Bill as a move to "legalise illegality". Mr. A. B. Vajpayee (Jan Sangh), who was also highly critical of alleged political discrimination in the use of the Defence of India Rules, made the interesting suggestion that the State of Emergency should be restricted to the border States of NEFA, Assam, Bengal, Jammu and Kashmir and Punjab, a proposal which had the broad support of Mr. A. D. Mani, who proposed that the Emergency should be applied to an area within hundred miles of our border with China and Pakistan. The political undertones of the debate were underlined by speakers from the ruling party also. Mr. Sudhir Ghosh, for instance, alleged that "a particular political tribe" in the eastern States would even be prepared to form a puppet government with Chinese assistance.

Meanwhile, a Private Members' Bill was introduced in Lok Sabha last Friday for amending the Constitution to provide for the approval of the proclamation of Emergency issued by the President under Article 352 by Resolutions of both Houses of Parliament. Mr. Yash Pal Singh, who fathered the Bill, explained that in his view Parliament should have an opportunity every six months to examine whether the extraordinary powers granted to the Executive were not being misused. The same M.P. introduced another Bill to amend the Requisition and Acquisition of Immovable Property Act, 1952, in order to provide for compensation for acquired property on the basis of market price at the time of acquisition; the present position is that compensation cannot exceed twice the price of the property as on the date of requisition.

Apart from these and other Private Members Bills, a Government Bill providing for the constitution of a special tribunal for investigating into the misbehaviour or incapacity of a judge of the Supreme Court or High Courts was also introduced in the Lok Sabha on Friday. The proposed special tribunal would frame charges, investigate them and report to the President. The report will be placed before each House of Parliament after which, as is already provided under the Constitution, an address could be presented to the President by each House of Parliament for removal of the judge concerned.

Question Hour

Guarantees For Foreign Capital: Replying to questions on the investment guarantee agreement currently under discussion between India and West Germany, the Union Finance Minister told Lok Sabha last week, that India would like to follow in the case of other countries as well, the pattern of arrangements reached with the United States in respect of guarantees to private US investors here. There were certain differences in the arbitration proposals put forth by West Germany and those agreed to with the United States. These were being considered.

Social Security: Mr. Krishnamachari also stated in Lok Sabha that a committee of officials was examining the question of social security. The Government, he asserted, was deeply concerned about this matter. The drawing up of a programme in this regard would depend on certain facts that were being elicited.

Mahalanobis Report: Mr. Bhagat told Lok Sabha that the report of the Mahalanobis Committee on distribution of national income was expected before the end of this month. The Committee's secretary had prepared a draft report and one of the members, Dr. Madan, had submitted a report on concentration of economic power with banks. These were being studied.

Sugar Production: Mr. Thomas stated in Rajya Sabha that sugar output during the current crushing season up to February 7, 1964, had been of the order of 1.527 million tonnes, as against 1.323 million tonnes in 1962-63, 1.213 million tonnes in 1961-62 and 1.386 million tonnes in 1960-61. He expressed his inability to give a precise estimate of the likely sugar production this year on the ground that the season was still on. There was no proposal for further increase in the minimum price of sugarcane, he added.

Replying to questions in Lok Sabha, the Union Minister for Food and Agriculture, Sardar Swaran Singh, however, said that he expected that sugar output this year would touch the level of about 3 million tonnes required to meet the domestic demand and export commitments. He did not share the pessimistic note struck by the Indian Sugar Mills Association about a fortnight ago, suggesting that sugar output during the current crushing season would be only of the order of about 2.5 million tonnes, owing to large-scale diversion of cane to gur production. Referring to ISMA's demand for a higher price for sugar produced beyond a certain quantity, the Food and Agriculture Minister stated that after a careful consideration of the issue, the Government of India had come to the conclusion that this proposal could not be accepted. Prevalence of two different prices for sugar and sugarcane, resulting from the acceptance of this proposal, would create confusion in the market.

Fire at Ranchi: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, told Rajya Sabha that police investigations into the recent fire at the Heavy Engineering Corporation, Ranchi, were still continuing. It was estimated that about 100 packages in all had been damaged. The total value of equipment contained in these was estimated at about Rs. 45 lakhs. It was yet to be determined whether any portion of this equipment could be salvaged and used by importing only replacements for the damaged components. Replying to a call attention notice later in the Lok Sabha, Mr. Subramaniam revealed that the head of the Russian experts had examined the damaged packages with a view to assessing the effects on the production programmes of the Corporation. He was of the opinion that by transferring some machine tools and other articles meant for other shops to the reduction gear department, which was scheduled to go into production during 1964, it would be possible to maintain the current year's production programme. If, in the meantime, supply of these equipments for the medium and heavy machine shops was not arranged, the production programme of 1965 was likely to suffer.

Eastern Economist 20 Years Ago

FEBRUARY 25, 1944

It is strange that the Transport Member should take pride in the efficiency of his administration while the facts are just the reverse. One would like to know, for instance, as Sir P. Thakurdas has put it "why his department did not foresee the threatened shortage of coal and did not press the Government to compel mine-owners to raise the miserably low wages (despite the opinion of our Calcutta contemporary to the contrary—Ed.) paid to workers in such good time as to avoid the crisis". Again the working expenditure has been rising to an astonishingly high level. Comparing 1939-40 with the budget year 1944-45 the staff bill has risen from Rs. 35 crores to Rs. 50.36 crores and the coal bill from Rs. 2.73 crores to Rs. 9.70 crores. There is no hope either that these high costs will decline even after the war. For, as the Chief Commissioner of Railways has stated: "The coal and wages bill which is at present about 73 per cent of the working expenses will for some years after the war remain at a high level." The extravagance of running the 520 grain shops in the interests of the staff is clearly seen in the wide gap between the budgeted expenditure of Rs. 3 crores and the actual expenditure of over Rs. 10 crores. In the name of anti-inflation any kind of expenditure is increased and every kind of taxation imposed.

V.T.K.—A Life of Enduring Service

TARLOK SINGH

WITH Mr. V. T. Krishnamachari's death on February 13. 1964, came to an end a rich life of constructive endeavour and of enduring public service. Less than two months ago he was engaged in intense discussions in the Planning Commission over measures to deal with the present lags in agricultural production in the spirit of a national emergency. In particular, he urged the speeding up of a number of irrigation projects which were already well advanced and steps to hasten the pace of utilization. Shortly before this, he presided over the sessions of the fourth Indian Cooperative Congress, identifying himself with the delegates who had assembled from every part of the country and guiding them on all vital issues. A few weeks earlier, he had carefully read through the chapters of the mid-term appraisal of the third Plan and noted the weaknesses which would demand urgent attention.

Sixth Sense

These three instances, chosen at random from the closing period, are typical of the outlook and continuity of effort which Mr. V. T. Krishnamachari brought to bear on all his work for the Planning Commission. He knew, as it were, through a sixth sense, what was important and what was practicable; yet, he approached each such issue with an understanding of the larger whole of which it formed part. In his mind, rapid progress in agriculutre was the key to the success of all our plans and the means by which greater divergence between urban and rural levels of living could be avoided. But community develpoment and cooperation provided the essential foundation for agriculture; in no other way could the life of the peasant and the village community be comprehended as a whole. Without them, the welfare state could not become a reality and the ideals set in the Constitution would remain unfulfilled. Thus, behind every task he attempted and every institution he supported there ran a continuing thread, a deep attachment to the nation's aspirations and a growing concern that knowledge and research and efficient administration were as vital to success as soundly conceived plans and nationwide efforts to harness the energies of the people and strengthen the spirit of mutual obligation and service. His close association over the years with Planning and Community Development, and with the National Co-operative Union, the Indian Institute of Public Administration and the National Council of Applied Economic Research and, earlier, with the Delhi School of Economics were essentially reflections of a comprehensive and integrated philosophy of economic and social development and his view of how best he could serve this goal. In his words:

> "The adoption of scientific methods in the widest sense by all rural families cannot be brought about without social transformation—changes in the traditional patterns of society and changes in attitudes and outlooks. The improvement of rural life is essentially a human problem: how to change the outlook of the seventy million families living in the countryside, arouse enthusiasm in them for new knowledge and new ways of life, and fill them with the ambition and the will to live a better life."

This was the peaceful transformation he sought to achieve through the Community Development movement. This indeed was the unifying principle in much that he strove for after independence, his testament for the future.

But the roots went much further back. The preparation had been long and thorough. Mr. Krishnamachari's work in Baroda is well-known and widely remembered. The village extension services and the social reforms he initiated were pioneer efforts in their own day and left a lasting impress. In whatever he did, there was the earnest approach of an informed and studious mind, a penetrating insight, an ability to seize swiftly whatever he knew to be essential and the willingness to resolve doubts and difficulties with courtesy, friendliness and good judgment.

These were among the many qualities which marked his work in the Planning Commission for more than a decade. His contribution to the Plans was not merely outstanding; it was unique. There were few important ideas in the Plans with which he was not directly associated; in fact, several of them were due to his own initiative and lead. Thus, in the first Plan itself, some of the policies and perspectives for which this Plan has a seminal interest came from him, notably, community development and the national extension service, long-term and integrated approach in the development of natural resources, specially in irrigation and power, policies for the conservation of mineral resources and the establishment of the Programme Evaluation Organization and the Research Programmes Committee. In the second Plan, he carried forward the basic approach to what has since grown into Panchayati Raj and to planning at the district, block and village levels, and led the campaign for a large agricultural effort as the keystone of ambitious planning. In the outline of the third Plan, he placed greatest stress on assuring the minimum amenities to every village in the country and the utilization of the manpower resources of rural areas through rural works and the intensification of agriculture. He also laid the foundation for the series of studies now under way in the field of natural resources. Mr. Krishnamachari always took his colleagues with him and their respect and esteem for his judgment and knowledge and the cooperation of the Chief Ministers of States and the Union Ministers greatly lightened his burdens.

Progressive Outlook

These are at best illustrations of the perception and foresight, the progressive outlook and the deep understanding with which Mr. Krishnamachari approached problems of development. His labours continued beyond his formal relinquishment of the office of Deputy Chairman of the Planning Commission. In leisure, he was able to explore some problems more fully. His two books, 'Planning in India' and 'Fundamentals of Planning in India' and an earlier collection on Community Development contain a great wealth of information and offer valuable insights for the future.

In recalling but a few of the contributions which Mr. Krishnamachari made since the inception of the Planning Commission, one is only too conscious that here was a man of large proportions, of rare talent and wisdom, always modest, kindly and generous, a most conscientious worker, a person wholly committed to the progress and welfare of all sections of the people and of all regions and one who spent himself, according to his own lights, in constructive national service of the highest quality. Whatever their sphere, such men beckon to the future. They remain young to the last. Their work lives, yet remains unfinished. Both in what they achieve and in what they leave to others to fulfil, their lives are a challenge and a guide to those who follow.

Rational Location of Industry

JOHN A SHUBIN

The author, now visiting this country on sabbatical leave from New York University where he is Professor of Economics, presents here a stimulating point of view on how the proper location of industries could serve India's long-term industrial ambition. He is the author of two publications: 'Managerial and Industrial Economics' (Ronald Press, New York) and 'Business Management' (Barnes and Noble, New York).

INDIA'S SIZE and abundant resources endow her with an enormous growth potential which makes self-generating industrialization readily attainable. Even though the supply of capital may be slim, far-sighted planners can harness the growth potential inherent in a country of immense resources and market scope for early self-sustaining economic development. They can achieve this with fewer economic controls (though more selective) than those which usually prevail.

The speed with which India capitalizes on her growth potential depends not only on the rate of capital formation and the direction of development, but on the effectiveness with which she organizes and locates industries along economically rational lines. Planners must not only locate industries planned for establishment in the years immediately ahead, they must, at the same time, locate the future industries of national scope a decade ahead. Heavy capital outlays involve decision-making regarding location and industrial organization, which, if based on an incomplete grasp of the nature of the problem, lead to built-in industrial dislocation and both lopsided development and irrational dispersal of industries and a dissipation of investment, making for a wasteful production-pattern of long duration.

Policy-makers must not ignore the productivity potential that derives from the geographic division of labour, a factor well appreciated by both the European Common Market and the Comecon. Taking note of the advantages of geographic specialization of production enjoyed by advanced countries and from the knowledge of this hindsight, planners must, if they are to attain early take off, evolve and project, 15 to 25 years in advance, a high-productivity pattern of geographic specialization of production. Moreover, when a surplus is practically non-existent for 90 per cent of the population and economic progress aspires to improve social welfare, policy-makers have no alternative to the adoption, wherever possible, of efficient capital-cheap, mass-production methods for industry. Industrial planners must, at the outset, (1) employ a logical approach for organizing and establishing capital-cheap mass-production systems of output (wherever prudent) and rationalising the structure of industry, and, then (2) employ a location procedure appropriate to an under-developed economy for locating industry so as to arrive at a rational pattern of geographic specialization of production for the economy as a whole.

RATIONALISATION AND LOCATION OF INDUSTRY

The rationalization of industry obtains gains in productivity (1) through the output of "economy" product models, wherever possible, (2) through the design of products for maximum interchangeability of components, (3) through minimizing the input of scarce materials, (4) through use of production patterns that minimize the input of capital (i.e., through use of capital-cheap production methods), (5) through wider factory adoption of a process-related product line pattern for output of goods, and (6) through the horizontal and vertical combination of plants so as to attain scale economies and intensive use of infrastructure. The foregoing productivity gains (widely enjoyed by advanced countries) that derive from the rationalization of industry are briefly amplified below to indicate that they are readily attainable.

Productivity gains derive from the output of high-utility economy-type models, as do many producers in advanced countries when they aim to expand sales (cars, refrigerators) to the markets of lower income brackets and export markets. A product analysis and simplification programme for an industry's product lines can eliminate non-essential differences and superfluous types and varieties. The designing of components for common use in similar products (radios) and in process-related products (typewriters and business machines) obtains not only improved quality, but the greater interchangeability of parts, yielding big savings. For instance, a single efficient diesel engine designed for trucks, buses, and tractors extends the application of mass-production methods, which lower costs by reducing the amount of factory machinery and tools needed, the amount of inventory stocks required, etc.

Products and processes can be engineered to minimize the input of scarce materials by avoiding the over-designing of components and parts, by designing parts so as to use a substitute material or a lower grade material, and by seeking out or developing processing methods that conserve materials.

The minimizing of capital input (the adoption of capital-cheap methods of output) can be achieved in a number of ways. Engineers can minimize the input of capital by, first, designing products so that they can be put out by economical processes and by maximizing the interchangeability of components, as earlier indicated. Engineers, too, can specify expensive efficient machine methods only for the production line alone. But they would specify less capital-intensive methods and inexpensive facilities for the handling of materials in process, inspection, and other operations that take place in plants. Through multiple-shift production, managers gain intensive use of machinery, thereby reducing depreciation charges per unit of output.

The organization of an industry's divisional units (plants or groups of plants) so that each may specialize in the output of a process-related product line reaps productivity gains from economies of scale. The grouping of products (or their components or parts) on the basis of process-relatedness (the grouping of items that are put out by the same or similar process), simplifies the problem of production and extends the application of mass production methods. This production policy permits the setting up of efficient process-specialized plants, some broadly specialized and some narrowly specialized, that can be tooled up for long production runs. This production approach not only reduces production costs but lowers inventory stocks, increases adaptability of production, and increases the incremental capital output ratio (ICOR).

The horizontal and vertical combination of plants obtains economies because it permits greater use of high-speed machines that reduce the machine cost per unit of output, permits elimination of some terminal operations, permits bulk buying of material and the lowering of stocks of materials, permits the full-time use of highly qualified managerial and technical experts, etc.

To facilitate the locating of industries, analysts ascertain the proportionate cost of materials, labour, production, and market-

ing in the output of goods so that they may identify the primary location determinants or the "high-cost" factor that influences the location decision. For their initial analysis, analysts may, therefore, identify an industry as being material-oriented, labour-oriented, market-oriented, or oriented to complementary industries, e.g. industries related on the basis of common processing technology, joint use of refrigeration plants and port terminals, or the joint exploitation of research brains, as in the case of electronics and pharmaceuticals. In locating an industry, analysts must determine the net impact of the various location determinants ("pulls") by computing comparative advantage on the basis of the long-term (the future) relevant costs.

Labour-oriented industries, in the strict sense, are becoming less common with the increasing mobility of labour and the planning of economic growth. An early locating of major or national industries provides ample time for the establishment and gestation of appropriate schools to turn out the required skilled labour, engineers and technicians, so that the labour "bottleneck" need not disadvantageously influence location or retard industrialization in an economy of planned, rational growth. The economy, too, enjoys the benefit of early establishment, at the right place, of the research laboratory for early and timely integration of research with an infant industry struggling with problems of technology during its infancy. Because scientists and engineers can be legitimate lobbyists, the early rational location of laboratories helps insure that industries are rationally located. **Market-oriented industries** are more typical in fields of late-stage production, as in the case of producers of business machines, machine tools, and cosmetics who locate accessible to a major consuming area for effective technical communication with purchasers and for effective marketing. **Material-oriented industries,** analysts locate at the source of materials when the proportionate cost of material transport is relatively high and processing materials at the source (e.g. ore beneficiation, canning), appreciably lowers monetary shipping costs. When decision makers do not apply the proper time horizon and do not correctly appraise future transport possibilities (e.g. air cargo, tankers for orange juice and for wine shipment), an existing special distribution of resources or a historic location of an industry (i.e. textiles) can abnormally or disadvantageously influence the location of related industries (machine building) or plants dependent on basic industries for materials. A sound grasp of the economics of location is paramount for planning economic development and for obtaining a rational allocation of the nation's resources, particularly in countries experiencing a fast pace of growth in those key segments of the economy that will decidedly influence the pattern of future development of industry, demography, and society generally.

Appropriate Cost Analysis

The location of a single plant or a big enterprise in an advanced country generally involves a comparatively small capacity addition relative to the size of the economy, and typically, location is determined on the basis of the lowest unit cost of production and distribution. This conventional location procedure, more appropriate for an advanced economy or for a relatively stagnant one, essentially adapts new capacity to an existing economic environment and pattern of geographic specialization of production which has gradually evolved, as producers in high cost areas were weeded out by the competitive process and the automatic operation of the law of comparative advantage (i.e. weeded out to the extent that industry is not monopolistic and a sellers' market not of long duration).

When comparatively small increments to capacity (i.e. relative to the size of the economic sector) are to be located, the conventional location procedure would obviously identify the various location "pulls" as being essentially "external." In a developing economy (assuming rational planning), the simultaneous location of related industries (or their divisional units) obviously converts these "external" pulls into "internal" economic inter-relationships.

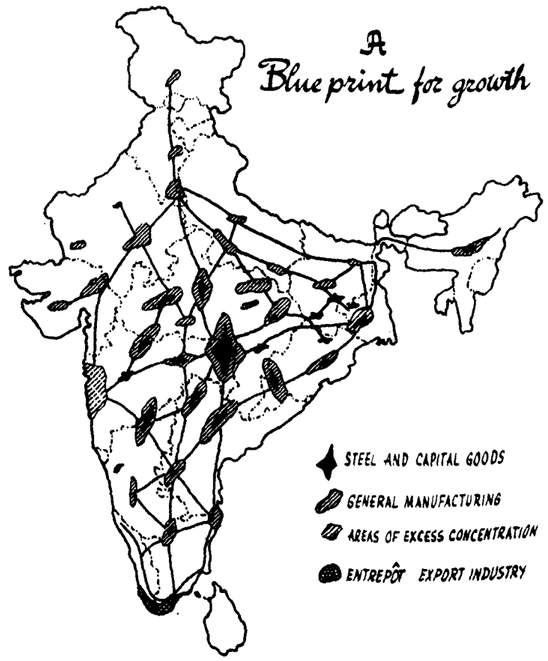
Conceptually, planners can identify the "ideal" location for an industry (or for its divisional units) on the basis of the lowest long-term unit cost of output computed in terms of the future cost of materials, production and distribution of products to market areas. In a developing economy, planners must essentially evolve a rational pattern for geographic specialization of industry by assessing the regional distribution of resources, analysing the projected (future) economic structure (particularly industry inter-relations and structure), and using future costs (the relevant time horizon) to determine the location of industry on the basis of the "calculated" law of comparative advantage.

Policy makers should be aware that logically planned industrial segments or complexes (particularly on the basis of simultaneous establishment of a cluster of related plants and infra-structure) essentially create the economic environment necessary for optimum production. Relatively large increments to capacity, therefore, call for cost computations conceptually appropriate for a planned industrial structure and pattern of development.

Design and Location of Complexes

By cross-classifying industries on the basis of such characteristics as the degree of technological similarity (i.e. with reference to processes, materials, distribution channels), and infrastructure required, analysts are able to design industrial complexes for a given major field of production that contain features which make for adaptability as well as scale economies. Industrial complexes would, of course, differ with respect to the scale (bigness) of optimum size, number of plants that comprise the complex, and whether they call for a single location or can be designed for multiple location.

Industrial planners can, therefore, design high-productivity complexes for ease of expansion, convertibility, and





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breadth in range of work that they can perform (i.e. with respect to degree of specialization). They would locate, on the basis of comparative advantage, industrial complexes in the region and area that yields the highest long-term increasing returns. Analysts well appreciate the economic potentialities that derive from industry inter-relationship. Similarity (and complementariness) among related industries tends to grow as engineers increasingly design related products for wider interchangeability of major components.

In determining the location of an industry, analysts first ascertain the extent to which an industry is technologically related to other industries, both the present and the future industries planned for establishment. Analysts should combine and integrate a complementary group of industries so as to make up rational complexes, in order that the national economy may reap the inherent scale economies and enjoy the production flexibility that derives from effective structuring of industries. Generally, the locating of well-designed complexes of related industries at a single centre (or a few centres) reduces transport cost per ton, lowers the level of material inventory stocks that must be prudently carried, as well as gains scale economies. Since they feed one another, these industrial complexes are "self-contained' for purposes of "internal" production, while conforming to geographic specialization in terms of supplying national and international markets with products of high-unit value.

The Gains of Geographic Specialisation

The rational structure of industry obviously yields big economies. When planners go further and employ economic logic to locate industries, the resulting geographic specialization of production which they obtain achieves additional benefits from external as well as internal economies and it can achieve a productive dispersal of industry which can markedly stimulate general economic development.

For instance: (1) Producers in a specialized industrial area find greater opportunity to apply mass production methods because of the presence of complementary establishments. (2) Lower transportation and distribution costs derive from the use of appropriate transportation facilities and terminals and markedly smaller overall material inventory stocks. (3) The industry's incremental capital output ratio increases and gestation time declines (requiring less investment and time to create a given increase in output capacity) from the more intensive use of specialized infra-structure and mass-production methods of output. (4) Greater production adaptability, (enabling the industry to readily put out new models, prototypes and military hardware) stems from the presence of complementary producers, including larger jobbing-type feeder plants. (5) A well-equipped laboratory supported by a sizable production unit assures a flow of technological innovations that maintains the industry's competitive position in international trade. A research centre for a given field of production (e.g. radio and television sets, or electronics) for example, quickly and economically establishes indigenous output of components and production of quality at low costs, expands exports and improves the country's balance of payments position. The larger among the developing countries can not only avoid the emergence of economic irrationality, they have, in fact, an excellent opportunity to develop a rational, highly productive and adaptable economy. Much depends on the planners' capacity to identify a sound structure for an industry and how to arrive at it and the capacity to identify industry inter-relationship crucial for location strategy.

Policy makers must conceive the nation's economic growth and the location of industry from a broad, long-term point of view, and they must evaluate the impact of industrialization and industry location on the economy as a whole and on its various regions. Their growth plans must derive from cogent economic logic that demonstrates that their proposals can attain national goals more effectively than alternative proposals.

INDIA: RATIONAL LOCATION

Location planners must develop a sufficiently broad and integrated dispersal of industry and other economic activity to attain general as well as selected economic growth, and they must provide adequate flexibility to accommodate shifts in emphasis of development that may stem from technological progress or other forces.

On the basis of a survey of resources and production technology and a projected structure of the economy, planners can design the outline of the country's geographic specialization of production for a decade or two ahead. Their location projection would outline the economy's transportation and power system, the geographic specialization of agriculture and other extractive industries, and spacial distribution of heavy industry, general manufacturing, and other economic activities. Because economic activity is inter-related and the location of certain industries influences the location of other industries, planners pursue a logically sequential, a chain reaction, path (periodically back-tracking) for locating industries. Successively, they locate industries, taking into account the relevant costs.

For their initial outline of geographic specialisation of production, planners focus on major resource-based industries (the agricultural and metallurgical) and the national infrastructure — the transportation and power system. Location analysts well know that long-term power costs drop as power output rises, the range of transmission increases, and the emerging power "grid" improves the reliability of supply. (The projected growth of power and transport systems provides the derived demand, the market, for equipment to be put out by plants that analysts locate in appropriate areas). Analysts, too, can anticipate cheaper transport as the system expands, having been early inaugurated because of long gestation time. The expansion of transportation opens up regions. By linking small trading and producing centres, it enlarges the market scope, providing basis for adoption of larger-scale methods of production. Thus, from the grass roots level, the professional planner evolves a scheme for geographic specialization of industries as outlined below.

Agro-Based Industries

To promote growth, rural developers carry out a detailed survey of an area's economic potential — a study of future crops, emergence of key transportation cross-road points, an estimate of the character of economic development in the area, and availability of other resources, e.g., limestone for output of cement. In this way, they locate a viable production centre for a cluster of related enterprises that, in time, can evolve into a rural manufacturing centre. These rural nodes of growth may be comprised of such agro-based industries and services as textile mills, paper mills, vegetable oil mills, dairies, veterinary dispensaries, meat packing plants, repair shops, agricultural colleges, extension service, and hospitals. On the basis of careful preparation and so that these selected strategic "growth" points may acquire momentum and flower, rural developers programme the simultaneous emergence of a number of the more closely related enterprises. The early emergence of rural production and cultural centres and experienced professional personnel offers planners alternative sites for manufacturing centres and, incidentally, the flexibility needed for effective economic growth.

On the basis of continuing surveys, planners can project the nature of an area's future production. They uncover locations for such resource-tied industries as that of fertilizer plants, lumber and pulp mills, petroleum and petro-chemical plants, bauxite mines and alumina and aluminium plants, and other non-ferrous mining and smelting facilities. Planners would rate

resources for future exploitation on the basis of richness, accessibility, and feasibility for optimum size extracting and processing facilities. Planners study the transportation and power system in determining the economic feasibility of production at promising locations. Areas of low-cost power, for instance, can be designated for future electro-chemical and electro-metallurgical plants. Survey of markets, nature of an area's resources, and the future cost of extraction and processing do help planners to identify and characterize the kind of the specialized production that will eventually emerge in a given area. In order that they may attain a single labour market, more intensive use of local infrastructure and greater momentum for growth, rural developers, where economically feasible, locate near an agro-based production centre one or more complementary facilities—fertilizer plant, pulp mill, cement plant.

Steel and Heavy Engineering Centres

Areas well endowed with deposits of iron, coking coal, and limestone are obviously areas for iron and steel centres. Cost studies generally identify coal mining rather than iron mining centres as locations for steel works that yield lowest costs. Special conditions, including the pull of large markets and adequacy of transporation may, however, permit economic location of steel works at both ends—at ore mining centres and at coal centres. Where coal is readily accessible but deposits of iron absent, water borne supply of ore permits erection of steel centres. A long-range projection of the national infrastructure, the location of future steel-consuming industries would indubitably identify a number of profitable new steel centres, which in the short run could put out structural steel to expand national infrastructure.

Though the natural perspective plan could forecast the future steel demand (say, for a decade ahead), it would not clearly indicate the market areas that will consume steel. The markets for finished and semi-fabricated steel are determined by the future location pattern of metal consuming industries—centres that will produce plant machinery, tractors, trucks, etc. In order that they may correctly specify the type of steel finishing capacity needed, planners must identify the future areas of the steel consuming industries and the kinds of semi-fabricated steel required. By taking into account shipping costs to these future markets, planners could more adequately evaluate the relative productiveness of potential steel producing centres.

In programming expansion of steel capacity, planners are patently involved with the problem of locating the specialized divisional units (process-related product lines) of the heavy engineering industries—centres for the output of heavy machinery, railways rolling stock, structural steel and other capital goods. Planners' cost studies generally favour the location of many of the heavy fabrication-and-assembly works at iron and steel complexes. The early planned linking of such works to steel rolling mills would yield economies from vertical integration, permit more intensive use of infrastructure, and increase the I.C.O.R.

Planners, moreover, must design the most efficient pattern of specialization (rational process-related product lines) for the heavy engineering industry for the period of full-blow geographic specialization of production. They can pre-determine the future specialization for the industry's various divisional units by, first, analysing the perspective plan's output targets (say, for the mid 70's) for capital goods, and, then group the items that call for similar processing technology so that they may form a number of rational product lines that can be efficiently put out.

Expansion over the years would generally call for the additional kinds of production specialization (generally narrower specialization) and the need for the reallocation of production and the recasting of specialization among the different production centres. The rapid expansion of the heavy engineering industries raises the problem of how to eventually obtain effective specialization in the industry. The general indivisibility (the "lumpiness") of capital (plant facilities) poses the problem of securing effective transition (if possible, without heavy obsolescence) to the desired specialization of the divisional units of the industry.

Perspective Planning

Perspective planning that anticipates such problems would clearly project the direction of industrialization, thereby markedly facilitating the location and programming of the heavy engineering industry so as to minimize the problem of inherent indivisibility of capital in the field of production, i.e., to minimize the difficulty of attaining good specialization for the short run and its easy transition to the ideal long-run specialization.

For the earlier period of economic development, planners must correctly determine the initial emphasis in the direction of development, the types of goods to be provided indigenously and, conversely, the goods to be imported. Professional planners often find it wise to import needed quantities of consumer goods, foregoing for a time the provision of capacity for these items, and concentrating development resources for the more rapid expansion (bigger increments of specialized capacity) in those fields wherein productive capacity is more indivisible. In this way they conserve both planning effort and scarce resources (and, also, prescribe less austerity) and more quickly attain the ideal long-run specialization, as well as circumvent the need, in many fields of production, for conversion of short-run to long-run specialization.

Professional planners obtain effective transition of short-run

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to the ideal long-run specialization by analysing the vertical stages of production and the products to be put out in the remaining industrial segments where indivisible productive capi- that is involved. Such analysis aids in identifying the "ideal" plant location and specialization for early-stage, intermediate-stage and final-stage plants so that, in the end, planners can arrive at an optimum combination of specialized plants for each multiple-plant unit.

For items to be put out in larger volume, planners would formulate process-related product lines so as to permit erection of specialized plants for efficient output. For items to be put out in small quantities (industrial instruments, military hardware, prototype products for laboratories), planners would group and formulate a number of broader product lines on the basis of broader process-relatedness and erect somewhat more versatile output capacity. Here the economy would enjoy as much specialization as is possible.

New items to be put out in small quantities would be placed to the appropriate special-purpose "job-shop" complex. As items in such a complex increase in output volume, planners would erect specialized capacity for their output. In short, planners would provide more specialized production facilities for new capacity and they would reallocate production lines so that the economy could move to a more sophisticated high productivity system of production, that is readily obtainable by competent professional industrial planners.

Machine-Building Centres

The increasing demand for sugar, dairy products, textiles and other processed farm products creates in the agro-based industries a derived demand for machinery to equip new plants and re-equip old ones. The analyst aims to locate the machine-building industry for accessibility to the scattered agro-based industries (the market) so as to attain economical distribution. He aims for an efficient marketing system and technical communication with the equipment users in order that the industry may readily improve machine models. By locating the industry (i.e. its specialized divisional units) accessible to the present and future market as a whole, he will offset whatever larger raw material hauls that may be entailed. The locating of industrial complex at one central area (later new divisions at two or more places) attains not only the intensive use of infra-structure and advances from a research centre closely geared to the needs of the industry, but a number of internal economies. These economies will come out of a system of more or less specialized plants (parts fabricating plants and assembly plants) rationally organized to turn out process-related items.

Assessing all the economic factors and the need for a progressive industry, the analyst locates the complex in the centre of the Subcontinent. His location decision is influenced by the long-term economies that are to be generated by a rationalized industrial complex, the benefits from market accessibility and the decreasing long-term cost of transport for raw materials. The analyst projects an optimum size industrial complex (feeder plants and all) to put out machinery, though he knows, on the basis of perspective targets, that such capacity cannot be utilized in the years immediately ahead. The analyst, however, is confident that he will uncover closely related production which will profitably take up the available capacity. Carrying out field research to substantiate his desk-office location study, the analyst undertakes to locate a related industry—that of farm machinery and tractor production.

Farm Machinery & Tractors

The development of agriculture will determine the types and quantities of farm machinery that will be put out in the years ahead. The farm machinery industry will undoubtedly loom large in the industrial sector. The planners will initially project for early establishment one centre for this industry to be followed by two or more. The specific models (i.e. a versatile combine, an all-purpose tractor) to be put out in mass quantity essentially depend on the opportunities for increasing farm yield through mechanization. Though accessibility to iron and steel sources play an important roll in locating the industry, the substantially greater advantages to be derived from good accessability to the markets (because of the bulkiness of the items and high freight charges) dub this industry as decidedly market-oriented. Nonetheless, the analyst takes into account the collective impact of all the physical and economic influences in determing the most economic location for the industrial complex for the long pull. The analyst ascertains the location yielding the lowest future cost of output independent, for the moment, of location projections for related industries that are emerging in the pattern of the future geographic specialization of production. He notes happily that the location coincides, more or less, with the location of the machines building complex earlier located in the centre of the Subcontinent. The Central Industrial District will now produce at a rate of output approaching that of the optimum capacity earlier projected. Moreover the industrial area will generate pronounced internal and external economies. The analyst, too, finds that the tractor works will do best in the Central Industrial District. The related ancillary plants will include a diesel engine plant, tool and die shop, and other feeder plants.

Machine Tool Centres

The manufacture of machine tools is one of the most intricate lines of output of all the engineering industries. Their production calls for the kind of highly skilled labour generally available at major industrial areas. Because the product (machine tools) is of high value, accessibility to sources of steel is not a factor of location. Moreover, its high unit value permits shipping to distant markets. On the basis of location patterns in advanced countries, the analyst would locate a major part of this decidedly market-oriented industry (i.e. its major complex of plants) at the major industrial centres of the country. Location at the market, that is, at the major machinery producing centres (centres for combines, tractors, trucks, and plant machinery), is obligatory because of the need for provision of parts and repair service, close technical communication with machine users, and development and testing of improved models.

Location at a major industrial area would mean the availability, from existing feeder plants, of important components (motors, control devices, etc.), forgings, castings, and other semi-fabricated parts. The use of the same plant ancillary system that supply the tractor, trucks, and other related industries would mean the availability of high-quality, lower-priced components and less need of investment in ancillary plants. This, of course, increases the industry's capital output ratio. For long-term efficiency and technical advancement of the industry, each of the machine tool industry's divisions would specialize in the output of one type (e.g. lathes or shapers) of machine tool of standard make and several specialized models and sizes. Each specialized division of the industry should be located accessible to the major users (the machine-building and other engineering industries) so as to attain the kind of close technical association necessary for the industry's advancement, with progress being underpinned by adjacent well-established machine-tool research centres.

India's size and growth potential demands nothing short of a highly developed machine tool industry, putting out the lion's share of its capital requirements. (Highly specialized machine tools would of course require importation). A projection into the 1980's would show up several divisions of the industry each located and closely associated with a major industrial region comprised of related industries. An early development and projection of the country's rational geographic specialization of industry is mandatory for the rational progressive growth of this key industry and for the successful

long-term industrialization of the subcontinent. Ill-conceived, scattered locations of machine-tool plants, during the early stages of development would mean that some of the plants would not effectively conform to the rational geographic specialization of industry. Without the economic and technical environment necessary for progressive development, ill-located plants would remain retarded, putting out obsolete models at high costs.

Motor Vehicle Centres

On the basis of economic analysis, planners would centrally locate the motor vehicle industry (output of cars, trucks, buses, jeeps) so as to obtain efficiency in the distribution of the vehicles and the maximum economies from use of mass-production methods of output. He would, at the same time, seek a location that would call for the smallest investment to establish plant capacity for output of vehicles. The locating of the industry in the centre of the Subcontinent would obtain an efficient distribution of vehicles and repair parts to the surrounding market areas. The tractor industry's distribution channels may provide a ready system for marketing the truck share of the output. The existing infra-structure and system of ancillary feeder plants would supply diesel engines, tyres, tubes, axles and other required items that go into the assembly of vehicles. Moreover, the well-developed machine tool industry in the area and the machine-building complexes and tool and die shops could readily fabricate the required plant facilities. The vehicle industry could be established by a surprisingly low-investment.

The presence of a large community of scientists, experienced engineers and well-established research laboratories would, as a normal process of industrialization, naturally and patently, lead to the designing of a high-utility economy line of vehicles, mass-produced on the basis of maximum interchangeability of component for the domestic market and for an expanding export market of the hemisphere.

In anticipation of possible over-expansion of the Subcontinent's Central industrial area, industry analysts would plan a branch assembly plant for location in the northern basin and in the southern region of the Subcontinent. Expansion of the industry in the areas would (as pre-planned) step up the demand in these areas and take up the pre-planned available output capacity of the divisional units of related engineering industries projected for establishment at optimum scale.

The structuring and locating of an optimum size industrial district is illustrated by the Central Industrial District for capital goods output (machinery, agricultural equipment, machine tools, and motor vehicles) located in the central area (say, for instance, within a score or two miles of Nagpur) of the Subcontinent (see map). The analyst had individually located the complexes (divisional units of the capital goods industries) to demonstrate that each selected location was determined on the basis of the economies of location. The analyst could have just as well located the industrial district as a whole on the basis of location economics.

The Central Industrial District (essentially a rationalized capital-goods industrial complex) would primarily consist of a merger of specialized complexes engaged in the output of industrial machinery, machine tools, agricultural machinery and tractors, and motor vehicles. The pattern of the emerging geographic specialization of industry would consist of a rationally dispersed constellation of inter-related specialized industrial complexes — the Central capital-goods complex, steel and heavy engineering complexes, and a number of specialized manufacturing complexes ("general manufacturing") each putting out related consumer and capital-goods. Each of the latter specialized complexes would exploit a major field of technology in the production of a material-related, process-related, or market-related product line. Taking into account the peculiar techno-economic inter-relationships between the industrial complexes, the analyst locates each industrial complex on the basis of material orientedness, market orientedness, technological complementariness and the long-term potentialities of transportation. He would, for instance, locate — a "business machines, precision products and electronics" centre; a "pharmaceutical and cosmetics" centre; a "plastics and rubber products" centre, etc.

Entrepot Industries

Area surveys will continue to identify resources for organized exploitation. Some may be unique geographic situations. For instance, the unique geographic situation of the southern tip of the Subcontinent offers an opportunity for establishing



Why should anybody demand disclosure of Ministers' assets?

entrepot industries (see map). The increasing expansion of merchant shipping in the years ahead indicates that immense quantities of low-priced raw materials will flow past the southern tip of India. This means that low-priced raw materials can be readily imported, produced, and exported as final products. For example, grain can be distilled into whisky for export, crude oil refined into fuel oil (for refueling ships) and into petro-chemicals items for export, natural rubber converted into rubber products for export, etc. Readily available low-price material permits setting up optimum size plants for processing the materials into semi-manufactures and final products. Part of the output would go for home consumption, a large share would be exported. The economic feasibility of setting up optimum size plants more readily in southern India than in other areas of the hemisphere is the economic logic of the argument.

Rationalising Production

Industrial economists continue their analysis of output targets for goods, in the perspective plan in order that they may design rational lines of production and plants for location in rural and other areas. For example, they would, on the basis of process-relatedness, and demand-relatedness, make up a product line for output of radio and television sets, a product line for output of home electrical appliances, a product line for output of business machines, etc. For each industry, they would essentially structure a rational optimum size complex (a divisional output of the industry), though they know that the capacity of the initially projected complex cannot be fully used in the immediate years. Analysts overcome the inadequacy of demand (i.e. overcome the indivisibility of demand) by grouping two or more process-related and demand-related complexes to make up an optimum size industrial district, with capacity appropriately "cut back" to that required. How this is done is explained below.

The analyst is keenly aware that he rationalizes production and attains economies of scale by designing a production system (comprised of two or more related complexes) wherein assembly plants putting out separate product lines receive components supplied by a common group of specialized ancillary plants of optimum size. Stated conversely, he sets up optimum size specialized ancillary plants to supply components (including interchangeable items) to groups of final assembly plants each of which puts out a separate line of products. In this fashion the analyst merges (telescopes) "capacity" in the earlier stages of production of two or more process-related complexes.

The rationalization of production begins (as we recall in our earlier reading) at the product design stage wherein he designs (wherever economically prudent) high-utility economy-type products for maximum interchangeability of components for output by capital-cheap mass-production methods of production. If the process-related lines of product are also demand-related, he augments scale economies from production with scale economies derived from employing a mass destruction system and an economical system for supplying of repair parts and product maintenance.

The National Plan for economic growth gradually steps up agricultural output by promoting and bringing about a shift from a lower to a technically higher level of output of crops by means of the adoption and use of improved seeds, fertilizer, mechanised methods of output, etc. The expansion of agricultural output enlarges the rural growth points. To complete the cycle necessary to arrive at full-blown geographic specialization of production, analysts successively revert to the rural industrial nodes, the growth points. They find appropriate growth points for the location of carefully-selected inter-related manufacturing enterprises (i.e. small optimum size complexes).

To take up unused resources for the promotion of economic growth, the analyst continues to design high-productivity specialized industrial districts of appropriate size (i.e. avoiding excess concentration) to put out capital goods and consumer goods. On the basis of economic analysis, he locates the industrial districts to obtain rationally dispersed geographic specialization of production. His location pattern is designed to draw labour from areas of excess to areas of sparse population where productive employment is being created (see map).

Analysts can achieve balanced economic development by programming pre-designed vertical industrial segments (a group of related projects vertically linked to the stages of production from primary raw material to final product) in conformity to a pre-determined pattern of geographic specialization of industries. The vertical segments for development should be programmed in an economically logical sequence to maintain balanced growth. The programming of neat vertical segments can be gradually stepped up to a rate that absorbs available resources. As programmed development continues it shifts resources from a lower to a higher level of production technology, thereby increasing productivity and generating a rising G.N.P. (Space does not permit elaboration on this companion planning process related to pre-determined geographic specialization for obtaining balanced accelerated economic growth).



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WINDOW ON THE WORLD

Faster E.C.M. Duty Reduction

From Our Special Correspondent

PARIS:

WHEN THE Council of Ministers of the Six meets in Brussels on Feb. 24 and 25, it will have a surprise entry on its agenda: the West German proposition to double the tariff cut scheduled for Dec. 31 next. Tariffs on manufactures traded between the Six are already only 40 per cent of what they were before the Rome Treaty came into effect, because in addition to the successive 10 per cent cuts foreseen by the Treaty an extra reduction of the same amount was decreed two years ago. Another normal 10 per cent reduction is due at the end of this year, and the West Germans are suggesting that it be 20 per cent instead. Thus internal tariffs in the new year would be a mere fifth of their original level, at which point very many of them cease to have any real protective effect. The full customs union would be in sight, three years before the term set in the Rome Treaty.

This acceleration is not surprising, for once firms have seen that ultimately tariffs will be abolished altogether and made their dispositions accordingly, they do not mind how fast duties fall. For example, take the hypothetical case of Italian and West German refrigerator manufacturers marketing their goods in France and Benelux. They might not wait for each 10 per cent reduction in import tariffs in order to cut their selling price in proportion. Rather, with the object of getting established in the market before their rivals, they will start selling as though the duty were already zero, paying the tariff out of their profit margin meantime. The sooner the duty goes, the sooner they cut this loss. Conversely, makers of refrigerators in France and Benelux have not delayed their defensive action until tariffs are zero. They have effected the required concentration, made the necessary investments, completed arrangements for specialisation and so on; once they have done all this, they are ready to see duties reduced rapidly — especially if their plans include some market-splitting pact with foreign rivals, which will bear fruit as other nations' duties are reduced.

Business Plans Ahead

Of course, that would be the most favourable of cases, and one could find instances where every six or 12 months' respite was appreciated by firms that were having trouble adjusting to increasing competition. But any industry that needed the full 12 years allowed by the Rome Treaty to get ready for the customs union would be a condemned industry. In general, business plans several years ahead, and is not embarrassed when what it planned for comes about rather earlier than expected. So much so that one may prophesy that if the Six accept the West German plan for a 20 per cent cut in tariffs at the end of this year, the remaining 20 per cent duties will soon seem unnecessary and will probably be abolished before 1967. It will be remembered that the first acceleration of tariff disarmament was due to French initiative; the latest one is a German idea and has not been unfavourably received by French industry. The major Common Market industries, then, are agreed on the feasibility of hastening toward a customs union and there is no question of sectional opposition such as has dogged the introduction of free trade in farm produce.

However, that does not mean that such suggestions are innocent of ulterior political motives on the part of the governments that sponsor them. For example, the original French move to reduce internal tariffs more quickly than planned had an obvious purpose: it brought forward the date at which the Six had to approach the common external tariff. Every time internal duties go down 30 per cent, the Six are bound to move a third nearer the common tariff on goods imported from outside, the French and Italians going down a third and the Germans and Benelux up a third. At the time, freer imports from outside Europe happened to suit French domestic policy, whereas to make imports from outside Europe harder for Germany and Benelux meant giving French exports a relative advantage there. More generally, Paris was anxious to assert the Common Market's individuality by erecting the uniform tariff barrier around the region.

The Kennedy Round

Naturally, the Germans do not have that objective in mind when making their suggestion this month. Instead, they are thinking of the Kennedy Round of tariff negotiations with the USA and other outsiders. In his recent Press conference, President de Gaulle indicated that concessions to outsiders, while welcome in principle if genuinely reciprocal, should take second place to consolidation of the Six's own economic unity. Bonn has taken him at his word, replying, "Very well then, let us hasten the customs union in our territory and then there will be less reason to object to making the concessions required in the Kennedy Round". The move is astute, in that it undermines the French argument that it is Paris that has Continental economic unity at heart while the Germans are forever hankering after freer trade with outsiders.

In fact, as the West German proposal is laid out more frankly one will find that Bonn is making a conditional offer: if the tariff talks in Geneva go well and if the French make no obstacle to a reduction of duties on both sides of the Atlantic, then the six-nation customs union will be hurried up. In other words, when the French urged speedier tariff disarmament it was with the idea of marking off the Six from the rest of the world; when the Germans make the same suggestion today it is with the contrary object of ensuring that at Geneva the Six open up their market to the rest of the world. Reactions to this proposal in France and in Italy are different depending on whether one consults private industry, or the State which has to bear in mind the interests of the farming community as well as of secondary industry.

Industrialists generally are favourable; the prospect of genuinely equal concessions between the Common Market and the USA attracts them as much as speedier tariff disarmament inside the Common Market. The operative phrase, however, is genuinely equal concessions, not just apparently equal reductions of low Common Market duties and high US (and British) tariffs. On this point, the preparation of the Kennedy Round is at present paralysed; committee meetings scheduled for this month have been postponed and there is some gloom in Geneva about the possibility of starting the negotiations in May. The situation is that the Six have informed the USA that over 1,000 of its duties are exorbitantly high in comparison with their own tariffs, so that it will not do to halve both. They suggest that the higher American tariff be reduced by 50 per cent, while the lower Common Market duty be clipped by only 25 per cent. For all other duties, where US and European levies are roughly comparable, the straight 50 per cent reduction would be acceptable — though even there, there are reservations on both sides about particular items that one party or the other wants excluded from the bargaining.

On all this, however, there seems to be no difference of opinion between industrialists in the various Common Market countries. West German firms are no more anxious to make gifts to US exporters than are firms elsewhere in the region. In the most sensitive sector of all, chemicals, the successors of I. G. Farben are keenly aware of the enormity of the American proposals, for US imposts on chemicals are by far superior to Common Market duties. Thus the latest suggestion from Bonn—speedier internal customs disarmament in return for liberalism in the Kennedy Round — drives no wedge between the Six at the level of private industry.

Not so at the governmental level. Here the agricultural issue complicates everything. The Kennedy Round covers farm produce as well as manufactures, so liberalism in Geneva would entail concessions to American exporters of such produce —whereas the German quid pro quo of faster tariff reduction inside Europe does not cover trade in primary produce, but relates only to manufactures. Obviously, the French will be asking for more substantial measures of economic unification between the Six before committing themselves to concessions in Geneva. The only explicit pre-condition set by President de Gaulle so far is that the agreement on trade in farm produce reached in Brussels just before Christmas should be translated in reality, in the form of detailed regulations. Actually, progress there has been surprisingly rapid. It had been feared that West Germany and Holland, for example, might try to take back in detail what they were obliged to concede in principle in December. That has not happened, and if there is any delay in promulgating the new regulations it will be due only to the considerable technical difficulty of setting out extremely complicated regulations in four languages.

Having got so much in return for a promise to be cooperative in the Kennedy Round, it would be characteristic if the French now tried to get even more before keeping their vague promise. Specifically, they will be tempted to force an agreement on uniform cereals prices throughout the Common Market, along the lines of the Mansholt plan. Paris is in two minds about this because uniform grain prices would mean (in addition to lower revenues for German farmers) higher revenues for French farmers — and the moment is not well chosen for that, granted that France is combating inflation. Still, it is in this direction that Paris will seek to bind the Six more firmly together before confronting the Americans in Geneva. The prospect of quicker duty reductions in Europe is not regarded as adequate compensation.

Tax Cut Will Stimulate Expansion

By GUY SIMS FITCH

WASHINGTON:

NOW THAT the long-discussed federal income tax reduction is nearing final Congressional approval — probably to become law by the end of this month — it is appropriate to examine what its impact is likely to be on the American economy. The estimate of President Johnson's Council of Economic Advisers is that the cut in taxes — now estimated at a total of about $11,600 million — would add about $30,000 million to economic activity each year. This estimate is based on the expectation that the money released by the tax cut will find its way into certain patterns of spending and investing, in line with past experience and anticipated developments.

When the two-stage tax cut will be in full effect from January 1, 1965, the after-tax incomes of individuals in the United States would be about $9,000 million higher than they are now. In addition, corporate after-tax earnings would rise by about $2,500 million, and on the basis of past experience, it can be expected that corporations would step up their dividend payments to individuals by nearly $1,000 million. Thus, the total increase in consumer spendable income would come to about $10,000 million. Past patterns suggest that consumers will spend between 92 per cent and 94 per cent of this additional income, or approximately $9,000 million. This increase in spending, or demand for goods and services, would spur higher production and hence lead to higher employment, payrolls, and earnings. And these increases, in turn, would generate still further increases in incomes and spending. Again using experience as a guide, and applying carefully devised formulae, Government economists estimate that the chain reaction set off by an initial $9,000 million in consumer spending actually would mean an $18,000 million rise in overall economic activity.

Meanwhile, as industrial production rose in response to rising sales, and as companies began to feel the direct impact of lower tax rates on their own operations, business men would have a further incentive to increase their investments in new plant and equipment and their outlays on inventories. It is significant that the latest private survey already shows a substantial upgrading of investment plans — to a figure about nine per cent above last year's record total as against the four per cent rise projected only a few months ago.

It is reasonable to assume that anticipation of an early tax cut, along with the general vigour of economic activity, has been instrumental in this development. It would not be surprising to see the capital investment total, which usually follows business trends, rise even more as economic activity continues to move upward. The income tax cut also has a buoyant effect on public spending, even if federal outlays do not rise very much. As federal tax cuts help raise incomes, they would tend to increase State and local revenues by an amount estimated at close to $3,000 million under present conditions. This would stimulate more spending by State and Local Governments on schools, hospitals, roads, and other public facilities and services. Higher incomes also would help accelerate the buying and hence the building of new homes.

Chain Reaction Principle

Government economists place the combined total of this enlarged public and private industry spending at between $5,000 million and $7,000 million a year. Applying the chain reaction principle as before, they see total economic activity spurred by as much as $10,000 million to $14,000 million thereby. Adding this to the $18,000 million impact resulting from consumer activity, makes for the grand total of about $30,000 million.

All this is essentially a simplification — perhaps an oversimplification — of a complicated economic process, and there is no guarantee that things will turn out as exactly as projected in all details. If they do, it will make for a signal triumph in the realm of economic theory and practice. Barring unforeseen circumstances, the tax cut certainly figures to have the desired effect of further accelerating what is already a vibrant expansion. Thus, it promises to bring significantly closer the goal of a fully employed economy, one making optimum use of its vast productive resources.

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LISTENING POSTS

Plea for Tax Reforms

By Our Special Correspondent

NEW DELHI:

IN ITS new study dealing with the foreign investor and tax reforms, the National Council of Applied Economic Research has come to the conclusion that the incidence of taxation in this country on the branches of foreign companies as well as subsidiaries is heavy and this discourages inflow of foreign investments. The foreign investor seeking to set up a branch abroad "will find that the tax burden renders India a less attractive place for investment than several other countries". Table I, below, showing the corporate tax rates on foreign branches in India and some selected countries, reveals that the corporate tax on foreign branches is the highest in India at 63 per cent, as against 30 per cent in the Philippines, 40 per cent in Malaya and 53.75 per cent in the U.K. The incidence in the case of a subsidiary making 100 per cent

TABLE I

CORPORATE TAX RATE ON FOREIGN BRANCHES

Advanced countries	Tax rate on foreign branch	Developing countries	Tax rate on foreign branch
Japan	49%	Philippines	30%
Australia	40%	Malaya	40%
United Kingdom	53.75%	Peru	37%
France	50%	Columbia	40%
Canada	51.5%	Venezuela	45%
		India	63%

dividend distribution is still higher in India at 67.5 per cent as against 44 per cent in Japan and 35.25 per cent in the Philippines (see table II alongside).

The Council has made a set of twelve recommendations — five in regard to personal taxation, two in respect of taxation of registered professional firms and the remaining five in regard to corporate taxation. They are:

1. As regards the concession offered to foreign technician, the restriction by which the tax exemption is denied if the idividual had been resident in India in any of the four financial years immediately preceding the year in which he arrives in India, should be removed.

2. The time limit of six months for tax exemption for foreign managerial personnel should be extended and they should be treated on par with technicians in constructional or manufacturing operations.

3. In view of the additional expenditures incurred by foreign personnel serving in India, a system of tax-free allowances may be constituted. This should take account of two special requirements of foreign nationals: (a) recurring expenditure on education of children and/or maintenance of other dependents in home countries, and (b) actual expenses incurred on medical treatment. The system of special allowances should, of course, specify maximum limits.

4. The taxes on the investment income of a non-resident individual, when his income consists only of dividends and/or interest, should be limited to 30 per cent, without any additional tax liability. Moreover, the non-resident individual should not be required to file any returns of income.

5. Pensions of foreign personnel should be charged to tax at the scheduled rates applicable to residents without taking into consideration the foreign incomes of these individuals. Further, in the case of foreign employees, Government may permit the trustees of superannuation funds to take out insurance policies with insurance companies of their home country, if they so desire. Indian taxes due on pension would continue to be paid by the trustees.

6. Registered firms in legal, accounting and similar professions, which are prevented by Indian laws and regulations from forming themselves into companies, may not be subjected to income-tax on the registered firm as such.

7. The partners of a registered professional firm may be allowed tax relief in respect of contributions to approved superannuation and provident funds, now restricted in the income-tax law to employees only.

Company Taxation

8. In order to make the "tax-holiday" granted to new enterprises more effective, carry-forward facilities should be built into the relevant section of the income-tax law.

9. The rates of super-tax and super-profits tax, applicable to foreign investment in different forms, should be revised in order to reduce the disparity in this respect between India and other capital-importing countries.

10. Taxes on inter-corporate dividends to foreign companies should be gradually eliminated. As a first step, the rate may be reduced to 25 per cent from the existing 35 per cent on dividends which do not enjoy the super-tax exemption under Section 99(1) (iv) of the Income-tax Act. Correspondingly, the rate on dividends from Indian companies engaged in industries specified in Parts A and B of the Fifth Schedule to the Income-tax Act may be reduced from 25 to 15 per cent.

11. The combined rate of income and super-taxes on royalty income to foreign companies may be reduced from the existing rate of 50 per cent to 35 per cent, which is the rate of taxes in inter-corporate dividends to foreign companies.

12. In dealing with private and closely-controlled public

TABLE II

Country	Total Tax-burden on subsidiary making 100 per cent dividend distribution
India	67.5 per cent
Japan	44.0 „ „
Australia	49.0 „ „
New Zealand	50.0 „ „
United Kingdom ..	53.75 „ „
South Africa	35.25 „ „
Philippines	35.25 „ „
Malaya	40.00 „ „
Canada	51.5 „ „
Venezuela	45.0 „ „
Peru	49.5 „ „
Columbia	43.6 „ „
France	37.5 „ „
Italy	38.0 „ „
Netherlands	47.0 „ „

companies, Indian-tax law should recognize the principle that such concerns have varied needs to plough back profits for the expansion of their business. These needs may exceed the statutary percentage now permissible under the law. Companies should, therefore, have the right of appeal against the application of the penal provisions. This appeal may be made direct to a Board of Referees, constituted for the purpose. Further, Indian subsidiaries of foreign private and closely-held public companies may be exempted from the penal provision of Section 104 of the Income-tax Act, as the question of evading progressive personal super-tax rates does not arise in the case of corporate shareholders.

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The Bhilai Steel Plant is expected to reach a capacity of 1.8 million tonnes steel ingots per annum by the end of the current calendar year. This achievement is considered possible due to the timely supply of steel structures, refractories and other equipment from the U.S.S.R., as also from indigenous sources, and owing to the experience gained in steelworks construction by Indians over the past few years. The expansion of Bhilai to 2.5 million tonnes ingots capacity will be completed by the end of 1965.

Raising of the capacity of this plant from one million tonnes ingots to 2.5 million tonnes ingots involves addition of: (1) three coke oven batteries with 65 ovens each and suitable expansion of the by-products plant; (2) two blast furnaces of 1,719 cubic metres hearth volume each (the existing three blast furnaces have a hearth volume of 1,033 cubic metres each); (3) four open hearth furnaces, each with a hearth capacity of 500 tonnes (out of the six existing furnaces of 250 tonnes capacity each, one is to be converted into a unit of 500 tonnes capacity); (4) one wire rod mill; (5) marginal expansion of the rail and structural mill, continuous billet mill, merchant mill and the other shops and units of the plant; (6) one sintering belt with an area of 50 sq. metres; (7) one turbo-generator of 12 MW capacity; (8) expansion of the iron ore mines at Rajhara and the limestone mines at Nandini; and (9) a slag processing plant, consisting of granulation slag aggregate and slag wool units. It is hoped that one blast furnace, two coke oven batteries, two open hearth furnaces and the turbo-generator will be commissioned during the course of this year.

A noteworthy feature of Bhilai's expansion to 1.8 million tonnes ingots capacity by the end of this year shall be that it will be attained without interfering with the current production. An indication of this is available from the fact that although expansion work was started over a year ago, Bhilai achieved its production target for the current financial year nearly six weeks ahead of schedule.

The percentage of indigenous contribution in the expansion programme has also increased substantially over that for the one-million-tonne plant construction. An outstanding example of this is the reduction in the number of Soviet specialists engaged on expansion to only one-third of the number employed for setting up the original one million tonnes ingots capacity. The indigenous fabrication of steel structures has risen from 14 per cent under the one-million-tonne stage to 31 per cent under expansion. Supply of equipment from indigenous sources has risen from 10 per cent to 30 per cent and that of refractories from 15 per cent to 43 per cent. The capital required for expansion will be 40 per cent less than what is needed for setting up a new plant of the same capacity.

Thanks to the production of self and super-fluxing quality sinter at the Bhilai Steel Plant, for the first time in India, and its utilisation in blast furnaces there, it has been possible to reduce the coke consumption to about 800 kgs. per tonne of hot metal, as against 917 kgs. indicated in the project report. In view of the satisfactory working, capital repairs of Blast Furnace No. 1, which were due in the beginning of 1963, in accordance with the accepted norms for such repairs, are proposed to be undertaken only after the Blast Furnace No. 4 is commissioned.

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The Panel of Economists, which had its first meeting last week in connection with the drawing up of the fourth Plan, is understood to have recommended that in the interest of reducing economic inequalities and for ensuring a minimum standard of living for all, trading in foodgrains should, as far as possible, be confined to the public sector and the Plan should be given orientation towards employment. For raising the tempo of economic activity, the Panel is said to have suggested that manufacture of consumer goods which might be considered as essential under the present consumption pattern but which can be easily dispensed with by the nation, should be judiciously eliminated.

For the benefit of the Panel, the Planning Commission has undertaken special studies on the desirable revised consumption pattern, basic industries development, expectations of foreign private investments and growth of international trade and agriculture. These are likely to be completed by the first week of April when the Panel meets again.

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The Union Minister of Finance, Mr. T. T. Krishnamachari, introduced in the Lok Sabha this Tuesday new supplementary demands for grants for the current financial year to the tune of Rs. 179.11 crores. This is the third batch of supplementary demands presented by him in 1963-64.

Of the Rs. 179.11 crores grants now sought, a sum of Rs. 34.82 crores relates to revenue, Rs. 55.29 crores to capital and the balance Rs. 89 crores to loans and advances. Thirty-four demands have been put forth under "revenue." The important ones among these are: Rs. 7.92 crores for payment of States as their share in Union excise duties; Rs. 7.29 crores for Posts and Telegraphs; Rs. 4.25 crores for grants-in-aid to States, including the new States of Nagaland and the Union territory of Goa, Daman and Diu; Rs. 3.14 crores for stationery and printing; Rs. 2.5 crores for purchase of building materials for the Central Public Works Department and Rs. 3.75 crores for rehabilitation of goldsmiths.

The increase of Rs. 55.29 crores under "capital" is distributed over 17 demands included in which are Rs. 25 crores for purchase of foodgrains, Rs. 10.91 crores for construction of residential and other civil buildings in Delhi, Rs. 5 crores for transfer to Special Development Fund of loans received from the United States under P.L. 480 and Rs. 4.27 crores to meet the expenditure on the purchase of additional stores for the Posts and Telegraphs Department.

The additional provision of Rs. 89 crores under "loans and advances" is being sought for payment of loans to States (Rs. 85 crores) and the Industrial Finance Corporation (Rs. 4 crores).

The total additional requirements of Rs. 179.11 crores will, however, be set off to the extent of Rs. 102.06 crores by increased receipts, recovery adjustments, surrenders, etc. The net outgo from the Consolidated Fund, therefore, will be of the order of Rs. 77.05 crores. The cuts totalling Rs. 3 crores in the current year's budget for the Council of Scientific and Industrial Research, imposed last year in view of the emergency, have been restored.

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An institute to cater to the needs of heart patients and for undertaking research in cardiac diseases is proposed to be set up in Delhi within the next two or three years in memory of late Mr. Rafi Ahmed Kidwai. The institute will also have a convalescence home for children suffering from rheumatism. A 17-member committee headed by the Vice-President, Dr. Zakir Hussain, has been set up to undertake the building of this institute with assistance from the Union Ministry of Health and donations from philanthrophists.

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Italian firms of late have been quite actively collaborating with Indian projects. Their collaboration today extends to a wide range of industries, including nitrogenous fertilizers, aluminium, petroleum, electric transmission lines, penstocks, rayon and staple fibres, electrolyzers for hydrogen chlorine and caustic soda, chemicals and dyestuffs, anti-biotics and other pharmaceutical preparations, motor tyres and tubes, teleprinters, permanent magnets, etc. The collaborations of Italian firms in the manufacture of Fiat cars, Lambretta and Vespa scooters is, of course, well-known.

The first and most important among the Italian firms to collaborate with a public sector project in India was the Monticatini of Milan, a pioneer in the field of nitrogenous fertilizers. In 1955, this firm was awarded a contract for the expansion of the fertilizer factory at Sindri. The Sindri factory was originally designed to produce ammonium sulphate. It was then proposed to increase its capacity by including the manufacture of urea and double salt (ammonium nitrate-sulphate). The Monticatini, with assistance from another well-known Italian firm, undertook this task and completed it by setting up four new units at Sindri: (i) a unit for the synthesis of ammonia with a daily capacity of 189 tons; (ii) a unit for urea production with a daily capacity of 70 tons; (iii) a nitric acid unit with a daily capacity of 225 tons and (iv) a 'double salt' unit with a daily capacity of 400 tons. These two firms were awarded another contract in 1959 for the supply and erection of part of the plant for the production of urea from lignite at the Neyveli fertilizer factory in Madras State. This plant, now under construction, will have a production capacity of 500 tons of urea per day and is estimated to cost about Rs. 18 crores.

In 1960, the Madras Aluminium Company was established with the technical and financial collaboration of Montecatini for erecting and working a plant for the production of aluminium and its alloys at Mettur in Salem District of Madras State.

The ENI of Italy signed last year an agreement for the construction of five oil and gas pipelines in Gujarat. These pipelines, with a total length of 350 k.m., are being laid between Cambay and Dhuvaran, Ankleshwar and Utoran, Ankleshwar and Baroda, Ankleshwar and Koyali, and Koyali and Ahmedabad. The construction of these pipelines is being handled by SNAM-SAIPEM, a branch of ENI. This Italian oil combine has also been given contracts for laying three product-pipelines in East India — two connecting the Barauni Refinery with Calcutta and Kanpur and the third one connecting the Noonmati Refinery with Siliguri. The work on the last-mentioned project has been in progress for the past eight months. The agreement for the construction of Noonmati-Siliguri, Barauni-Calcutta and Barauni-Kanpur pipelines was signed with the Indian Refineries Limited. ENI is also assisting the Oil and Natural Gas Commission in oil exploration at Raxaul. It is likely to get a contract for "offshore" drilling in the Gulf of Cambay.

Italy has extended credits to India to the tune of $98 million — $53 million in 1962-63 and $45 million in 1963-64. It is expected that another credit of $53 million will be made available by it during 1964-65.

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Platt Bros. (Sales) Limited, Oldham, England, a member of the Stone-Platt Group, has been awarded a £7,500,000 (Rs. 10 crores) contract by the State Trading Corporation of India for the supply of the most modern machinery for 17 textile mills which, when set up, will enable India to increase exports of yarn and cotton cloth.

Platt Bros. (Sales) Ltd., has specialised in this form of "package deals" for the textile industry. In the past few years, similar projects have been contracted by this firm with the Philippines, Indonesia, Sudan, Egypt and Guinea. It will be supplying to India cardroom spinning and doubling machinery valued at approximately £5,000,000. This includes the company's latest high-speed equipments such as High Production Cards, Century Combers, Globe Draw Frames and Super Spinner Ring Frames. These were shown for the first time at the recent Textile Machinery Exhibition at Hanover to international acclaim. A new range of blowroom machinery will form part of each mill's equipment.

Deliveries will start this year. Many of the mills to be equipped with this machinery have been allocated to eleven co-operatives of cotton-growers. A new mill will also be established in Goa.

Amongst the major contributing firms associated with Platts are British Northrop Sales Ltd. (Weaving machinery), Leesona Holt Ltd. (Winding machinery), Mather & Platt (Exports) Ltd., (Finding machinery), Joseph Hibbert & Co. Ltd. (Sizing machinery), and the Longclose Engineering Co. Ltd. (Dyeing machinery), both members of the Stone-Platt Group, and William Ayrtons & Co. Ltd. (Specialised finishing machinery).

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Close on the heels of the symposium held in Calcutta by the Loewy Engineering Ltd., of Bournemouth, England, and W.H.A. Robertson & Company of Bedford, England on February 11, on rolling mill subjects and steel extrusion, a second



symposium was held on this subject in New Delhi last week. A team of engineers led by Mr. R. T. Hayes, Director and General Manager of Loewy, gave a series of talks on Rolling Mill subjects and Steel Extrusion with particular emphasis on modern mill developments. Several interesting and informative colour and sound films were shown on the rolling of aluminium, hot extrusion of steel and production of seamless steel tubes by the extrusion process.

The symposia held at Calcutta and New Delhi were well attended and the keen interest in the subjects discussed was evident by the wide variety of technical questions put to the team. The team comprised Mr. R. T. Hayes (leader); Mr. R. M. L. Elkan, Technical Director, Loewy; Mr. L. G. Course, Technical Director, Loewy; Mr. A. Robertson, Sales Manager, W. H. A. Robertson; Mr. J. Tracy, Chief Development Officer, Loewy; and Mr. M. R. Harvey, Sales Engineer, Loewy.

The Loewy Engineering Company is known for its specialisation in design and manufacture of hydraulic presses and rolling mills. The Loewy plants are in operation in many parts of the world. It is expected that the activities of this company would expand in this country as a result of the two symposia.

Reduced Cost Through Fuel Efficiency

From Our Correspondent

BOMBAY:

THE FIRST three years of the current Plan have seen a trend of rising costs in industry. The impact is particularly felt in the concentrated industrial zone of Bombay. The methods suggested and introduced to reduce industrial costs should, therefore, receive highest priority. As a part of its programme of assistance to industry to step up productivity and cut the cost of production, the National Productivity Council has chosen the Bombay industrial area as the first zone for the introduction of its new service, the 'fuel efficiency service.' The new service, which has been processed by two Colombo Plan experts and taken up at the direction of the Government of India, envisages the introduction of elementary fuel efficiency measures which, at a rate of 10 per cent reduction in consumption, would imply a saving of coal worth about Rs. 38 crores a year. Mr H. V. R. Iengar, the Chairman of the N.P.C., inaugurating last week a seminar on effective fuel utilization, sponsored on the occasion, observed that the new service was a constructive contribution and was of immense importance to industry not only in reducing the cost of production, but also in relieving simultaneously the pressure on transport.

Self-Improvement Methods

The objective of the N.P.C. in recommending this service was to invite the attention of industry to the need for following methods of self-improvement through production techniques like better planning, inventory control and cost control. In fact, Mr Iengar wondered why such a sound method of reducing costs, which was recommended 16 years ago, should have been left to lie in cold. Perhaps, this was due to the indifference of the Government in the absence of compelling circumstances in India to practise fuel economy. The advanced industrial countries like the United Kingdom, even now, had in their schedule such methods which would reduce costs. This may also be attributed, he said, to the sheltered market in India where manufacturers were able to sell anything at any cost. However, compelling circumstances have now become pronounced and it is necessary that in a mixed economy, particularly when wastages and lags are being noticed, there should be every effort to effect savings and conserve resources, besides bringing about efficiency in production.

As indicated by the statistical data that were made available by the British Expert Team which toured the country, in some factories, as much as 50 per cent of coal consumed could be saved. The team concluded that about 10 per cent of the consumed coal could be saved by 'First-Aid Measures' and by stimulating fuel efficiency in the industry. The total consumption of coal in India was around 72 million tons per annum and 10 per cent of that would amount to a saving of Rs 38 crores, as already mentioned. It was possible to effect at an average, a saving of 25 per cent of the coal in some of the factories.

This fuel efficiency service would be of particular importance, not only to the State of Maharashtra but to Gujarat and other areas in the western zone which are very short of fuel requirements for their industrial development. On account of heavy load on the electricity supply in Maharashtra, the future industrial development would greatly depend upon the increase in the energy available for industrial consumption. As will be seen from the pattern of development, the generation of electricity by type has considerably changed in the decade of planning. Though with the completion of the Koyna project, the percentage of the hydro generated electricity may substantially increase, there is always the need for generation of power through thermal stations and the conservation of the resources in coal is of utmost importance.

Gujarat's Needs Urgent

The case of Gujarat is all the more urgent in this respect, because, the net output of industries is sought to be increased to about Rs. 400 crores in 1975-76 compared to Rs. 150 crores in 1955-56. Correspondingly, the industrial power requirements from public utilities alone would reach a level of about 4,300 million kwh. per annum by the end of the fifth Plan compared to 520 million kwh. in 1955. Even assuming that the proportion of power required for uses of other industries and railways will remain constant, a total demand for power in the Gujarat State in 1975 would be over 5,400 million kwh., requiring an installed capacity of 1,400 mw. This would mean nearly 370 per cent increase in the installed capacity over the next 15 years. The question therefore arises as to the extent to which the power resources of the State can meet this demand. It is clear that the power from hydel projects may not be available till the end of the fifth Plan and it would be necessary to design additional thermal power in the third and fourth Plans. If the bulk supply of hydel power cannot be obtained even on the modest scale as assumed, thermal power would have to be planned on a much larger scale. This poses the essential need for relying on other sources of fuel for generating thermal power, namely, a) indigenous resources of coal and oil; b) coal imported from other States; and c) nuclear power. In regard to the first source, coal deposits of nearly 20 to 30 million tons have been identified in the Thanagadh area of Saurashtra. Intensive prospecting of this coal occurrences would assume urgency, because, the discovery of many large deposits of coal would reduce the price of fuel and hence the cost of generating thermal power in Gujarat. However, in the near future, the State would continue to depend to a large extent on imported coal for meeting the fuel requirements of its industries and power stations. Even at present, the cost of coal in Gujarat is undoubtedly high. About 40 per cent of Gujarat's coal requirements are drawn from the West Bengal-Bihar area and 60 per cent from Madhya Pradesh. Gujarat would become more attractive for starting new industries only when coal supplies could be made available at reduced cost; and from this point of view again, intensive surveys of the coal occurrences require to be undertaken immediately. It is in this background that the introduction of fuel efficiency service in the existing factories of the concentrated industrial area of Gujarat should be viewed.

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While inaugurating the Third Quarterly Meeting of the AIMO, Mr G. L. Mehta pinpointed a few facts which are highly relevant for accelerating the pace of industrial development. He called upon the industrialists to launch a new 'swadeshi movement' by preferring indigenous raw materials and components to imported ones. While it was a fallacy, no doubt, to think that imports could be cut altogether when the country was in the process of industrial development, there should be an endeavour to choose indigenous materials to the greatest extent instead of looking for only foreign makes. How far such a shift is possible under the present technique and scale of priorities in industrial development, could be ascertained only on a survey which would assess the availability and suitability of indigenous raw materials and components in this country. It is however a matter of opinion how far the spirit of swadeshi would encourage the use of indigenous raw materials even if they are of a lower quality and of higher price, as recommended by him. The important point that was touched by him was the need for devising techniques set to Indian conditions and not by merely imitating techniques employed in advanced countries. He observed that India could not afford luxuries of products as in the U.S.A. "We should have the second best in many things," and added that "certain types of machines obsolete in other countries might be suitable to India." Even here, possibly, the whole industry may not be one with him, as in a period of initial development, and growth, what is required is the emphasis on quality and also on efficiency of the highest order.

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Speaking as the Chairman of the Indian Investment Centre to a Press Conference, Mr G. L. Mehta referred to the recent revival in investment industry from abroad especially from the U.S.A. and revealed that a business delegation from that country would visit India some time in April, 1964. The imposition of the Super Profits Tax and the political developments in the neighbouring countries like Ceylon and Indonesia, as also the talks on bank nationalisation were all factors, which to a large extent made the foreign investors reticent in the matter of considering collaboration arrangements with Indian entrepreneurs. According to him, except for the Super Profits Tax, the tax rates in India were not prohibitive; rather, the foreign investors were impressed by the incentives for development in corporate taxation and also the profitability of the industries in India which appear to be higher than that offered in many other countries. But, he observed, that personal taxation of non-technical personnel upset the foreigners, especially the British. He suggested that Indian entrepreneurs who sought foreign collaboration should build up an organisation capable of taking advantage of such collaboration. In this connection, the new and small entrepreneurs showed a greater degree of care in framing and implementing collaboration agreements. Mr. Mehta also reviewed the progress of the activities of the Investment Centre in the last three years and said that 57 projects involving a capital outlay of Rs. 50 crores assisted by the Centre have obtained Government's approval. Foreign equity participation in these projects was of the order of Rs. 5.5 crores; and of the foreign collaborations in the joint ventures which have matured, 31 were from the U.S.A., 8 from the U.K., 5 from Japan, 4 from West Germany, 3 from France, 2 from Canada, 2 from Belgium and one from Switzerland.

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The business community in Bombay has received with restricted welcome the Railway Budget. While, generally, there is no criticism of the graduated revision of freight rates for coal and imposition of a 2 per cent surcharge on all goods traffic, circles closely connected with industry, are apprehensive that this will have an adverse effect on the costs of coal-using industries and also retard the dispersal of industries away from the coal belt. However, it is a matter for examination whether all coal consuming industries would be affected, as, in some of the controlled industries, adjustment is allowed in the retention prices in the event of a rise in the cost of fuel, freight or other elements in the price.

Dismembering the Giant

From Our Correspondent

CALCUTTA:

AFTER FIFTEEN years of existence, and much good work, the Damodar Valley Corporation is now facing dissolution. This is the meaning of the "functional reorganisation" of the Corporation which the Central Government is proposing to carry out, in consultation, of course, with the State Governments concerned. But the reason given for the proposed reorganisation by Dr. K. L. Rao in Parliament last week, was somewhat misleading. Dr. Rao said that since the main objective of flood control had been achieved to the extent possible, it was now proposed to reorganise the D.V.C. on a functional basis. Under the contemplated scheme, the Centre would take over the power generating and distributing assets; the State of West Bengal would be given the irrigation aspects; and all other residuary aspects like fisheries and soil conservation would be distributed between the States of Bihar and West Bengal. Under the terms of the Damodar Valley Corporation Act of 1948, the project was conceived as a multi-purpose one for the unified development of the Damodar basin. Therefore, flood control was not the only immediate objective, but one of several which included irrigation, generation and transmission of electricity, navigation, soil conservation and the promotion of public health in the valley and its agricultural, industrial economic and general well-being. But for some strange reasons, the concept of unified development of the basin as a whole was abandoned in 1958 by the State Governments concerned; yet, in spite of the contraction in the objectives, the multi-purpose character of the project has remained unaffected.

In the circumstances, to state that the D.V.C. needs to be reorganised because its main objective of flood control has been fulfilled "to the extent possible", is to beg a lot of questions, and this is what Dr. Rao has done. If the Corporation has been able to carry out its main task successfully, surely then that should not be the ground for its dissolution. On the contrary, the machinery should be strengthened to concentrate on the other objectives with greater vigour; and if possible, should be entrusted with more such work. (In fact, the D.V.C. has done a tremendous amount of work during the constructive phase of its existence in the period 1950-59 which corresponded roughly to the first phase — during this period, it built four large dams, three hydel stations and two thermal power stations, one great barrage with a 1,600-mile network of irrigation-cum-navigation canals and several industrial townships to mention the main ones. Even

Durgapur and the proposed steel plant at Bokaro can be counted among the indirect benefits which have flowed from this project). No, Dr. Rao did not give the real reason, which is that the two State Governments concerned — those of West Bengal and Bihar — do not wish to continue to project as a co-operative national endeavour, each determined not to forgo even a tiny part of the benefits and rights that it considers its legitimate due. Since the Centre is unable to do anything to curb the bickerings between the two States, it is taking the easy way out by proposing the dismemberment on "functional lines".

But the Centre cannot stop the trouble with just this. In the first place, the reorganisation would involve retrenchment of labour and staff, and already the employees' unions have been actively protesting against the proposed step. Secondly, who shall be in charge of the Tenughat high dam scheme, an important D.V.C. project in Hazaribagh district of Bihar, primarily meant to supply water for the proposed Bokaro steel plant? The West Bengal Government has been waging a determined fight against the dam project on the ground that it affects the interests of the State, and is much less likely to agree to the construction of the high dam if it becomes a Bihar State project. And third, will the power generating and distributing assets function as well as they do now when run departmentally by the Central Government, or even by some separate body which may be constituted for the purpose? Not likely because then they will no longer be exposed to the same public scrutiny as the affairs of the D.V.C. have been. In spite of much criticism, some genuine, some inspired, the record of the Corporation in the matter of power production and distribution has not been unsatisfactory. On the contrary, the record has been particularly good. From a total of 1,554 kW of electricity produced in 1960, the D.V.C. has steadily raised its power output over the years to 2,778 kW in 1963. No competent person has yet tried to prove that the performance should have been better.

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The address of the West Bengal's Governor on the opening day of the State Legislature last week, was brief and, as usual, gave an account of the Government's achievements in various fields including education, agriculture and industry. It was the briefest address delivered by a head of this State so far, but the main burden of the address was the State's food problem. Miss Naidu shared the Chief Minister's optimism in assessing the food supply prospects and the situation she said was likely to be "comparatively easy". The Governor, however, ignored the question of procurement altogether. The Government's food policy does not ensure that paddy can be procured from the producers at the prices fixed, and this has led the rice millers to stop purchasing paddy in the countryside pending furhter official measures. She viewed with equal satisfaction the progress of West Bengal's third five-year Plan. The State, she said, would not only be able to reach the financial target of Rs. 293 crores over the five-year period, but might be able to raise more from its own resources than what it had undertaken to do. It is even hoped that the outlay for the Plan might total Rs. 320 crores at the end of the period because of the extra effort which the State is making to find funds. Reviewing the progress of the State's industrial projects, the Governor said that of the big schemes, the coke oven plant and the tar distillation plant in Durgapur had already been in full production. The Durgapur-Calcutta gas grid was commissioned last July and 5 million cubic feet of gas was being inducted into Calcutta city every day. Work on the projected chemical complex in Durgapur based on benzol and naphthalene, was already in progress, and the State was trying to have a fertilizer plant set up soon.

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The jute industry is understandably worried by the demands which its workers have just put forward. At a meeting, over which the West Bengal Labour Minister presided, the workers have demanded an assurance that the variable dearness allowance now being paid under the Wage Board's award will not any time be reduced below the present level of Rs. 32.50. Retrenchment and retirement benefits for all workers "forced to retire at the stipulated age" and a guaranteed minimum wage for piece-rate workers are among the other demands pressed. If the industry accepts these demands, the award of the Wage Board itself would be substantially modified only after six months of the enforcement, but what worries the industry more is the fact the pressure on cost will considerably increase. Already, the implementation of the Award is costing Rs. 35 crores more. But if the workers' demand were to be accepted, the industry would have no chance of relief when the cost of living index moves down. [Under the Wage Board's Award, the dearness allowance has been fixed at Rs. 32.50 on the basis of a price index number of 425 (with 1939 as the base year) and would rise or fall by 20 nP. for every point of increase or decrease]. The retirement age for male workers is fixed at 58 and that of female workers at 55, but the employers have the option to retain a worker beyond these ages if they consider necessary. Equally, they are free to superannuate workers when they have reached the prescribed age limits. It is this right of the employers which the workers now seek to nullify by demanding that even when superannuated workers are retired, they must be paid retirement and retrenchment benefits beynd the gratuity provided by the Award.

Satisfactory Estimate

The all-India final estimate of the jute crop for 1963-64 should be very satisfactory from jute industry's point of view as well as that of the country. Compared with the revised estimate the final shows a rise of 1.3 per cent in acreage from 2.1 million acres to 2.13 million acres. The increase in raw jute production amounts to 9.3 per cent — from 5.40 million bales to 5.91 million bales. A particularly gratifying thing is, that the yield per acre has gone up from 1,028 lbs to 1,100 lbs. Among the jute growing States reporting a rise in acreage are West Bengal and Orissa as they had favourable weather conditions at the time of sowing; those reporting higher production are Assam, West Bengal and Orissa due to good weather conditions during the period of plant growth. In Assam's case, it was the absence, of heavy floods, which contributed to the increase both in acreage and production. Bihar alone shows a decline on both counts, as this State had unfavourable weather at the time of sowing and later, floods during the period of plant growth. Thus the industry has every prospect of continuing to work to full capacity, for the current half year at least. The export performance so far has been good and compares well with the previous year, although the big rise shown in latest figures for gunny stocks with the mills gives the contrary impression. The accumulation is on account of the communal disturbances of January which badly affected the loading activities at the port as well as due to the shortage of lighters there.

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The Government of Assam proposes to call a conference of the tea gardens in the State to discuss the financial difficulties which the estates have come up against in implementing their development plans. The committee which the State Government has set up to review the tea industry's complaints has prepared a tentative agenda for the proposed meeting; the main item for discussion, however, is going to be the unwillingness of commercial banks to agree to terms of a 'pari passu' credit arrangement, under which a second mortgage on garden estates will be permissible when taking a loan from the Tea Board for development purposes. The banks provide working capital on hypothecation of the crop as well as on the basis of a first charge on the tea gardens' assets, and the accommodation from them is, therefore, as important, perhaps more, as the development loan which the Tea Board is to provide. Yet replanting and development of the gardens must continue in order to raise production; in some cases even to maintain production at the existing level. The gardens are also willing to build labour quarters according to the State Government's specifications, but after mortgaging their assets first to commercial banks and then to the Tea Board, they have no security to offer for the loans which the Assam Government has been offering. In the circumstances, intervention of the Reserve Bank or the Central Government is called for.

The conference should also discuss what harm the Assam Government's policy towards the tea industry has been doing. The carriage tax which the State had levied, and which was declared 'ultra vires' by the High Court of Assam a few months ago, was in fact an excise duty in a different form. The State Government has stopped collecting the tax, but it has not refunded the several crores which it had taken before the Court gave the ruling. Presumably, it wishes to go on appeal. It does not allow tea gardens to buy rice from the open market fearing that that might upset the market stability, but it does not ensure the supply of rice to tea gardens either. Also, it does nothing to help them to obtain their requirements of fertilisers and coal regularly and in adequate quantities. A representative body of tea interests recently voiced these grievances against the State Government.

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Fort Gloster Industries is yet another Indian concern—one of the few so far—in which the International Finance Corporation, the World Bank affiliate, will invest a total 1.2 million U.S. dollars in the shape of loan and equity participation—the loan portion of the investment is $ 812,000 and the participation in equity capital will be $ 400,000 through a purchase of 10,000 equity shares at the rights offering price of Rs. 190 each. The Continental International Finance Corporation, a subsidiary of the Continental Illinois National Bank and Trust Company of Chicago, is participating with the International Finance Corporation in this transaction. Fort Gloster Industries, of Calcutta, is a well known jute manufacturing company which was established in 1890, but in 1960 it undertook the first diversification of its manufacturing activity by branching off to electric cables under a technical assistance agreement with British Insulated Callender's Cables Ltd. The company's cable factory in Calcutta is at present producing various types of high quality vulcanised rubber-insulated cables. These facilities are now proposed to be expanded by extending production to paper-insulated, lead-covered power cables, railway signalling cables, mining cables insulated with plastic and vulcanised rubber. It is expected that the new manufacturing capacity will be in production by 1965. The company is also concurrently engaged in modernising its jute manufacturing facilities and installing new equipment for the production of wide hessian to meet the rising U.S. demand for carpet-making cloth.

Another leading Calcutta company, the engineering firm of Kumardhubi, will shortly issue bonus and rights shares in order to strengthen its capital base for financing expansion and modernisation schemes. This compay's existing paid-up and subscribed capital is Rs. 27.65 lakhs. It is now proposed to raise the capital to Rs. 55.28 lakhs — Rs. 5.52 lakhs through a bonus issue and Rs. 22.11 lakhs through a rights issue. The demand for the products of the Kumardhubi Engineering Works has been good, and last year the Company paid a dividend of 15 per cent taxable. The general meeting of the company which will consider the proposed capital issues has been convened for March 10.

Dearer Rice Again

From Our Correspondent

MADRAS:

A DIFFICULT situation prevails in the Madras State in regard to the availability of rice due to the absence of rain in the rice-growing tracts in the past few weeks and the virtual depletion of the Mettur reservoir. It is now apprehended that the yield of the crop will be considerably affected and that there might be even failures in some of the districts. In the rice granary, Thanjavur District, serious efforts are being made to save the standing crop by making water available from Mettur in rotation. But it is now felt that in spite of the best arrangements, the yield will be considerably lower as the rain God has not been helpful. This is perhaps the reason why after a decline in prices for paddy in some centres, where harvesting operations had begun, prices have come back to the old high levels. There was for a time a stalemate on account of the unwillingness of millers and agents to buy rice because of the policy adopted by the Government in respect of procurement, but when it became clear that supplies from Andhra would not be easily forthcoming and the rice crop in Madras State also would not be large, holders are reserved. Meanwhile, consumers of Andhra rice, particularly of Nellore varieties, have been held to ransom and the retail price of Nellore rice is quoting at the highest level in living memory. Small stocks of old rice are no doubt arriving in Madras City. But there is no prospect of any pronounced decline in prices until the Andhra Government adopts a more helpful attitude and the procurement policy is not so strictly applied in regard to exports of rice to Madras. It has also been complained that in the Nellore area large stocks of new crop paddy have accumulated and the growers have not been able to sell their produce readily. The administration is reported to be unwilling to issue permits expeditiously even though the traders were prepared to comply with the conditions imposed by the State Government. Unless the restrictions in regard to movement of rice within a zone are relaxed and larger sales can be effected through fair price shops, there is very little prospect of a decline in prices for various grades of rice to the former levels. This position is in complete contrast to the conditions that prevailed in the second quarter of last year.

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It is rather unfortunate that the reaction to the Railway Budget proposals for levying an additional supplementary surcharge of 2 per cent and a revision of the freight rates on coal as they relate to long-distance movement, have created a misleading impression. As it had been feared that the Railway Minister might make an attempt to raise passenger fares and freight rates all round, the decision to make only small changes came as a great relief to operators in the stock markets. But it has not been realized that the increase in the supplementary surcharge is in addition to the increase effected in earlier years and that the reduction in the subsidy incurred by the Railways in respect of long-distance traffic might have undesirable effects in the coal deficit areas. Even now there is a deliberate policy of encouraging the switch-over from coal to furnace oil in the case of cement units where it has been found that coal supplies were irregular and costly on account of the long distances involved and handling at many points. From the Railways angle it cannot be disputed that the loss incurred in the movement of coal over long distances should not be heavy. But it would not also be correct to take too narrow a point of view as only the overall position should be taken

into consideration and the Government should be prepared to make the necessary adjustments out of equalisation funds wherever necessary. It is now feared that cement units in the South will have to pay more for their coal supplies and that where movement is by the sea-cum-road there will have to be a large subsidy. Even otherwise, the industry has been representing to the Government for an upward revision of prices as costs of production have risen significantly since the last enquiry and the increases in prices granted so far have been inadequate.

It is now pointed out that, with the prospect of coal becoming even costlier over a period and the difficulties involved in moving coal over long distances, it would be advantageous for the industry to use furnace oil as far as possible. If this trend gains momentum, it should be examined whether small losses incurred in the movement of coal cannot be borne by the Government if the alternative is to spend large amounts of foreign exchange for importing furnace oil. It is no use saying that the additional requirements are being secured against rupee payment as in the last analysis these imports have to be paid for by export of Indian goods. The factories in the Southern States are naturally anxious to take advantage of the opportunity provided by the Government to use larger quantities of furnace oil as it is easier to handle and has greater calorific value. It is felt, therefore, that a suitable subsidy by the Government would be helpful. Even under the present arrangement there is not much complaint when using furnace oil while the operation of the coal subsidy scheme has been seriously criticized.

The improvement in efficiency of cement even with the use of furnace oil is no doubt to be welcomed. But if long-term trends are taken into consideration it will be readily recognised that the growth of the cement industry will come about mainly in this part of the country as large limestone deposits are available only in Maharashtra, Madras and Andhra Pradesh. As all these three States are far removed from the coal areas, there would naturally be a big increase in the consumption of furnace oil which is not quite desirable until such time as the output of refined product based on *indigenous* crude oil had been significantly raised. It is stated that some of the kilns in the existing factories are already operating on furnace oil and there are proposals for others changing over to this type of fuel at an early date if the Government are agreeable to the switching over from coal by the cement units concerned.

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The Municipal elections now being held in Madras State have a special significance. The political parties opposed to the Congress are making an effort to present a united front while the Congress organisers have been going all out to eliminate the D.M.K. and Swatantra candidates from as many places as possible. There is a tough battle going on in Madras City and it is hard to predict at this stage what will be the ultimate outcome. But the results of the elections held in different centres clearly show that the D.M.K. and Swatantra party candidates have suffered a greater defeat than the Congress candidates. In fact, the resounding successes in Coimbatore and Madurai and the securing of majorities in other places for the Congress have given rise to the feeling that the D.M.K. party has been losing ground. There has been, of course, an unexpected reverse for the Congress in Tirunelveli. But the vote in this centre is regarded as more anti-Congress in character rather than pro-D.M.K. What is, however, more striking is the fact that Independents have been elected in large numbers and in some areas, they are in a position to decide which party's candidate should be the Municipal Chairman.



The moving finger writes

THE SECURITY Council debate on Kashmir has ended with the Government of India laying claim to a sense of relief and the Government of Pakistan determined to be hopeful. If Mr. M. C. Chagla is to be believed, India has scored a famous victory since Pakistan's demand for a plebiscite did not pass muster. If, on the contrary, Mr. Z. A. Bhutto is to be trusted, things have gone so well for Pakistan in the recent debate that its Foreign Minister could hardly hold his soul in patience till mid-March when, or a little later, he expects to raise the issue again in the Security Council.

Meanwhile, in this country—outside those official circles, variously described by special correspondents of newspapers as "authoritative" or "informed"—there is little disposition to hide the anxiety felt at the isolation which we have had to endure in the Security Council. That we should feel offended and angry at Britain's partisan attitude is no doubt entirely natural and proper. But this ought not to blind us to the fact that this country could not get support from any source whatsoever for its basic proposition that Pakistan was the aggressor in Kashmir and that she should be named and dealt with as such. Even the Soviet representative was not prepared to endorse the Indian position in the categorical manner in which it has been the purpose of Indian diplomacy in the last 16 years to persuade world opinion or at least friendly foreign opinion to view the issue. This is why the Indian public mind has become so uneasy over the latest Soviet attitudes.

The anxiety, however, could be exaggerated. On the practical question of the accession of Kashmir to the Indian Union, the Soviet delegate has certainly not wavered or equivocated in the least. On the contrary, he bluntly told the Security Council that the Soviet Union adhered to its well-established position that a decision had already been taken by the people of Kashmir and that that decision should be deemed to be final. It follows that the Indian people and their Government could continue to depend on Soviet support in resisting any attempt at reopening the issue of accession through a Resolution or any other device of the Security Council. This is certainly one of our chief diplomatic assets in the Kashmir affair, but this should not blind us to the fact that everywhere else our diplomacy in the matter of Kashmir has been left lonely, weak, humble and naked. It is no small matter that two leading nations of the Western world, the United States and the United Kingdom, which have always been ready to befriend and assist this country's endeavour to develop itself economically as well as its effort to defend itself against China should so obviously sincerely believe that this country could do more than it has done or is willing to do to seek a peaceful settlement of its differences with Pakistan over Kashmir. Surely, this is a matter which cannot be disposed of by angry speeches in Parliament against the British Government or protest interviews with the British High Commissioner in India.

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I am glad to find so much enterprise, initiative and ingenuity among Members of Parliament as was evinced in the crop of Private Members' Bills introduced in the Lok Sabha. Even as it was being reported that several Members of the Executive of the Congress Parliamentary Party were reportedly in favour of proposals to improve the living conditions of Members of Parliament, Mr. N. R. Laskar of the Congress Party, catching Time by the forelock, introduced a Bill to enable Members of Parliament to travel by air on payment of the difference between first class railway fare and air fare. Mr. Laskar's proposal is only a part of a more comprehensive programme which is being sponsored by influential Congressmen.

There is a suggestion, for instance, that the salary of a Member of Parliament, which is Rs. 400 a month at present, should be raised to Rs. 500 and that the daily allowance during sessions, which is currently Rs. 21, should be stepped up to Rs. 31. There is also a plea that M.P.s should be allowed free telephone calls up to 10 per day. Firm believer as I am in everybody trying to improve his standard of living, I can have nothing against our Parliamentarians' effort to do so. I would, however, suggest that, considering the competence and capacity of our telephone systems, the free phone facility claimed for M.P.s should be modified to the extent that where an M.P. does not, in fact, avail himself fully of the 10-call limit fixed for this concession, he should be re-imbursed in cash for the free calls he could have made but did not. This might be an incentive to legislators to refrain from burdening the telephone services unnecessarily.

Meanwhile, the Minister for Parliamentary Affairs, who has been informally sounding Members of Parliament belonging to various parties on this question of emoluments, is stated to have found considerable sympathy for the proposals which are at present being canvassed. The Swatantra Party, however, is an exception. Members of that party seem to take a mischievous pleasure in wanting to stick to the practice of austerity to the disadvantage (and embarrassment) of legislators of other parties not equally blessed in the matter of membership of those holding privy purses.

Dr. Lohia's reactions have not been published, but should be predictable. He would certainly protest that since (according to him) a third of the people have to subsist on three annas a day or less, it would be a sin for their representatives in Parliament to vote themselves a rise in salary from Rs. 400 to Rs. 500 per month, but I also expect him to accept the increase on the different ground that if the Prime Minister, who is also an M.P., could be allowed to spend Rs. 25,000 per day on himself (as Dr. Lohia alleges he is doing), there is no reason why other M.P.s should concede their inferiority to Mr Nehru by being content with making very meagre claims on the public funds.

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I see that 'Eastern Economist,' in its editorial columns, was recently asking for economy in Government expenditure. I wish the Editor had saved his breath, for I firmly believe that it is not only futile but even harmful to exhort the Government to practise economy. See what has been happening in the case of travel expenditure on Central Government Ministers. Last year, it appears, each individual Minister was spending somewhat less on this account than what he did in the preceding year. But the total expenditure, nevertheless, went up, the reason being that the number of Ministers had meanwhile increased. No wonder everybody is talking of a Rs. 2,000-crore Central Budget.

Trade Winds

NEW PROCEDURE FOR INDUSTRIAL LICENSING

WITH A view to enabling the applicants to know as early as possible whether Government is prepared to consider favourably the proposals put forward by them, only "letters of intent" would normally be issued in the first instance. Intending entrepreneurs are to address their applications to the Co-ordination and Licensing Progress Section (C.L.P. Section) of the Ministry of Industry, which will act as the co-ordinating Ministry for all industries. The applications, which are to be made in the existing forms 'D', 'E', 'EE', etc., are to be sent in original with 10 spare copies, accompanied by a treasury challan for Rs. 50|- deposited under the Head "XXIX, Industries-Miscellaneous Central". Pending amendment of the existing forms of application, applicants are also required to indicate their requirements, if any, of coal, while forwarding applications for industrial licences.

Each application will be serially numbered in the order of receipt and the applicant will be informed of the serial number allotted to the application for future reference. All future correspondence by the applicant is to bear this reference number.

Letters of intent to be issued henceforth will indicate the period for which they will be valid. Within the period specified in the letter of intent, entrepreneurs are to finalise other aspects of their schemes such as foreign collaboration, arrangements for import of capital goods, proposal for issue of capital, etc. and submit these applications for clearances to the authorities concerned. If the applicant does not make adequate progress within the stipulated time, the letter of intent would automatically lapse and requests for extension of time would not ordinarily be entertained.

In respect of certain industries which have been categorised as 'Key Industries,' a revised procedure will be followed for clearances, subsequent to the issue of a letter of intent. All applications for the subsequent clearances such as import of capital goods, approval of foreign collaboration terms and consent for issue of capital will be considered simultaneously. Entrepreneurs who have been issued licenses or letters of intent for setting up further capacity relating to any key industry are therefore required to send simultaneously to the C.L.P. Section in the Ministry of Industry the applications for import of capital goods, approval of the terms of foreign collaboration and for consent for issue of capital. The applications for import of capital goods and for consent for issue of capital should be accompanied by treasury challans for the requisite amount, as prescribed. All these applications in the respective forms should be sent in original, accompanied by 10 spare copies of each, to the Co-ordination and Licensing Progress Section in the Ministry of Industry, giving also the serial number communicated to the applicants earlier at the itme of acknowledging their applications for industrial licences. This procedure applies only to the setting up of additional capacity in respect of 'key' industries whose list will be reviewed and published from time to time. The list of key industries, as at present, consists of the following: Pig Iron, Alloy Steel, Ferro-chrome and other ferro alloys except ferro-manganese and ferro-silicon, malleable iron castings, steel castings, steel forgings, Structurals (Heavy), Industrial Machinery, Cranes, Machine tools including small tools, dies, jigs and fixtures, Automobile ancillaries, Coating Abrasives, Electric Winding Wires, Fertilizers, Sulphuric Acid, Caustic Soda and Soda Ash, Rubber Chemicals, Petro-chemicals including synthetic rubber, Pesticides, Paper and Paper Board, Cement and Pulp (Cellulosic).

STATE TRADING IN MINERALS

With a view to promoting exports of mineral ores and regulating imports of metals, the Minerals & Metals Trading Corporation has been set up by the Government of India. The new Corporation has taken over from the S.T.C. the existing trade pertaining to mineral ores, concentrates, metals and other allied commodities along with the assets and liabilities existing on that date concerning such business.

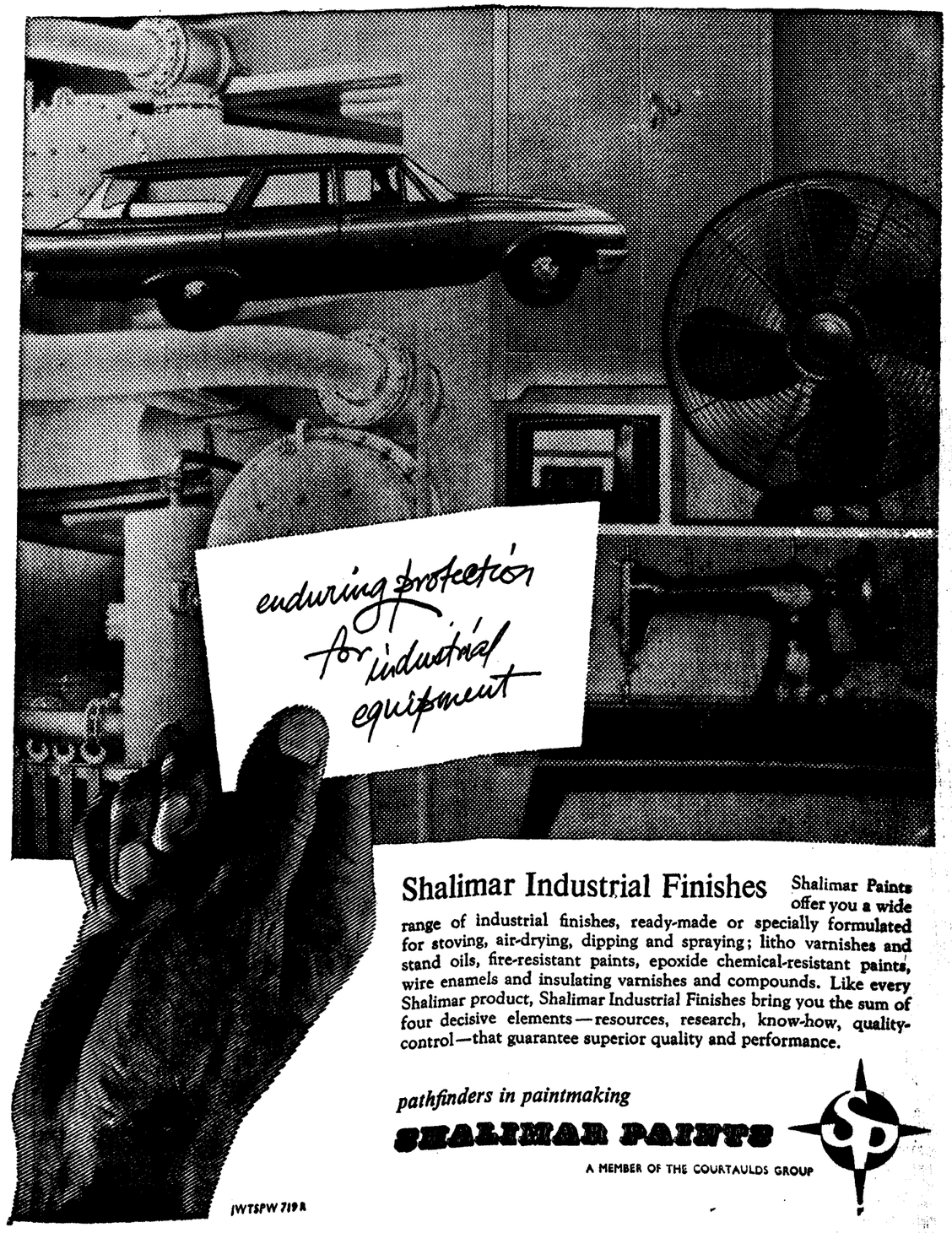
The most important item in the field of activities of the new Corporation will be iron ore. (India is at present exporting 9.5 million tonnes of iron ore, out of which 5.5 million tonnes is from Goa). As the iron ore trade faces severe competition in the world today, it is of vital importance that various necessary steps are initiated to make Indian iron ore competitive in the world markets. But the export of iron ore requires well thought-out and co-ordinated plans for mining, road development, railway transport, port facilities and freight arrangements. Of equal importance is our relationship with the foreign buyers, and this depends on our understanding and appreciation of their requirements and needs and our ability to meet them. Experience has shown that when the foreign buyers are convinced of our intentions and of the merit of our future plans and the pace of implementation, they do show considerable accommodation to our immediate short-term difficulties. It is in this spirit that our biggest buyer, Japan, agreed to sign a two-year contract with us for deliveries upto March, 1965. Other important buyers are West Germany, Italy, Czechoslovakia, Rumania, Yugoslavia, Poland, Hungary and German Democratic Republic. Contracts with these buyers are already in existence. Recently a delegation from Yugoslavia visited India and negotiated a contract for the purchase of 3,00,000 tonnes of our iron ore during 1964. An additional quantity of 1,00,000 tonnes may also be bought by them during the course of the year.

With a view to stabilizing prices and rationalizing distribution, the Corporation would also undertake, at the instance of the Union Government, import and|or international distribution of minerals, ores and concentrates and metals including iron and steel and their alloys and semi-manufactures. In this connection, the Corporation will also enter into such special arrangements as 'linked deals' and 'barters'.

CERAMIC INDUSTRY MEETS

Inaugurating the 28th Annual General Meeting of the Indian Ceramic Society, the Union Minister of Supply and Technical Development, Mr. Jaisukhlal Hathi, purposefully refrained from referring to the difficulties of the industry, be they of transport, power, fuel or even of foreign exchange. He pleaded that these difficulties were really of our own making and had resulted from our drive to industrialize the country in the shortest possible time. If we did not have ambitious programmes for industrialization, none of these difficulties would have arisen. Mr. Hathi said that if there was an overall shortage of fuel, it was for the industrialists to take steps to reduce its consumption, and that, if there was a shortage of imported raw materials, the industrialists should try to discover indigenous substitutes, and so on.

In his welcome speech, the Chairman of the Reception Committee, Mr. B. N. Bhaskar, constrained to point out the hindering influences on the industry, of governmental policies and plans. He pointed out that the refractory industry was asked to gear up production in order to meet the third Plan requirements of steel industry which was expected to reach the target of ten million tons by 1965-66. But in actual practice steel production was not expected to go much beyond 6.5 million tonnes. This, he pointed out, had led to a glut in the refractories market. Mr. Bhaskar added that



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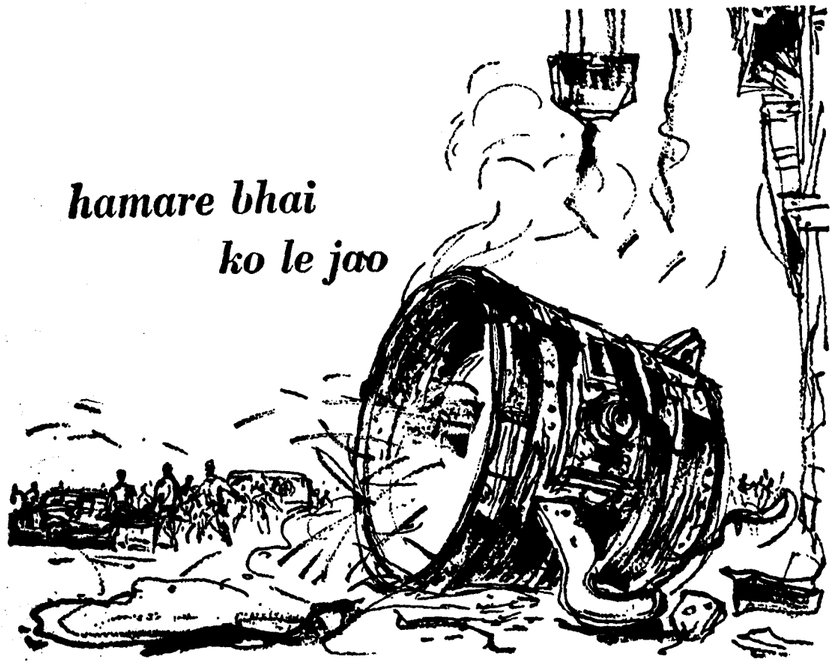
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It happened some years ago in the steel melting shops at the Jamshedpur works. A large ladle, carrying 75 tons of molten iron, suddenly crashed to the ground with a deafening noise from an overhead crane. The spattering sparks and red-hot metal seriously injured a number of brick-layers working at what seemed to be a safe distance. The air was rent with the frenzied shouts of the men and the hissing of steam.

The first ambulance could remove only five of the injured to the hospital. General Manager Keenan could take only three more in his car. He chose the three who had a better chance of survival than the rest. One of these men, a Hindu worker, however, refused to go. "Do not take me away", he said. Disregarding his own agony, he feebly nodded towards a half-burnt Muslim colleague, and said: "*Hamare bhai ko le jao.*" As Keenan recalls, "The Hindu who was in pain and danger of death remembered, not that the Mohammedan was of a different faith, but that he was his brother."

This feeling of comradeship, born of the common bond of labour, is the spirit that characterises Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR
THE STEEL CITY

The Tata Iron and Steel Company Limited JWTTN 8306R

GIVE FREELY TO THE NATIONAL DEFENCE FUND

even then, paradoxical as it might appear, there was the unfortunate desire of steel plants to have their own refractory units. Referring to mineral wool industry, he said that this was a small-scale industry and had established manufacturing units of a capacity much larger than the demand and that, at the top of it, the Bhilai Steel Plant proposed to produce 38,000 tonnes of mineral wool per annum at Bhilai. He said that he was at a loss to understand the reason for it as it would in no way help the utilization of slag, a waste material with steel plants. Mr. Bhaskar suggested that planning should be done for much longer periods and that for some industries, we should have a picture of development for the next 20 to 25 years. He said, "It is certainly disheartening, even demoralizing, that in one Plan the private industry in some fields is asked to develop its production capacity and in the following Plan, it suddenly learns that the Government is setting up a few factories in that very field in the public sector."

Replying to Mr. Bhaskar, Mr. Jaisukhlal Hathi pointed out that over-production of some types of refractories would be natural in a developing economy because it was comparatively easier and quicker to set up capacity for producing refractories than to set up a steel plant. He added that in most of the advanced countries there was surplus capacity for refractories which became handy when additional capacity for steel making was desired. The Minister stressed that our refractory units—at least the ones producing steel quality bricks—were not really under-worked. Moreover, we have not yet reached self-sufficiency in steel and considerable capacity would have to be added in the future five-year Plans. But in case of refractories it is just as we would like to have power, transport and other facilities developed before we need them. A readily available capacity for refractories would always be required for developing steel industry. As a matter of fact, while, on the one hand, there is over-production in certain types of refractory units, India is importing considerable quantities of refractories (Rs. 7 crores per annum for refractories for steel plants only). Such refractory items as sleeves, high grog ladle bricks, stopper heads and blast furnace quality bricks, are also in short supply in the country. Mr. Hathi advised the industrialists to pay attention to the indigenous production of these items and to lower production costs and raise quality of the products.

Regarding steel plants having their own refractory units, Mr Hathi said that, in principle, he did not see anything wrong in it. He pointed out that the Tatas and the Indian Iron had such plants and that at least one such unit in the public sector should serve as a useful model unit. He said the same argument applied to the mineral wool industry.

In his presidential address, Mr. U. P. Ganguli said that in Europe, the industry was experiencing a boom, the production was of the finest quality and provided increased employment opportunities. In addition to their own internal demand, which was very great, they had a vast export market in Africa, South America, North America, Australia and the Middle East. Mr. Ganguli pointed out that the European countries were not in a position to meet their full export demands and that, therefore, India had a good opportunity to exploit these markets. He advised his fellow industrialists to take full advantage of this opportunity.

Referring to production costs, Mr. Ganguli pointed out that in the glass industry, soda ash was a very important raw material constituting 30 to 35 per cent. of the total batch and that the price charged by the State Trading Corporation was about 2-1/2 times more than the international price. The same situation prevailed in the case of other important raw material. Mr. Ganguli said that the present export figure of Rs. 25 lakhs for glass could easily be raised to a crore of rupees if the price of soda ash was lowered. He added that even for many other industries in the group, if a price subsidy on the basic chemicals was given, the prices would fall and exports would increase.

AIR FREIGHT CONSOLIDATION

The International Air Transport Association has approved a world-wide air freight consolidation programme. This programme is to come into effect on April 1, 1964, subject to Government approval. According to the IATA Traffic Director, Mr. Don Reynolds, the programme is designed to safeguard the interests of all concerned with air freight—shippers, forwarders and agents as well as airlines. It reflects the increasing importance that the airlines of the world are placing on air freight. Many airlines today are operating all-cargo aircraft, and several have introduced into service large turbo-prop and jet freighters, capable of lifting upto 100,000 lbs. of cargo.

The Association has also released the first three volumes of projected world-wide passenger air fares table, entirely produced by electronic computer. The volumes, containing about 1,20,000 key fares between some 30,000 pairs of points, are available to member airlines in printed form, magnetic tape or punched-cards. They contain passenger fares which will go into effect on April 1, 1964. Using certain IATA agreed fares construction rules and operated milages as basic information, an IBM 7090 computer capable of 2,00,000 operations per second produced the tables in 70-machine hours. Such work previously required months of effort by the individual tariff staffs of TATA's 93 member airlines. The computer working group comprising tariff and computer experts from 10 airlines was formed more than five years ago to guide the continuing programme as it directly affects airline traffic, and is currently under the chairmanship of James McGuire, Vice-President of Pan American Airways Inc.

The Association will release shortly the first world-wide regulations for containers and pallets which are specifically desiged for speed and ease in handling air freight on the ground and in the aircraft. A 124-page volume of the IATA register of containers and pallets has been prepared and will become effective on April 1, 1964. It shows design and construction and lists the special uses of some 54 containers and pallets owned and registered by airlines, shippers,, freight forwarders and container manufacturers. The containers and pallets will permit faster door-to-door service and provide greater protection for the goods shipped, by way of reduction in exposure. Loss through damage or pilferage, already very low in air transport, will be virtually eliminated. Mechanical equipment is available for use with most of these unit load devices to provide maximum speed in loading and unloading.

SHAFT SINKING CONTRACT

A contract worth £800,000 (Rs. 1.07 crores) for developing the Jitpur and Chasnalla collieries in Bihar State has been secured by the Indian branch of the Cementation Company Limited. The contract is being carried out for the Indian Iron and Steel Company Limited with the International Construction Company Limited as consulting engineers. The contract will include the sinking of three 17-foot diameter concrete lined shafts to depths of nearly 1300 ft. at Chasnalla colliery and the deepening of three existing shafts at the Jitpur colliery.

Company Affairs

UNIVERSAL CABLES

THE UNION Minister for Steel, Mines and Heavy Engineering inaugurated on February 16, the plant set up by Universal Cables Limited at Satna in Madhya Pradesh for the production of electric power cables. The company has been licensed to produce annually 624 miles of paper insulated cables and 240 miles of thermoplastic cables on a single-shift basis. Working on a triple-shift basis, however, the company could, with its existing complement of machines, reach an output of up to 2,000 miles of paper insulated cables, apart from the production of other types. In view of the rapid development of power generation and distribution in the country and the equally rapid growth of the demand for power cables, it is felt to be in the national interest to provide for increased capacity in the industry and Universal Cables has applied to the Government for stepping up its output on a multiple-shift basis.

Meanwhile, the limited availability of imported raw materials for industry is causing serious difficulties. Discussing this problem, Mr. M. P. Birla, Chairman of Universal Cables, in his speech welcoming Mr C. Subramaniam and inviting him to inaugurate the plant, pointed out that power cables being an essential development item, it had in any case to be imported to the extent it could not be manufactured within the country and since imports of cables would certainly cost more foreign exchange than the import of some of the components required in its manufacture, he emphasized the desirability of the Government providing for the industry's full requirements of imported components. At present, the authorities seem to have ruled that a new plant would be entitled to only one-third of its requirements of imported raw materials in the first year of its functioning and two-thirds in the second year and must wait for three years before it could get its full quota. Mr M. P. Birla questioned the logic of this arithmetic and pointed out that it should not and does not take three years for a power cable plant to come into full production. So far as Universal Cables is concerned, Mr Birla said that the plant would be able to go into full production without any delay provided imported raw materials were made available in sufficient quantities. He was also confident that, once the Government authorized multiple-shift working, the investment of Rs. 2.25 crores made in the plant could be exploited to the full benefit of the country by production being stepped up to 2,000 miles of paper-insulaed cables, besides cables of other specifications.

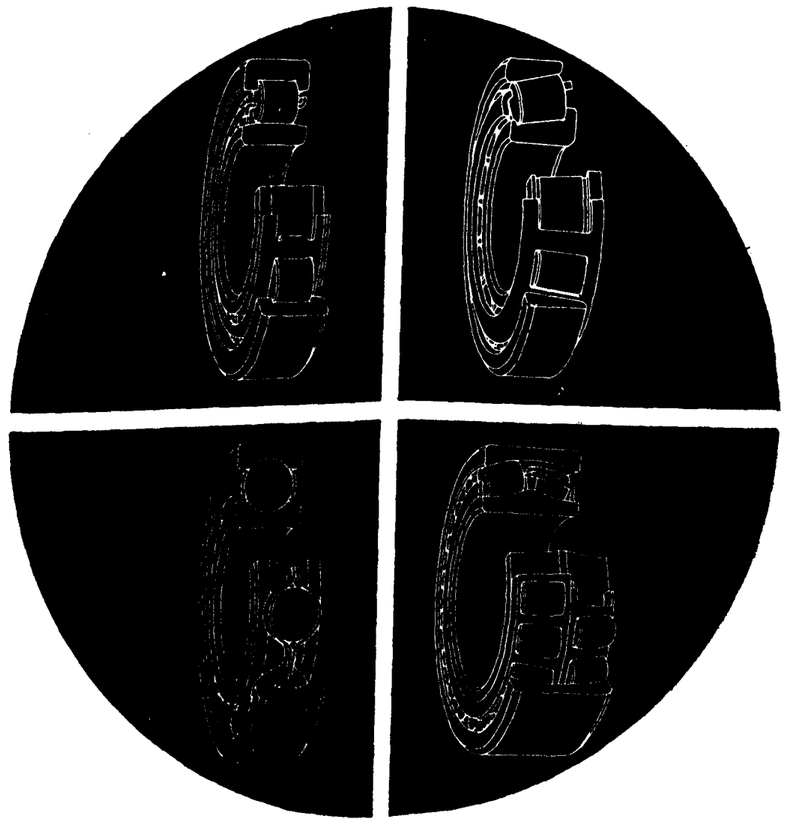
The plant of Universal Cables at Satna could lay claim to many distinctions. In the first place, it has had the benefit of technical collaboration of British Insulated Callender's Cables Limited, London, which is the largest firm in its field. Mr G. M. Smith, pledging BICC's continuing interest in Universal Cables and paying a tribute to the Indian partners for setting up a modern plant in a modern factory, said that BICC was the parent nucleus of a group of associated companies in 138 countries with nearly a century of experience in cable manufacture. It commands full facilities for research, installation and transmission of electrical energy for power and communication purposes and these resources have been employed without stint in installing the equipment at Universal Cables and also in training the company's staff. Another noteworthy feature of Universal Cables is that it is one of the two plants manufacturing power cables in the country which are equipped to make cables of a special quality, viz., the mass-impregnated non-draining type. Its foreign exchange requirements of Rs. 80 lakhs have been met in equal parts by the Commonwealth Development Finance Company and the Industrial Credit and Investment Corporation of India. Of considerable interest is the fact that the plant has been constructed and commissioned within a period of 18 months from the date of issue of licence for the import of machinery.

SATNA CEMENT

The plant of Universal Cables at Satna is a new adjunct to the cement factory there which, on its 100-acre site, is the heart and centre of a well-planned and well-maintained modern industrial township. Started in 1959 with an initial capacity of 750 tonnes per day, the Satna Cement Works is now undertaking an ambitious programme of expansion which would increase its capacity and output by another 1,000 tonnes of cement per day. This expansion programme was also inaugurated by Mr. C. Subramaniam on February 16, when he switched on the new raw mill. Satna Cement Works, which is a unit of the Birla Jute Manufacturing Company Limited, has further plans for expansion as well, depending on the availability of limestone in sufficient quantities and in suitable quality in the neighbourhood. Expressing his appreciation of industrial progress through the setting up of new industries and the expansion of existing ones as in Satna, the Minister emphasized the importance of raising the standards of management practices in industry, whether in the public sector or the private. He suggested that there should be co-operation between Government and industrialists in this matter so that high technical and managerial skills, which are scarce today, could be utilised to the best advantage of the nation and at the places where they are most needed. Mr. C. Subramaniam appealed for a steady improvement in labour productivity and in this context stressed the contribution which modern and enlightened management practices as applied to Labour Relations could make. He agreed with Mr. M. P. Birla that it was desirable to speed up administrative procedures in order that there might be no avoidable delay in the processing and execution of industrial schemes. Planning was desirable and regulation necessary, but both should serve the primary purpose of promoting more economic progress quicker.

CENTURY RAYON'S TYRE CORD PLANT

The Century Rayon complex of the Century Spinning and Manufacturing Company Ltd., which is located at Kalyan, some 35 miles from Bombay, made a precious new acquisition on February 15 when its recently built tyre cord plant was formally inaugurated by the Chief Minister of Maharashtra, Mr. V. P. Naik. The plant will manufacture viscose tyre yarn, used in the manufacture of tyre, which is at present being mostly imported from abroad. The rated capacity of the plant is 5 million lbs, or about 2,300 tonnes per annum but already the output is running at the rate of more than eight tonnes per day. The total monthly requirement of rayon tyre cord in the country is about 900 tons, costing foreign exchange to the extent of Rs. 6 crores per year. With its present rate of production, the Century plant, on which a total capital outlay of Rs. 4.5 crores has been incurred, would save the country foreign exchange to the extent of Rs. 1.6 crores per annum. The company hopes to develop the capacity of its tyre cord plant to 10 million lbs. per annum by the end of this year. This expansion scheme of the company would involve an additional capital outlay of Rs. 3.7 crores. The capital goods licence for this expansion is awaited. Meanwhile, the company has also applied for further expansion of capacity of its rayon tyre cord plant to 15 million lbs. per annum. The company has also submitted an application to the Government



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The Century tyre cord plant is a truly international enterprise in which the Birla Group has collaborated with Dutch, Swiss and German partners. Messrs. Algernene Kunstzijde Unie, N.V. of Holland and Messrs. Vereinigte Glanzstoff-Fabriken, A.G. of West Germany have shared their know-how with their Indian partner and supplied the equipment. Another well-known foreign enterprise Messrs. Ing. A. Maurer, S.A. of Switzerland, have also associated themselves with the Engineering of the project. Mr. G. D. Birla, speaking on the occasion of the inauguration of the plant, pointed out that the foreign collaborators were leaders in the world's man-made fibre industry. According to Dr. L. Vaubel, who represented Glanzstoff on the occasion, his company is the oldest and the largest German producers in the field of man-made fibres and was also one of the pioneers in developing tyre cord made from high-tenacity rayon. The Dutch collaborators, Messrs. A.K.U., is a parent company having control in Glanzstoff and many other companies throughout the world. Messrs. A.K.U. is also one of the biggest chemical companies in Holland. The Swiss collaborator, again, has extensive international experience in setting up synthetic fibre plants in many parts of the world and, in this capacity, is no stranger to India.

Describing some of the more important activities of the Century organization in the industrial field, Mr. G. D. Birla pointed out that Century Rayon was the first concern in the world to make rayon grade pulp from bamboo. He also gave an indication of Century's plans for the development of new industries in the coming years. Mr. V. P. Naik, Chief Minister of Maharashtra, speaking subsequently, emphasised that in the context of the rapidly growing population, it had become imperative that this country should increase its agricultural and industrial production. He underlined the need for the setting up and development of more and more industries and welcomed the large and constructive part which is being played by leading industrialists in this area of national effort.

ATUL'S SODA PLANT INAUGURATION

The Gujarat Chief Minister, Mr. Balwantrai Mehta, inaugurated the Rs. 150-lakh caustic soda plant of Atul Products Ltd. last week. The plant, which will produce 20 tons of caustic soda along with caustic potash, sodium sulphide, liquid chlorine and hydrochloric acid, was erected and commissioned by the West German firm, Messrs. Friedrich Uhde GMBH. In his inaugural speech, the Chief Minister congratulated Mr. Kasturbhai Lalbhai, Chairman of Atul Products Ltd., for establishing the new plant in a backward area like Bulsar, in Gujarat. He advocated the dispersal of industries in such areas in order to prevent over-crowding in cities. The Chairman of the company pointed out that in selecting the site for the new caustic soda plant, certain factors had been kept in view and one was that this place had facilities in regard to supply of water. Moreover, it was considered that it would be better to have such big chemical plants away from big cities.

Tracing the growth of this company, Mr. Kasturbhai Lalbhai indicated that it was in 1949 that the company started making preparations to undertake the manufacture of direct dyes, acid dyes and sulphur black, and it was in 1953 that it started manufacturing dyestuffs there. It obtained technical know-how for dyes manufacture from the American Cyanamid Company, and later on made arrangements with Lederle, a subsidiary of the American firm to start the production of drugs and pharmaceuticals here. Around 1960 the Lederle Company changed its name to Cyanamid India and took Atul in partnership. Now a wide range of drugs and pharmaceuticals and about 200 varieties of dyes for use in cotton textiles, rayon, jute, leather and paper industries are being produced by Atul Products and companies associated with it. As different types of acids are used in the manufacture of these products, the company set up plant to produce sulphuric acid, olium and nitric acid, while the erection of chloro-sulphonic acid plant is now in progress. It was in this context that the company thought of setting up a caustic soda, plant. During these years its investment has increased considerably. In 1953 the investment in Atul was of the order of Rs. 2.5 crores which has gone up to Rs. 20 crores and may touch Rs. 30 crores when the intermediate plants are completed by 1966-67.

MODI INDUSTRIES

Modi Industries Limited proposes to enter the capital market with a public issue of Rs. 50 lakhs on February 24. The subscription list will close on February 26 or earlier at the discretion of the directors. It proposes to issue 5,000 registered debentures (7 per cent) of Rs. 1,000 each to be issued at par. It has an authorised capital of Rs. 1.50 crores and issued, subscribed and paid-up capital of Rs. 73.39 lakhs. The present issue will raise funds to expand the activities of the company. An electric furnace, re-rolling mill and wire drawing plant, for which necessary industrial licences have been obtained from the Government of India, are being installed. The existing activities of the company include the manufacture, distribution and selling of sugar, soaps, vanaspati, refined oil and other vegetable products, stearic acid, glycerine, hurricane lanterns, torches, arc welding electrodes, paints, varnishes and colours, oxygen and acetylene gases, carbon dioxide gas, industrial alcohol and spirits, etc. The entire issue of debentures has been underwritten.

COCHIN REFINERIES

Cochin Refineries Ltd., a public sector undertaking set up in collaboration with Phillips Petroleum Company of the USA and Messrs. Duncan Brothers and Company Ltd., of Calcutta, holding 20 per cent and two per cent of its equity share capital respectively, with the Government of India holding 51 per cent shares, proposes to enter the capital market for the public issue of Rs. 58 lakhs in 58,000 equity shares of Rs. 100 each. The subscription list opens on February 24 to close on February 27. It has an authorised capital of Rs. 15 crores and issued capital of Rs. seven crores out of which capital worth Rs. 6.42 crores has already been subscribed and paid up. The present issue is not underwritten, but Phillips Petroleum Company has offered to take up, without charging commission, any shares which are not subscribed by the public. The company proposes to establish a petroleum refinery with a capacity of refining nearly 2.5 million tons per annum. It will provide a new refining capacity for catering to the needs of Southern India. Phillips Petroleum Company have arranged for long and medium term dollar loans from the USA, and will also provide the necessary technical services in the construction, operation and management of the refinery including the training of the Indian personnel for all posts.

PHILLIPS PETROLEUM

Phillips Petroleum which is participating in the setting up of the Cochin Refinery, has a long history of production and marketing of crude oil and natural gasoline and its products. During the last decade it has also flourished as a producer of petrochemicals also so that it has grown into one of America's most diversified petroleum companies with assets around $1,735,000,000 at the end of 1962. Its gross income in that year was $1,261,000,000 and it paid dividends worth $63,600,000 at the rate of $1.85 per share.

KANORIA CHEMICALS

Kanoria Chemicals and Industries Ltd. entered the capital market on February 17, with a public issue of Rs. 80 lakhs made up of 15,000 redeemable cumulative preference shares (9.5 per cent) of Rs. 100 each and 50,000 equity shares of Rs.

10 each. The subscription list will close on February 24, or earlier but not before February 20. It has an authorised capital of Rs. five crores and an issued, subscribed and paid-up capital of Rs. one crore. The entire present issue is underwritten. The company proposes to manufacture caustic soda, chlorine and chlorine products. The factory is located at Renukoot in Uttar Pradesh where the building is nearing completion. It has been granted loans aggregating Rs. 1.23 crores by the Industrial Finance Corporation of India.

KUMARDHUBI BONUS ISSUE

Kumardhubi Engineering Works Ltd. has proposed to offer 194,320 equity shares of Rs. three each fully paid-up as bonus shares in the ratio of one bonus share for every five held. Immediately after this allotment, the company proposes to issue 737,280 new equity right shares of Rs. three each at a premium of 60 nP. a share in the ratio of two new right shares for every three existing shares, including bonus shares allotted as on the same date. After the issue of bonus and right shares, the equity capital of the company will be Rs. 55.90 lakhs in 1,843,200 equity shares of Rs. three each against the present capital of Rs. 27.65 lakhs in 921,600 shares.

TUNGSTEN OF INDIA

Tungsten of India Ltd. proposes to enter the capital market shortly with an equity issue of Rs. 12.50 lakhs. An equivalent amount will be subscribed by the directors and their associates and friends. The company has a Rs. 40-lakh project for the manufacture of 60 million metres tungsten filament in collaboration with a Hungarian firm. The filament factory is to be located at Poona. Plant, machinery and equipment will cost Rs. 28 lakhs, building and installations Rs. 7 lakhs and the working capital required will be Rs. 5 lakhs. Out of the total cost of Rs. 40 lakhs, a sum of Rs. 25 lakhs will be raised by the capital issue and the remaining Rs. 15 lakhs by loan.

BAGLA ALLOY

Bagla Alloy Steel Ltd. will enter the capital market shortly to raise Rs. one crore from the public. It has an authorised capital of Rs. 2.50 crores — Rs. 50 lakhs in 50,000 (9.5 per cent) cumulative preference shares of Rs. 100 each and Rs. 2 crores in 2,000,000 equity shares of Rs. 10 each. The issued capital will be Rs. 1.50 crores — Rs. 1.25 crores in equity shares and Rs 25 lakhs in preference shares. The directors and promoters have agreed to subscribe equity shares of the value of Rs. 43.27 lakhs and the foreign collaborators Rs. 6.73 lakhs for consideration other than cash. The balance of Rs. 75 lakhs in equity shares and Rs. 25 lakhs in preference shares will be offered for public subscription. The company has been licensed to manufacture 19,800 tons of alloy and special steel every year. It will produce silico maganese alloy steel flats, rounds and squares. The licensed capacity will be raised to 30,000 tons and the new plant to manufacture springs will be added at a later stage. The plant will be located near Kanpur. It has entered into a technical collaboration agreement with a French producer.

VOLTAS

During the year ended August 31, 1963, Voltas Ltd. recorded net sales of the order of Rs. 32.42 crores, nearly 15 per cent more than the previous year. Net profit, after taxes, came to Rs. 84.67 lakhs as against Rs. 66.48 lakhs last year. A dividend at the rate of 14 per cent, subject to tax, has been proposed to be paid. The directors have proposed to raise funds to finance the construction of new unit at Panchpakhadi near Thana, which will cost nearly Rs. 3.3 crores. A debenture issue of Rs. one crore, carrying interest at the rate of 7 per cent per annum, was offered in January this year and was over-subscribed. An issue of two right shares to the existing shareholders for every five shares held at a premium of 25 per cent, subject to the consent of the Controller of Capital Issues, will realise nearly Rs. 1.27 crores. The balance is proposed to be raised from internal resources and additional cash credit facilities from banks. Negotiations for a foreign exchange loan to cover the cost of imported plant and machinery for the manufacture of a complete range of air conditioning equipment are expected to be concluded shortly. Preparatory work for the manufacture of compressors and air conditioning equipment at the Thana works is progressing. In regard to the scheme for the manufacture of small-size domestic refrigerators, for which the company holds a licence, considerable progress has been achieved. Foreign exchange loan has also been obtained for the power factor correction capacitor project.

ICICI

The Industrial Credit and Investment Corporation of India Ltd. has proposed to step up the equity dividend for the year ended December 31, 1963, to seven per cent, taxable from 6½ per cent, taxable, in the previous year. The higher distribution is a sequel to the improvement in the Corporation's performance. The net profit after providing for depreciation amounted to Rs. 57.88 lakhs against Rs. 46.38 lakhs for the previous year. Out of the profit the directors have provided Rs 14.50 lakhs for the special reserve and Rs. 11 lakhs for the general reserve. The dividend distribution will absorb Rs. 35 lakhs.

FORT GLOSTER

The International Finance Corporation has agreed to provide loan and share capital amounting to approximately $1.2 million (the equivalent of Rs. 5.7 million) to Fort Gloster Industries Limited of India, to assist in the financing of a Rs. 40 million programme for enlarging and diversifying the company's electric cable manufacturing facilities., Continental International Finance Corporation, a subsidiary of the Continental Illinois National Bank and Trust Company of Chicago, is participating with IFC in this transaction. Other financing for the project is being provided by the Industrial Credit and Investment Corporation of India (ICICI), which is lending the company approximately Rs. 6 million, and by a rights offering of shares to existing shareholders of Fort Gloster Industries which is expected to raise an additional Rs. 6 million.

Fort Gloster Industries Limited, a jute manufacturing company, at present has a share capital with a total par value of Rs. 8.4 million, consisting of 63,000 equity shares and 21,000 first and second preference shares. As part of a diversification programme, the company began the manufacture of electric cables in 1960 under a technical assistance agreement with British Insulated Callenders Cables Ltd. The cable factory in Calcutta is at present producing various types of high quality, vulcanized rubber-insulated cables. The company now proposes to enlarge these facilities and extend its production to include the manufacture of paper-insulated, lead-covered power cables, railway signalling cables, mining cables and various types of cables insulated with plastic and vulcanized rubber. The new manufacturing facilities are expected to be in operation in 1965. Concurrently, the company is engaged in modernizing its jute manufacturing facilities and installing new equipment for the production of wide hessian to meet the rising demand for jute backing for tufted carpeting in the United States.

CAPITAL ISSUES

Three companies have been authorized to raise capital aggregating Rs. 10.90 crores. They include Indian Refineries, a Central Government Undertaking, which is issuing equities worth Rs. 9.15 crores. Another company, proposed to be incorporated as a Central Government Undertaking, is also issuing equities. The third, a private company, will issue 7 per cent Fifteen Year Debenture Stock. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Indian Refineries, a Central Government Undertaking, is to issue further capital of Rs. 915 lakhs divided into 91,500 equity shares of Rs. 1,000 each to be issued at par. Of this shares of the value of Rs. 90 lakhs will be issued for consideration other than cash and the balance shares will be subscribed for cash. The capital will be utilised for financing the Barauni and Gauhati refineries and the product pipe lines project.

The Central Road Transport Corporation Limited, New Delhi, proposed to be incorporated as a Central Government Undertaking, will be issuing capital of Rs. 50 lakhs divided into 50,000 equity shares of Rs. 100 each, 50 per cent of which would be issued for consideration other than cash and balance in cash. The money will be utilised for maintaining the movement of supplies in the States of Assam, Bihar etc.

Indian Oxygen Limited Calcutta, is to issue 7 per cent Fifteen Year Debenture Stock of the value of Rs. 125 lakhs in connection with the company's scheme of expansion at Bombay, Calcutta, Madras and Vishakhapatnam estimated to cost Rs. 610 lakhs.

LICENCES ISSUED

The following licences have been issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 8th February, 1964. The list contains the names and addresses of the licensees, the articles of manufacture and the annual installed capacity.

IRON AND STEEL

J.B. Advani-Oerlikon Electrodes (P) Ltd., Radia House, 6, Rampart Row, Fort, Bombay-1 (Madras) — Electrode Core Wire 3600 tons. Telepole Manufacturing Co. Ltd., Jeevan Vihar, Parliament Street, New Delhi (Faridabad, Punjab) — Telescopic tubular poles 4,800 tons.

OTHER METALS

The Indian Aluminium Co. Ltd., UCO Bank Building, Parliament Street, New Delhi-1 (Alwaye, Kerala) — Aluminium rods 5,000 metric tons.

ELECTRIC EQUIPMENT

Gandhi Electric Industries (P) Ltd., 94, Medows Street, Fort, Bombay (Maharashtra) — Welding transformers 1,080 Nos.

X-RAY EQUIPMENT

Elpro International Ltd., 20, Graham Rd., Ballard Estate, Bombay-1 (Maharashtra) — Flouroscopic screens 600 Nos., Intensifying screens 2,640 pairs.

CONVEYING EQUIPMENT

Associated Cement Companies Ltd., 121, Queen's Road, Bombay (Mysore) — Electric overhead travelling cranes 1,200 tonnes.

MACHINE TOOLS

Coimbatore Pioneer Mills Ltd., P.O. Peelamedu, Coimbatore-4 (Nilambur, Coimbatore, Distt. Madras) — Geared head centre lathes 480 Nos.

DRUGS & PHARMACEUTICALS

Pfizer Pvt. Ltd., P.B. No. 10104. 163, Backbay Reclamation, Bombay-1 (Maharashtra) — Diadin tablets 1.2 million tablets, Diadin injection 12.000 litres. May & Baker Ltd., Bhandup, Bombay-78 (Maharashtra) — 'Lysivane' brand Ethopropazine 1,80,000, 'Intraval' sodium brand thiopentone sodium B.P. 4,80,000 ampoules. The Managing Director, Hindustan Antiobiotics Ltd., Pimpri (Poona) (Near Poona, Maharashtra) —Penicillin 24 mega million units.

COTTON TEXTILES

Mahalaxmi Fibres & Industries Ltd., 5, Synagogue Street, Calcutta-1 (Bihar) — Cotton yarn 13,000 spindles. Takhatpur Powerloom Weavers Co-operative Society Ltd., P.O. Baripada, Distt. Mayurbhanj, Orissa (Takhatpur, Orissa) — Cotton yarn 12,000 spindles. The Berhampur Powerloom Weavers Co-operative Society Ltd., Berhampur Distt. Ganjam, Orissa (Bernampur, Orissa) — Cotton yarn 12,000 spindles. Vishwa Bharti Spg. & Wvg. Co-operative Society Ltd., D-48, Gujarati Society, Nehru Road, Bombay (Bhiwandi Distt. Thana, Maharashtra) — Cotton yarn 25,000 spindles. Mahendra Mills Ltd., Ahmedabad-9 (Gujarat) — Cotton yarn 25,000 spindles. The Branch Manager, the M.P. Handloom Weaver's Central Co-operative Society Ltd., Gopalbag, Jabalpur, Proposed name: Madhya Pradesh State Handloom Weaver's Co-operative Spinning Mills Ltd., (Burhanpur, M.P.) — Cotton yarn 12,000 spindles. Akola Sahakari Girni Ltd., Chairman Central Co-operative Bank Ltd., Akola, Maharashtra (Akola, Maharashtra) — Cotton yarn 20,000 spindles. Shri L. G. Varadarajulu, Transport House, Karur (S. India), Proposed name: Standard Textiles (Private) Ltd., (Vedasandur, Madurai Distt., Madras) — Cotton yarn 12,000 spindles. Shrimathi Parvathi Ayunan, M.L.A., Palayakottai (via) Erode (S. India) (Thiruchirapally Distt., Madras) — Cotton yarn 12,000 spindles. Shri R. Natarajan, 3,-Sriramnagar South, Madras-18, Proposed name: Sri Nadiambal Textile Mills (Arenthangi, Thanjavur Distt. Madras) — Cotton Yarn 12,000 spindles. Shri B. Rajagopal Naidu M.L.A., Gudiyatham (North Arcot), Proposed name: Shri Lakshmi Saraswathi Textiles Ltd. (Arni, South Arcot Distt. Madras) — Cotton yarn 12,000 spindles. Lakshmi Mills Co. Ltd., Avanashi Road, Pappanaickenpalayam, Coimbatore-1, (Coimbatore, Madras) — Cotton yarn 25,000 spindles. Shri J. Thomos; Managing Director, A.V. Thoman & Co. (India) Ltd, 2/21, First Line Beach, Madras (Thuckalay, Kanyakumari Distt. Madras) — Cotton yarn 12,000 spindles. Shri S.K. Sundarantamier, 'Lavanya', Cathedral Post, Madras-6 (Sholingur, North Arcot Distt. Madras) — Cotton yarn 12,000 spindles. Shri A. Chokalingam Panayapathi, Jriehy Distt. (Chinnasalem, S. Arcot Distt. Madras) — Cotton yarn 12,000 spindles. Shri T.N.M. Arunachalam, 25, Dwarka Colony, Mylapore, Madras-1 (Sivaganga, Ramanathapuram Distt., Madras) — Cotton yarn 12,000 spindles. T.P.S. Hariram Saith, Mukkudal P.O. Tinnevelly Distt., Madras State, Proposed name: Sokkalal Cotton Mills (Alangulam, Tinnevelley Distt., Madras) Cotton yarn 12,000 spindles. Shri A. P. S. Ayyemperumal Nadar, Virudhunagar, Proposed name: Palaniandavar Textiles Ltd. (Sullakarai, Virudhunaugar, Madras) — Cotton yarn 12,000 spindles.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 8th February, 1964

(Pertaining to particular licences only)

From M/s. National Steel Strips (P) Ltd., Calcutta to M/s. Industrial Strips Ltd., Calcutta. From M/s. Gandhi Electric Industries Ltd., Bombay to M/s. Emco Elektra Private Ltd., Bombay. From M/s. Bogilal Laharchand Pvt. Ltd., Bombay to M/s. Batliboi & Co. Pvt. Ltd., Bombay. From M/s. Bengal Linn Ltd., Calcutta to M/s. Bengal Linn (Industrial Furnace) Ltd., Calcutta.

LICENCES REVOKED OR SURRENDERED

During the week ending 8th February, 1964

(Pertaining to particular licences only)

M/s. Bharat Ishpat Udyog Ltd., Calcutta — Forgings. M/s. Mahendra Electricals Ltd., Nadiad, W. Rly. — Cable Boxes and Associated Accessories and Paper and P.V.C. Insulated Control Cables up to 11 K.V. M/s. Electrical Manufacturing Co. Ltd., Calcutta — Capacitors. M/s. Laldee Private Ltd., Delhi — Bicycle Rims. Shri L. N. Shah, Bombay— Glass Manufacturing Machinery & Ceramic Machinery. M/s. Murarka Engineering Works, New Delhi — Industrial knives. M/s. The New Commercial Mills Co. Ltd., Ahmedabad — Cotton waste yarn.

RECORDS AND STATISTICS

TABLE I.

RAILWAY FINANCES: 1950-51—1964-65

(Rs. crores)

	Item	1950-51 (Accounts)	1955-56 (Accounts)	1960-61 (Accounts)	1961-62 (Accounts)	1962-63 (Accounts)	1963-64 (Revised)	1964-65 (Budget)
I	Capital at charge ..	827.04	968.98	1520.87	1682.98	1896.31	2136.40	2389.40
II	Gross Traffic Receipts ..	263.01	316.29	456.80	500.50	566.79	622.22	668.00
	(a) Passenger ..	97.84	107.71	131.59	150.88	169.18	180.03	184.00
	(b) Other coaching ..	16.64	20.87	27.21	29.10	32.54	34.80	35.00
	(c) Goods	143.01	180.28	286.14	306.90	349.52	391.66	432.00
	(d) Other earnings* ..	5.52	7.43	11.86	13.62	15.54	15.73	17.00
III	Total Expenses (a, b, c, d, e)	215.45	265.95	368.93	400.75	443.46	489.44	533.90
	(a) Ordinary Working Expenses	180.23	212.95	313.15	325.33	362.38	393.34	414.68
	(i) Administrative ..	23.36	31.52	37.51	37.60	40.90	44.48	47.46
	(ii) Repairs and maintenance ..	57.11	78.67	99.75	100.45	112.84	122.04	130.92
	(iii) Operating staff ..	35.41	63.45	63.45	64.38	72.26	77.11	82.13
	(iv) Operation (fuel) ..	30.72	23.58	62.80	68.35	75.73	86.04	92.04
	(v) Operation (other than staff and fuel) ..	13.35	10.19	18.30	18.19	21.27	21.78	23.82
	(vi) Miscellaneous ..	19.39	14.97	23.84	26.50	28.10	28.46	24.26
	(vii) Labour welfare ..	3.19	5.03	9.68	10.24	11.90	13.86	15.46
	(viii) Suspense ..	—2.30	—0.74	—2.17	—0.39	—0.62	—0.44	—1.42
	(b) Depreciation ..	30.00	45.00	45.00	65.00	67.00	80.00	83.00
	(c) Appropriation to Pension Fund ..	..	..	..	..	..	..	19.00
	(d) Payments to worked lines	0.25	0.26	0.09*	0.18	0.14	0.14	0.14
	(e) Miscellaneous expenses ..	4.97	7.74	10.69	10.25	13.95	15.96	17.08
IV	Net Revenue (II-III) ..	47.56	50.34	87.87	99.75	123.33	132.78	134.10
V	Dividend to General Revenues	32.51	36.12	55.86	62.85	68.76†	82.53††	90.73†††
VI	Payment to General Revenues in lieu of tax on Railway Passenger fares	..	..	..	12.50	12.50	12.50	12.50
VII	Surplus	15.05	14.22	32.01	24.40	42.07	37.75	30.86
VIII.	Operating Ratio**	80.0	81.6	78.4	78.0	75.8	76.1	77.4
IX.	Ratio of net revenue to Capital-at-charge	5.8	5.2	5.8	5.9	6.5	6.2	5.6

*Includes suspense.

**Defined as the ratio of total expenses (excluding miscellaneous expenses) to gross traffic receipts.

†At 4.25 per cent on the capital-at-charge. ††At 4.50 per cent on the capital-at-charge. †††At 4.50 per cent on the capital-at-charge to end of 1963-64 and at 5.75 per cent on fresh capital.

TABLE II.

NUMBER OF WAGONS LOADED (IN TERMS OF 4-WHEEL WAGONS)

(In thousands)

	1950-1	1955-6	1960-1	Variation† in 1960-1 over 1955-6 Per cent	1961-2	1962-3	Variation† in 1962-3 over 1961-2 Per cent	1 April to 31 December 1962-3	1963-64	Variation† Per cent
Broad gauge:										
Originating loadings—										
Coal	1,274	1,513	2,067	+36.6	2,174	2,443	+12.4	1,801	1,977	+ 9.77
All commodities including coal ..	*	4,336	5,485	+26.5	5,641	6,257	+10.9	4,554	5,012	+10.1
Total loadings‡										
All commodities including coal ..	4,037	4,907	6,164	+25.6	6,334	7,029	+11.0	5,117	5,609	+ 9.6
Metre gauge:										
Originating loadings—										
All commodities including coal ..	*	2,028	2,450	+20.8	2,390	2,460	+ 2.94	1,762	1,822	+ 3.43
Total loadings‡										
Coal	193	396	531	+34.0	552	580	+ 4.98	429	476	+10.8
All commodities including coal ..	2,399	2,937	3,593	+22.3	3,536	3,578	+ 1.18	2,586	2,746	+ 6.21

*Not recorded separately in 1950-1.

†Percentage variations have been worked out on actual figures and not on the figures as rounded off in this Table.

‡Including transhipments.

TABLE III.

FREIGHT TRAFFIC HANDLED BY PLAN HEADS DURING 1962-63 COMPARED WITH 1960-61 and 1961-62

(In millions)

	Tonnes originating			Net tonne Kilometres		
	1960-1	1961-2	1962-3	1960-1	1961-2	1962-3
1. Coal —						
(i) Coal for Railways' use	19.5	20.1	22.2	13,530	14,291‡	15,640
(ii) Coal for steel plants	8.2	9.6	10.5	2,301	2,912	2,992
(iii) Coal for other users	22.7	24.2	28.7	18,233	18,028‡	20,275
(iv) Total coal	50.4	53.9	61.4	34,114	35,231	38,907
2. Raw materials for steel plants other than coal	10.5	12.9	15.5	1,982	2,687	3,361
3. Finished products from steel plants	3.8	4.3	5.6	3,320	3,943	4,632
4. Cement	6.5	6.7	6.9	2,471	2,628	2,774
5. Exports ores —						
(i) Iron ore	2.6	2.5	3.2	*	*	1,63
(ii) Manganese ore	0.9	0.8	0.8	*	*	55
6. Miscellaneous goods —						
(i) Railway materials	17.0	14.8	17.2	1,767	1,574	1,91
(ii) Foodgrains	12.7	12.2	12.3	9,620	9,836	10,17
(iii) Mineral oils	4.7	5.0	5.5	2,560	3,027	3,41
(iv) Fertilizers	1.4	1.6	2.0)			
(v) Other goods	45.7	45.3	48.4)	31,846†	32,291†	32,27
(vi) Total miscellaneous goods	81.5	79.4	85.4	45,793†	46,728†	48,78
7. Total all traffic	156.2	160.5	178.8	87,680	91,218	100,69

* Not available separately.

† Includes exports ores.

‡ Revised from the figures shown in the February, 1963 review.

TABLE IV.

VOLUME OF GOODS TRAFFIC HANDLED

	1950-1	1955-6	1960-1	Variation* in 1960-1 over 1955-6 Per cent	1961-2	1962-3	Variation* in 1962-3 over 1961-2 Per cent	1 April to 31 December 1962-3	1963-64	Variation* Per cent
					(i) Tonnes originating (in millions)					
Broad gauge :										
Revenue-earning	56.2	70.1	93.1	+32.9	98.1	109.8	+11.9	59.2	65.9	+11.4
Non-revenue	15.6‡	18.5‡	27.6		27.3	31.0		16.4	19.2	
TOTAL	71.8	88.6	120.7	+36.3	125.4	140.8	+12.3	75.6	85.1	+12.6
Metre gauge :										
Revenue-earning	15.2	20.0	24.7	+23.5	25.6	27.5	+ 7.53	14.4	14.5	+ 1.21
Non-revenue	3.8‡	4.8‡	8.3		7.0	7.8		4.1	5.0	
TOTAL	19.0	24.8	33.0	+33.0	32.6	35.3	+ 8.24	18.5	19.5	+ 5.35
All gauges including Narrow :										
Revenue-earning	73.2	92.2	119.8	+29.9	125.6	139.4	+11.0	74.6	81.5	+ 9.26
Non-revenue	19.8‡	23.7‡	36.4		34.9	39.4		20.9	24.5	
TOTAL	93.0	115.9	156.2	+34.8	160.5	178.8	+11.4	95.5	106.0	+11.0
Index	100	124.6	168.0		172.6	192.2				
					(ii) Tonne kilometres (in millions)					
Broad gauge :										
Revenue-earning	†	42,271	60,211	+42.4	61,831	68,775	+11.2	34,995	39,585	+13.2
Non-revenue	†	8,192‡	13,513		14,192	15,553		7,595	8,037	
TOTAL	37,946‡	50,463	73,724	+46.1	76,023	84,328	+10.9	42,550	47,622	+11.9
Metre gauge :										
Revenue-earning	†	7,924	11,879	+49.9	13,278	14,119	+ 6.33	7,282	8,325	+14.3
Non-revenue	†	914‡	1,787		1,621	1,945		941	1,024	
TOTAL	5,924‡	8,838	13,666	+54.6	14,899	16,064	+ 7.82	8,223	9,349	+13.7
All gauges including Narrow :										
Revenue-earning	†	50,435	72,333	+43.4	75,353	83,140	+10.3	42,371	48,036	+13.4
Non-revenue	†	9,141‡	15,347		15,865	17,553		8,566	9,093	
TOTAL	44,117‡	59,576	87,690	+47.2	91,218	100,693	+10.4	50,937	57,129	+12.2
Index	100	135.0	198.7		206.8	228.2				
Index of industrial production (Base 1956 = 100)	73.0	92.3	129.8		139.3	149.8				
Index taking 1950-51=100	100	126.4	177.8		190.8	205.2				
					(iii) Average length of haul of a tonne of (all) goods (in kilometres)					
	470	510	561		568	563				

*Percentage variations have been worked out on actual figures and 'not' on the figures as rounded off, in this Table.

†Not recorded separately.

‡These figures exclude the traffic carried in material/ballast trains on open lines by railway construction/project authorities, for construction or independent railway project works in stock owned or hired by them.

TABLE V.
COMPARISON OF RAIL MOVEMENT WITH PRODUCTION OF SELECTED COMMODITIES

(In '000 tonnes)

		1950-1	1955-6	1960-1	1961-2	1962-3
1. Coal	Production	32,825	38,821	52,620	56,100	61,552
	Rail movement¶	30,911	35,888	50,396	53,892	61,442
		(94.17)	(92.44)	(95.77)	(96.06)	(99.82)
2. Managenese ore	Production	897	1,609	1,199	1,212†	1,164
	Rail movement	881	1,400	1,230	1,250	1,215
		(98.22)	(87.01)	(102.59)	(103.14)†	(104.38)
3. Iron ore	Production	Included in 'Other ores'		10,680	12,252†	13,188
	Rail movement			10,516	11,909	14,336
				(98.46)	(97.20)†	(108.70)
4. Other ores	Production	3,714£	5,560£	1,205	1,146	1,299
	Rail movement	3,055£	4,443£	624	765†	959
		(82.26)	(79.91)	(51.78)	(66.75)†	(73.83)
5. Iron and steel	Production* and imports	1,620	2,680	4,542	4,976†	5,741
	Rail movement	2,750	3,713	7,588	8,132	9,435
		(169.75)	(138.54)	(167.06)	(163.42)†	(164.34)
6. Cement	Production	2,655	4,559	7,844	8,245†	8,537
	Rail movement	2,471	4,022	6,548	6,708	6,854
		(93.07)	(88.22)	(83.48)	(81.36)†	(79.82)
7. Foodgrains	Production and imports	52,984	67,558	86,103	84,531†	82,390
	Rail movement	7,805	9,187	12,659	12,233	12,346
		(14.73)	(13.60)	(14.70)	(14.47)†	(14.98)
8. Oilseeds	Production	5,157	5,735	6,625	6,958†	6,675
	Rail movement	1,595	1,794	1,517	1,334	1,439
		(30.93)	(31.28)	(22.90)	(19.17)†	(20.93)
9. Sugarcane	Production	57,051	60,540	104,122	99,853†	91,505
	Rail movement	2,819††	3,463††	3,237	3,371	2,885
		(4.94)	(5.72)	(3.11)	(3.38)†	(3.15)
10. Sugar	Production	1,054	1,886	2,933†	2,706†	2,300‡
	Rail movement	933	1,357	1,488	1,460	1,609
		(88.52)	(71.95)	(49.88)†	(53.95)†	(69.96)
11. Raw jute	Production and imports	597	762	823	1,235†	1,032
	Rail movement	470	520	644	766	931
		(78.73)	(68.24)	(78.25)	(62.02)†	(90.21)
12. Raw cotton	Production and imports	735	831	1,188	970†	1,100
	Rail movement	525	751	536	412	434
		(71.33)	(90.37)	(45.12)	(42.47)†	(39.45)
13. Tea	Production	275	285	320	354†	344
	Rail movement	265	262	250	241	204
		(96.36)	(91.93)	(78.13)	(68.08)†	(59.30)
14. Salt	Production	2,662	3,027	3,441	3,470	3,860
	Rail movement	1,576	1,887	1,981	2,222	2,380
		(59.20)	(62.34)	(57.57)	(64.03)	(61.66)
15. Paper and paper board	Production and imports	208	323	445	516†	510
	Rail movement	193	260	442	460	465
		(92.79)	(80.50)	(99.33)	(89.15)†	(91.18)
16. Jute manufactures	Production	850	1,044	1,084	971	1,181
	Rail movement	271	294	263	249	231
		(31.88)	(28.16)	(24.26)	(25.64)	(19.56)
17. Cotton manufactures	Production**	583	900	993	1,081†	1,080
	Rail movement	472	557	380	379	348
		(80.96)	(61.89)	(38.27)	(35.06)†	(32.22)

Note: Figures in brackets represent per cent of rail movement to production (and imports) and are affected by the fact that while the production figures relate to the calendar years in respect of industrial commodities and to the respective crop years in respect of agricultural commodities, the figures of rail movements refer to the financial years commencing from April 1. The rail movements of certain commodities are also further affected by the duplication involved in the process of retail distribution, creation of reserve stock or dumps, carry-over stock, etc, as explained in para 9, page 10, of the March, 1962, Review.

¶ See the general note above. Out of 61.4 million tonnes of rail movement during 1962-3, 53.5 million tonnes originated from coal fields and the remaining quantity (7.9 million tonnes) of coal was booked from other points, viz., washeries, coastal ports after sea movement from Calcutta, coke oven plants, coal dumps, etc.

* Figures represent, besides imports, production of pig iron for foundries and finished steel only.

** Figures include fabrics manufactured in decentralised sector also.

† Revised from the figures shown in the February, 1963 Review.

†† Estimated as the figures of sugarcane were merged in these years with fruits and vegetables fresh.

‡ Estimated

£ Includes 'Iron ore'.

TABLE VI.
VOLUME OF PASSENGER TRAFFIC HANDLED

(Figures in millions)

	1950-1§	1951-2§	1955-6	1960-1	Variation‡ in 1960-1 over 1955-6 Per cent	1961-2	1962-3	Variation‡ in 1962-3 over 1961-2 Per cent	1 April to 31 December 1962-3	1963-4	Variation‡ Per cent
(i) Passengers originating											
Suburban*											
Broad gauge	†	379	464	633		708	748		437	456	+ 4.40
Metre gauge	†	33	35	52		56	59		35	37	+ 5.28
TOTAL	†	412	499	685	+37.1	764	807	+ 5.73	472	493	+ 4.46
Index		100	121.1	166.3		185.4	195.9				
Non-suburban —											
Broad gauge	†	423	420	494		515	526		327	336	+ 2.75
Metre gauge	†	341	323	378		376	377		229	238	+ 4.26
All gauges including Narrow	†	796	776	909	+17.1	928	942	+ 1.41	579	599	+ 3.47
Index		100	97.5	114.2		116.6	118.3				
TOTAL (suburban & non-suburban)											
Broad gauge	846	802	884	1,127		1,223	1,274		764	792	+ 3.69
Metre gauge	400	374	358	430		432	436		264	275	+ 4.39
All gauges including Narrow	1,284	1,208	1,275	1,594	+25.0	1,692	1,749	+ 3.36	1,051	1,092	+ 3.91
Index	100	94.1	99.3	124.1		131.8	136.2				
(ii) Passenger kilometres											
Suburban*—											
Broad gauge	†	6,495	7,763	11,193		12,605	12,870		7,528	7,717	+ 2.51
Metre gauge	†	340	402	625		663	685		402	425	+ 5.63
TOTAL	†	6,835	8,165	11,818	+44.7	13,268	13,555	+ 2.17	7,930	8,142	+ 2.67
Index		100	119.5	172.9		194.1	198.3				
Non-suburban—											
Broad gauge	†	35,348	34,297	42,876		44,841	46,326		26,989	27,685	+ 2.58
Metre gauge	†	19,711	18,773	21,695		22,508	22,979		13,426	13,741	+ 2.35
All gauges including Narrow	†	56,237	54,235	65,847	+21.4	68,617	70,523	+ 2.78	41,108	42,186	+ 2.62
Index		*100*	*96.4*	*117.1*		*122.0*	*125.4*				
TOTAL (suburban & non-suburban)—											
Broad gauge	44,580	41,843	42,060	54,069		57,446	59,196		34,517	35,402	+ 2.57
Metre gauge	20,619	20,051	19,175	22,320		23,171	23,664		13,828	14,166	+ 2.44
All gauges including Narrow	66,517	63,072	62,400	77,665	+24.5	81,885	84,078	+ 2.68	49,038	50,328	+ 2.63
Index	100	94.8	93.8	116.8		123.1	126.4				

*The figures refer to the passengers booked between stations within the suburban areas of Bombay, Calcutta, Madras and Secunderabad only.

†Comparable data not available.

‡Percentage variations have been worked out on actual figures (and not on the figures as rounded off in the above table).

§For compartive purposes, the figures include those for the Tezpur-Balipara Railway purchased and merged with the N.F. Railway on 1st September, 1952 and of the Barsi Light Railway purchased and merged with the Central Railway on 1st January, 1954.

TABLE VII.

OPERATING PERFORMANCE AVERAGES IN 1962-63 AS COMPARED TO 1950-51, 1955-56, 1960-61 AND 1961-62

	Broad Gauge					Metre Gauge				
	1950-1	1955-6	1960-1	1961-2	1962-3	1950-1	1955-6	1960-1	1961-2	1962-3
1. Percentage of serviceable loco motives	81.05	83.24	85.48	85.66*	85.80	82.26	84.56	86.19	86.24	86.11
2. Percentage of serviceable passenger vehicles	85.83	89.81	91.77	91.68	92.32	91.00	93.03	92.41	92.57	92.22
3. Percentage of serviceable wagons	92.72	95.32	96.68	96.81	96.60	91.36	92.66	95.48	97.14	97.17
4. Engine kms. per engine day (passenger) (in use) ..	249	267	277	274	268	211	206	220	222	223
5. Engine kms. per engine day (goods) (in use) ..	150	151	162	157	159	140	137	142	145	146
6. Gross tonnage per goods train (tonnes)	1,068	1,146	1,354	1,358	1,405	435	537	648	663	679
7. Net tonnage per goods train (tonnes)	489	537	656	657	699	185	246	298	311	323
8. Wagon kms. per wagon day	62.3	74.5	76.9	76.1	76.4	50.2	45.9	51.6	54.8	56.8
9. Net tonne kms. per wagon day	710	885	998	973	1,007	304	332	405	445	474
10. Gross tonne kms. per goods train hour	16,409	16,034	19,640	19,171	19,730	5,677	6,451	7,908	8,008	8,250
11. Net tonne kms. per goods train hour	8,590	8,570	10,808	10,533	10,996	2,884	3,437	4,232	4,366	4,545
12. Punctuality of passenger trains (per cent)	79.79	77.99	85.75	84.48*	85.27	71.43	75.14	82.58	81.26	83.29
13. Kgs. of fuel consumed per 1000 gross tonne kilometres (goods)	45.5	42.7	40.0	40.9	41.3	56.3	51.2	52.1	52.1	54.2
14. Kgs. of fuel consumer per 1000 gross tonne kilometres (passenger)	53.3	50.5	52.4	52.7	53.9	64.9	61.9	57.5	57.7	59.2
15. Shunting kilometres per 100 train kilometres (passenger and proportion of mixed) ..	6.15	6.49	6.87	7.11	7.12	6.34	5.68	7.15	7.93	8.15
16. Shunting kilometres per 100 train kilometres (goods and proportion of mixed) ..	39.8	38.5	36.8	37.1	37.2	40.8	43.5	41.1	39.9	39.8

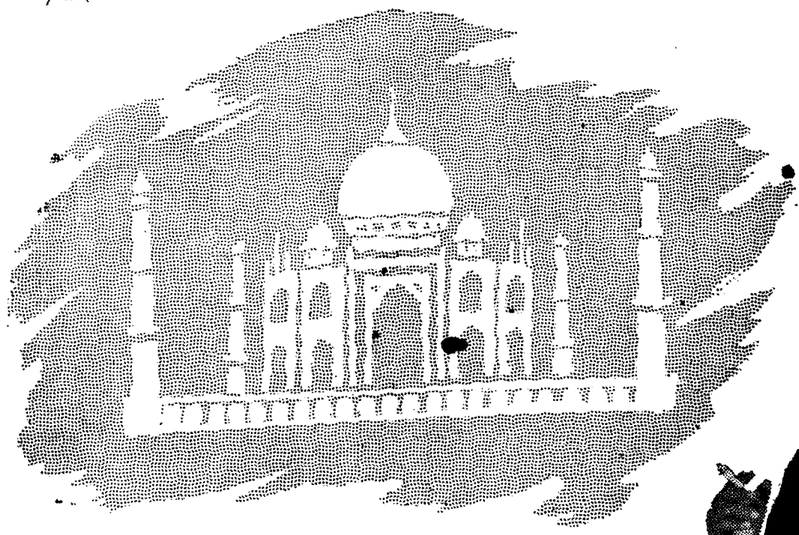
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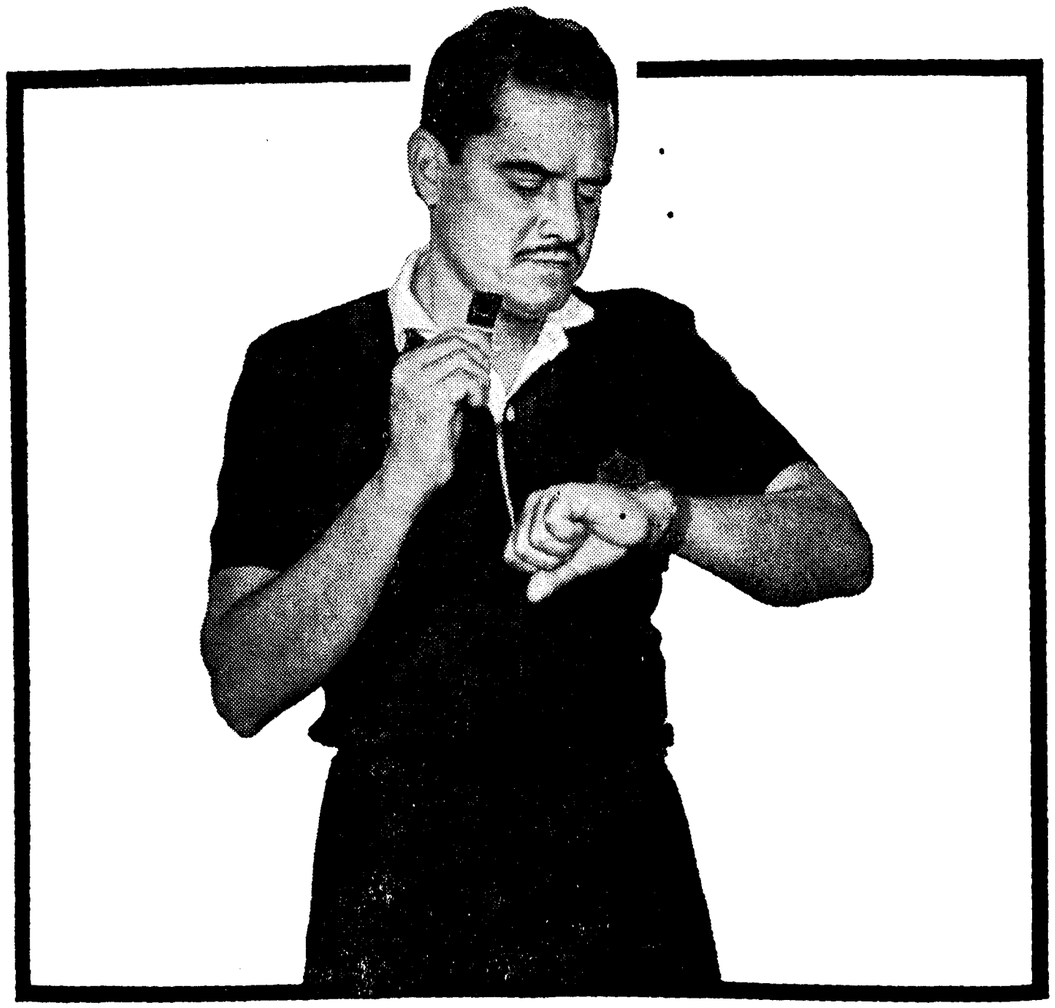
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A Budget for Second Thoughts

A MULTI-PURPOSE rather than a purposive Central budget this. And like so many of our multi-purpose projects, it risks its performance disappointing its promise and its realizations falling short of its expectations. That the Finance Minister genuinely desires to stimulate the economy and that he believes that this budget would do this need not be doubted. Part A of his speech is replete with evidence on this score. Part B, however, is not all in the same breath. It would be churlish not to acknowledge the bouquet of fiscal blessings presented to the corporate sector, but the flowers have their thorns. The substitution of the super profits tax with a far more restrained surtax on companies is a distinct gain the value of which is immensely increased by the extensive preferential treatment granted to a number of selected industries and the consolidation or continuation of various tax advantages accruing to new companies, but the Finance Minister's professed concern for strengthening and stimulating the investment climate is not borne out by his decisions on the taxation of dividends and the capital gains in bonus shares.

It is indeed an odd idea to seek to enforce dividend restraint by taxing *all* dividend distribution; Mr. Krishnamachari should certainly be able to appreciate the reasonableness of introducing a reference to a datum line. In the case of bonus shares, the Finance Minister's proposal ignores the fact that the amount in the bonus shares is already twice taxed, first in terms of basic corporate taxation and again through the special tax on bonus shares. If the Finance Minister is keen on logical neatness, he may certainly treat the bonus element in bonus shares as capital gains, but, then, his concern for logical tidiness ought to persuade him to drop the tax on bonus shares. Otherwise the discouragement to investment in shares is bound to be considerable enough to offset a good part of the attractiveness of the other incentives which he has been at pains to provide for the capital market and the corporate sector.

The budgetary sensation of last February was the super profits tax. The sensation this year surely is the murderous onslaught on men of property. Where Mr. Morarji Desai had fired a blunderbuss, Mr. T. T. Krishnamachari has used a rifle with a telescopic sight. The Desai budget with its plethora of indiscriminate levies on all and sundry was mass killing on an epic scale. The present Finance Minister has decided in favour of well-directed genocide. Under the pretext of moderating the unearned advantages of inherited wealth and on the excuse of reducing economic inequalities, the Finance Minister has taxed the capital and consumption of the small number of the Big Rich to the point of rapid extinction. The Ancient Athenians — who knew better than all subsequent practitioners of the art of democratic government — understood and were afraid of the savagery inherent in the tyranny of the majority. The Finance Minister, crawling under the shadow of Bhubaneswar, has decided to dispose of a minority economic class as an expendable clutch of parasites. Others who might believe that this class has a positive role to play in the national economy as a catalyst of capital formation and business enterprise cannot but think that he has committed an error of judgment — or an act of passion — of a kind which even totalitarian economies, in their retrospective wisdom, are beginning to doubt the sense of. Here, of all places in the budget, there is need for saner second thoughts.

India Before Geneva

MR. MANUBHAI SHAH'S recent preview of the position that India will take up at the 123-nation conference on world trade due to begin on March 23 came none too soon — after due allowance has been made for the need of caution and reticence. In Africa the decade of the "wind of change" has been overtaken by squalls that blow fitfully, and expectations regarding higher standards of life are running high. In terms of principles we have a stake, too, in the issues that sway and inspire the Latin American peoples.

Now, first, to Mr. Shah's proposals outlined briefly in an interview to the Czech News Agency. He modestly announced his view that the forthcoming conference on world trade in Geneva was only "the first step" in the direction of the ideals it sought to achieve. He pointed out that the General Agreement on Trade and Tariffs arrived at in Ottawa in 1948 was "limited" and had not enlisted the participation of erstwhile nations-at-war and other countries which became free since. He emphasised that the principal problem was that of "the expansion of the exports of less developed countries". Of course, they also sought to trade more among themselves. Over 70 per cent of the world's peoples living in the less developed countries had benefited but little from the spectacular increases in world trade of recent times.

The Union Minister for International Trade then went on to enumerate, according to his concise order of priorities, the steps which he thought necessary to eliminate the factors obstructing the smooth and increased flow of international trade. The first of these was an agreement on fair prices for exporters of primary produce "with a built-in escalation clause", and these are to be secured either through "commodity agreements" or through the existing international "compensatory monetary system" designed to regulate such agreements. Perhaps it was just as well that he did not add that the commodity agreements — which incidentally lie outside the purview of GATT — themselves suffer from the bias which restricts the benefits of world trade to a privileged few. To say that they are available only for a short list of commodities which the well-to-do themselves produce or want badly may be a truism, but the hardship resulting from the commodities left out is certainly real. For instance, many of the developing countries do not have the foreign exchange necessary to operate, say, on the London Commodity Market with a view to stabilizing price levels. The resulting loss in terms of trade is by now too well-known to bear repetition. The transition from the first to the second list of commodities will require far more than a change of heart; it will require some re-orientation of attitude in the more prosperous among the 123 nations due to meet at the Conference.

India's second proposal is that all restrictions of a non-tariff character on primary produce of the underdeveloped nations seeking entry into the economies of the advanced countries should be removed. At present these quantitative restrictions apply variously to primary products, semi-processed goods and manufactures. Mr. Shah conceded, however, that any "specialized sector of the economy" in the advanced countries affected in consequence should be relieved by "bilateral or multilateral arrangements in respect of a few items". Also the internal duties levied on many of the commodities militated against increased world trade. The fact of the matter is that the tariff walls, which have been built up by the industrialised countries with a fervour reinforced by Marshallian energy, are inward-looking. It is true that the GATT ministerial conference of June 1963 generously offered to forgo any reciprocity in the scaling down of these tariffs which they held to be unilaterally desirable. (In any case, the backward countries could just not do without these nominal tariffs which provided protection to their nascent industries and were moreover revenue-yielding). Mr. Shah, however, was quick to point out that there, in fact, existed a reciprocity if only the GATT countries would take a long-range view and look for it.

"The industrialized countries are not only highly industrialized but are also automatized", he said. The high degree of automatization that has been gradually introduced in the Western European and American economies after the war renders the familiar argument based on cheap labour invalid. The knocking down of these walls was the condition of increased world trade, since it is only in the measure that the export earnings of the primary producers increased could they provide progressively expanding markets for the leading nations of the industrialized West. Mr. Shah proposed that either GATT should be so reformed and enlarged that it can bring about these results or that a more representative and new international trade organization should be formed for the purpose, the latter not only to implement but to "sustain" these measures over a long period of time.

Asked under "what conditions" international trade became effective for the participants, Mr. Shah replied with a maxim: "Poverty anywhere is a menace for prosperity everywhere"; peace was the condition of progress. The first guiding principle was the restoration of the "balance in favour of the less developed countries". The international division of labour, which Mr. Shah held to be desirable, must, however, he added, be tempered by a regard for "the conditions and stages of development". The more industrialized countries should open their markets from developing nations who must thereby be permitted to build up their less capital-intensive industries. They must also be enabled to increase their earnings from exports which should in increasing measure be of semi-processed goods or end-products rather than raw materials. This is how international trade is linked to the development of backward economies. Such a policy need not be based on altruism for it would simultaneously enable the industrial nations to attain regions of "higher technologies".

Other proposals made in this regard by Dr. Raul Prebrisch who has been described as a "brilliant Argentinian economist" had much airing in the international Press before they were published on February 15 in the form of a UN report. Also, a French proposal, not yet circulated among member countries, has nevertheless been widely known and discussed. They are both characterized by a bold and other-regarding imagination.

The report prepared by the Argentinian Secretary General of this 123-nation World Conference on Trade and Development, which is being called under UN auspices in accordance with a resolution tabled by Soviet Russia many years ago, dwells on, firstly, as to why it is desirable to go beyond the General Agreement on Tariffs and Trade. The conviction, Dr. Prebrisch says, grew on him that "some kind of trade organization was needed" and that "practical action in the field of trade and development was the primary responsibility facing the United Nations in this decade". Western countries are, however, believed to be "cool towards the proposal". Dr. Prebrisch's reasons for concluding that it was necessary to go beyond GATT were that (a) the organization was not universal, having only 61 full and 13 associate members and excluding, as it does, most of the Communist countries; (b) it dealt with, in a fragmentary, if satisfactory manner, problems of international trade as between industrial nations but was not concerned with the trade of developing countries among themselves or that between them and the industrial nations; and (c) the problem of development must be tackled in general terms "on various fronts with clearly defined objectives".

He has suggested that the Conference should further consider commodity agreements, compensatory financing, re-adjustment of external debt, differences between developing nations, etc. While offering a solution, he argues that if preferences were worth introducing at all, "they should be clearly adequate in relation to the magnitude of the problem". Free entry would, of course, be the best solution. Failing that, they should get the same terms that obtain as between themselves.

While the developing nations will probably subscribe to much of what Dr. Prebrisch has said, there is a danger—points out the London *Economist* — that the GATT nations might treat this as a Conference merely of developing nations and retreat from this impracticable Havana idealism into their own cosy and exclusive organisation. Besides, asks the *Economist*, what is to be the relation between "independently influential organization like the World Bank and the IMF" and any compensatory mechanism that this Conference on world trade might set up? Perhaps the article by the UK High Commissioner in India which we publish elsewhere in this issue and in which H.E. Sir Paul Gore-Booth has attempted to emphasize the positive and constructive content in Britain's attitudes to the greater flow of trade across the world in general and between industrially advanced countries on the one hand and developing countries on the other may provide a corrective to fears such as those the *Economist* has aired.

Eastern Economist 20 Years Ago

MARCH 3, 1944

India's fifth war budget which Sir Jeremy Raisman presented on Tuesday last is unsensational. To an anxious public which had somehow or other been prepared for all sorts of drastic measures in the name of anti-inflation, it came with some measure of surprise. There were two notable reasons for this. In the first place explicit recognition is given to the first principle of war finance which informed opinion in this country has incessantly demanded, viz., that a further substantial increase in the demands on India's resources "would impose a severe burden on her economy which has already shown distinct signs of overstrain and might even lead to a serious breakdown." How far this theoretical recognition is followed up in actual implementation, the events of the coming year will more than show. But past experience belies any sanguine expectations. Meanwhile, official acceptance of the principle is a distinct triumph for public opinion in this country. In the second place, the tax proposals, onerous as they are coming on the top of the increased burden which the country has been carrying in the last three years, are nevertheless modest. From a Government which only a week before came forward with the atrocious proposal to impose a 25 per cent tax on travel in the name of anti-inflation, any indiscriminate series of levies might have been quite well expected. Fortunately, the impositions are far less sweeping than what might have come from a Government with its present record of antipathy to public opinion and indifferece to fiscal canons.

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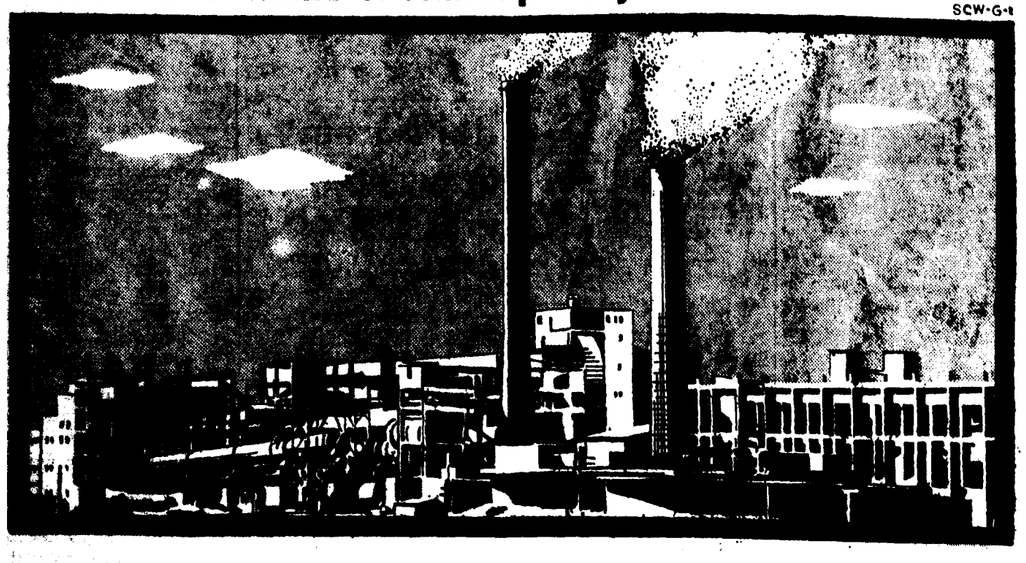
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Highlights of the Week

STATESMANSHIP Vs. BRINKMANSHIP

IF INDIA would that Time solve the Kashmir dispute, Pakistan seems to be determined to deny Time a chance. Rawalpindi's frequent badgering of the Security Council, it is clear, is not motivated by anything like an absolute faith in diplomacy. President Ayub and his advisers are evidently equally willing to try other means. The Keran episode in which an Indian police patrol party was ambushed near the ceasefire line in Kashmir is only one of the more outrageous acts in what appears to be a planned programme of provoking incidents. It is significant that Pakistani provocation has not been confined to the Kashmir region but has also been active along the Assam border. This shows that the Ayub Government is committing itself to a deliberate policy of creating tension in the relations between the two countries and maintaining a state of active hostility. This attitude becomes all the more sinister when considered in the context of the stagy fraternization in which Premier Chou En-lai and President Ayub are currently engaging themselves for the benefit of a world audience.

Face Facts

In the course of a statement on the Keran incident which he made in the Rajya Sabha on February 26, the Defence Minister assured the House that, while the Government of India was alive to possibilities of further Pakistani mischief, it was fully satisfied that our Defence forces along the ceasefire line were well prepared to face any concerted military action by Pakistan. While it is true that the first purpose of the Government of India should be to think in terms of military security in the threatened areas, it cannot be denied surely that, in the light of the Ayub Government's avowed and established purpose of keeping alive the Kashmir issue — if necessary by practising brinkmanship — it is very desirable that we, on our part, should be able to think in terms more positive than that of masterly inactivity in securing a settlement of the Kashmir dispute. Defence preparedness against Pakistan's aggressive proclivities could only be a part of the answer. The trend of proceedings of the Security Council, when it recently considered the Kashmir dispute, surely pointed to the fact that opinion in that world body was clearly in favour of this country adopting a more positive approach to a resolution of its differences with Pakistan over Kashmir. That this point of view cannot be to our liking is true enough. That its justice or soundness could be disputed is evident enough. All the same what ought to matter to us really is that we have just not been able to carry world opinion with us in our contention that Pakistan being the aggressor in Kashmir cannot claim to have any right to question that State's accession to the Indian Union. This being the case, it seems to us that Government of India would do well to seek an end to a state of affairs which is doing no good to either country, by taking steps to reopen the negotiations. It could be said, of course, that Pakistan had not shown any inclination in the past for a settlement based on negotiated modifications to the ceasefire line. That is true enough, but the only way to make Pakistan budge from its intransigent position is to bring diplomatic pressure to bear on it through the United States and Britain. Once we decide that this is the best means of finding a way out of the impasse, it ought not to be difficult for us to work out in consultation with these and other friendly countries the basis of a new approach which the Government of Pakistan would not be in a position easily to spurn or sabotage. At the moment there is justifiable resentment in this country towards the U.K. and the United States for their partisan advocacy of Pakistan's case in the Security Council. But it would be unwise to let this anger blind us to the fact that the undeniable interest which those two countries are taking in the restoration of normal relations between Pakistan and ourselves could be a valuable diplomatic asset to us once we succeed in putting forward positive proposals which could convince them that our interest is not by any means less genuine.

Take the Initiative

Seen from this angle, Mr. M. C. Chagla's otherwise admirable statement in Parliament on February 24 on the work of the Indian delegation to the U.N., seems to fall short of the needs of the situation. It may be that we have succeeded, as Mr. Chagla claimed, in laying once and for all the ghost of a plebiscite in Kashmir. But the fact remains that the growing Peking-Pindi conspiracy and collaboration against the security of this country does present us with a problem which we cannot safely refuse to deal with, and since we cannot, for obvious reasons, think in terms of a military initiative, we ought to be able to apply our mind to the possibilities of a diplomatic initiative. Our position in this respect has fortunately been strengthened by the demonstrated loyalty of the people of Kashmir in recent weeks to the Indian Union and their clear desire for closer integration. Here, Mr. Lal Bahadur's exertions of the last few days in the matter of reorganizing the Government of Jammu and Kashmir so that it may be able to command wider and more positive support from the people have been most timely and useful. While it may be true that Kashmir is not the only part of India or, indeed, of the world which could do with a better administration, its peculiar placement in the pattern of Indo-Pakistani relations has certainly made it desirable that every effort should be made to fashion its Government in a way which commands the respect and confidence of the people of Jammu and Kashmir. Mr. Lal Bahadur's success in this direction should be a prelude to a more positive and pragmatic policy on the part of the Government of India towards the Kashmir issue. To leave the initiative in this matter to Pakistan could well be dangerous to peace and progress in the sub-continent since Pakistan has lately shown that it is liable to exercise this initiative in a destructive — and possibly disastrous — manner.

BETTER LATE THAN NEVER

FOR THE first time since nationalisation, the Life Insurance Corporation has stepped up the rates of bonuses. The bonuses declared at the fourth valuation are higher than at any of the preceding valuations. The bonus on life insurance policies issued by the Corporation has been increased from Rs. 16 per thousand per annum declared for the two-year period ended December, 1961, to Rs. 17.50 per annum per thousand. In the case of endowment assurance policies, the bonus rate has been enhanced from Rs. 12.80 per thousand to Rs. 14 per thousand. A proportionate increase in bonuses of erstwhile insurers has also been declared. The increment in the bonus rates has been made possible by the increased profit earned by the Corporation. The inter-valuation period for the first time was for 15 months from January 1, 1962 to March 31, 1963. It consisted of two periods of three months each in which the earned surplus was negligible and only one period of nine months in the middle in which the earned surplus was concentrated. Because of the uneven character of the life insurance business, the premium income was "greatly concentrated" in the closing months of the year; the earned surplus under such conditions was practically negligible during the first three months of the year and was mainly concentrated in the last nine months.

While the increase in bonus rates is to be welcomed, there was perhaps greater justification for such a decision when the results of the third valuation were announced than at present. For, the third valuation of the assets and liabilities of

the L.I.C. had recorded even more satisfactory results — the same favourable mortality experience as now, but a higher average net rate interest and a lower renewal expense ratio. The results of the fourth valuation, on the other hand, show that, whereas there was no change in mortality experience, the average net rate of interest during the inter-valuation period was fractionally lower, being 4.08 per cent, as against 4.14 per cent during the previous valuation, and the renewal expense ratio was somewhat higher than for the preceding valuation period, being 14.13 per cent as against 12.42 per cent. Of course, in their report, the actuaries have explained the reasons for both the lower interest rate and the higher expense ratio, but, in the absence of strictly comparable data by reason of the variation in the valuation periods, these have to be accepted at their face value. As regards mortality basis, the fear expressed in this journal in December, 1962, that at least for the next two valuations, the L.I.C. might not have in hand the results of its detailed investigation into the mortality experience during 1961-64 seems to have been justified. For the latest valuation also the same mortality basis as was employed in respect of the third valuation has been used and it is stated that, before making any change, the L.I.C. "would like to wait till the results of the detailed mortality investigation for the period 1961-64 become available". It is, however, comforting to note that the Corporation has already taken the investigation in hand.

A comparison of the four valuation results shows that the number of policies has increased from 5.68 million policies assuring Rs. 1,472.81 crores at the first valuation, to 6.93 million policies assuring Rs. 1,997.15 crores at the second valuation, to 8.58 million policies assuring Rs. 2,738.92 crores at the third valuation and to 9.5 million policies assuring Rs. 3,160.69 crores now. Similarly, there has been an improvement in the surplus available for distribution, if one proceeds on the basis of the average for the latest 15-month valuation period and that for the different periods of previous valuations. Notwithstanding this and despite the prospects for a further rise in life insurance business being reasonably bright, it is a moot point whether the return to participating policyholders, as well as to the Government of India, will continue to maintain the same upward trend as heretofore, what with the threat of a further sharp rise in the expense ratio and the relatively uncertain outlook for surpluses in the years to come.

THE UNCOVERED GAP

THE PUNJAB budget for 1964-65 showed an over-all deficit of Rs. 1.58 crores. The Finance Minister, Dr. Gopichand Bhargava, indicated in his budget speech that the gap was likely to increase to about Rs. 11 crores as the Government had plans to provide additional funds for tackling the problem of floods and for the promotion of agriculture including reclamation, horticulture, animal husbandry and industries.

The revenue receipts for 1964-65 were estimated at Rs. 113.67 crores as against the revenue expenditure at Rs. 112.91 crores, revealing a deficit of Rs. 24 lakhs only. The revenue and capital budgets together indicated a surplus of Rs. 3.42 crores, but this figure took into account the sum of Rs. 3.66 crores from the measures under the Temporary Taxation Act, 1962, which had been earmarked for the betterment of scheduled castes. The Government had plans to add another sum of Rs. 1.14 crores to this fund, thus, raising it to Rs. 5 crores. The net result of these additions and subtractions will be that the State will have a deficit of Rs. 1.58 crores. This gap had been left uncovered by the Finance Minister because he hoped that he would be able to borrow a substantial amount from the people, especially for flood control schemes. No fresh taxes have been proposed in the budget.

It has been decided to make an ad hoc increase of Rs. 5 in dearness allowance admissible to all Class IV employees, excepting sweepers, so as to ensure a minimum salary of Rs. 70 per month. The Finance Minister also indicated that the Government intended to raise the minimum wage steadily to Rs. 100 per month and it would consider the question of an increase in emoluments in a suitable form during the year under review. An increase of 12.5 per cent in compensatory allowance in the hilly areas and 10 per cent in the Mahindergarh district has been provided for employees drawing a salary not exceeding Rs. 850 per month with the objective of attracting the right type of personnel in these areas. The Finance Minister also stated that the Government was paying greater attention to the development of hilly areas; the plan outlay for the hilly areas for 1964-65 was Rs. 540 lakhs. For roads and communications alone Rs. 68 lakhs had been provided in the current year and Rs. 86 lakhs in the next year.

Discussing the trend of rising prices of essential commodities in the State, the Finance Minister said that the Government had constituted a committee in order to restrict the margin of profit at wholesale and retail levels. He, however, held out the threat that, if the prices of foodgrains did not come down, the Government would not hesitate to resort to State trading. It was the policy of the Punjab Government to raise the incomes of the lowest strata in society to about double the current level and it had set the goal of achieving this target within the next five to seven years. For this purpose the Government had been concentrating its efforts on agriculture and allied occupations. This broad objective, according to the Finance Minister, could be achieved provided agricultural production in the State was doubled. The floods in the Punjab had caused extensive damage despite the fact that the State had already spent about Rs. 21 crores on flood control. He estimated that an almost equivalent amount might have to be spent during the next two years on essential schemes of flood control.

NATIONAL INCOME

THE LATEST estimates of national income of India released by the Central Statistical Organization, indicate that the increases in national income and per capita income in real terms were 5.0 per cent and 0.5 per cent respectively during the first two years of the third five-year Plan. The mid-term appraisal of the Plan, which was discussed in the Lok Sabha in the last session, and is currently being debated in the Rajya Sabha, also dilated upon the same stagnation in levels of living. The third five-year Plan had envisaged a rise of more than 5 per cent in national income in each one of the five years of the Plan, whereas the actual achievement has been at half that rate. In other words, the improvement in the living standards of the people in the first two years of the Plan was almost negligible at 0.5 per cent, if the increase in per capita income can be taken as an indicator. The latest estimates for 1962-63, which are still tentative and preliminary, place India's national income (at 1948-49 prices) at Rs. 13,370 crores as against Rs. 13,060 crores in 1961-62 and Rs. 12,730 crores in 1960-61. Per capita income (again at 1948-49 prices) was estimated at Rs. 294.7 in 1962-63, Rs. 294.3 in 1961-62 and Rs. 293.2 in 1960-61. In view of the high margins of error which are associated with these estimates, the small changes in the year to year figures do not carry any significance. All the three years have seen an almost freezing of the per capita income at the level of Rs. 294, implying that the unforeseen influences in Indian agriculture have wiped out whatever gains were made in the secondary and the tertiary sectors of the economy. Since 1950-51, India's national income has increased by 51.1 per cent and per capita income by 19.1 per cent, both at constant 1948-49 prices. How these increases in income have got distributed, has been investigated by a special committee — popularly known as the Mahalanobis Committee — which, it is reported, has already submitted the first part of its findings to the Prime Minister, who is the Chairman of the Planning Commission.

FROM THE PRESS GALLERY

Lengthening Shadows of Stagnation

By Our Parliamentary Correspondent

NEW DELHI: Tuesday.

A MAJOR departure was made this week in presenting the economic survey ahead of the budget papers instead of distributing it along with the budget. The Finance Minister, Mr. T. T. Krishnamachari, has taken a realistic view in releasing the economic survey earlier so as to give an opportunity to the members of the Lok Sabha and the Rajya Sabha to make a thorough study of the economic trends for the preceding year and make their constructive suggestions after careful thought.

To a certain extent, it is correct to say that the economic survey has not covered any new ground. The marathon debate that Parliament had on the appraisal of the third Plan had touched upon almost all the aspects in the Indian economy. The sluggish rate of growth of the economy had come in for severe criticism and the economic survey also has, once again, put stress on the acceleration of the pace of the economy. Giving an indication of the outlook for the coming year, the survey has rightly pointed out that "the acceleration of economic growth must be achieved in an environment of reasonable stability of prices if the level of living at the most vulnerable points in the society is to be protected". Already there were disconcerting reports from various parts of the country that against earlier optimistic forecasts of a bumper crop in 1963-64, the latest reports were not very encouraging. The rabi crop of wheat in Northern India seems to have suffered because of the cold spell and for want of winter rain, while rice prices in the Southern States have also moved upward indicating that the output has not been as high as it had been expected. If the overall production of foodgrains in 1963-64 should remain around or below 80 million tonnes, it will be the third stagnant year in succession. The imports of wheat and rice under PL 480 will, no doubt, mitigate the misery of the people to some extent, but the rising expenditure on development and defence will not fail to impinge heavily on the price line.

The Railway Budget

The general discussion on the Railway Budget in the Lok Sabha brought home the truth that the budget after all was not so colourless as had been imagined by some of the commentators who had rushed to pen their stories after a rapid reading of the budget papers. The debate in the Lok Sabha brought into sharp focus some of the major failings of the railways such as over-crowding, late running of trains, pilferage, defective catering services and unhelpful attitude of the railway authorities. Mr. Hem Raj (Kangra) whose speech was highly critical and who, as is the custom, ended meekly (being a Congressman) with the words "I support the Railway Budget" did great service to the Indian Railways by pointing out that the rosy picture presented by the Railway Minister was not supported by the audit report. The Railway Minister had stated that "the thefts of booked consignments as well as of carriage and wagon fittings and other railway material from yards, workshops, stores and loco-sheds have been controlled". Mr. Hem Raj, quoting from the audit report, said the "compensation on claims on account of loss due to pilferage of goods and perishables have been increasing on the railways during the last four years". The figures cited in the report showed that the percentage of pilferage was 6.41 in 1959-60 but had risen to 6.75 per cent by 1962-63. Again, he gave a humanistic touch to the debate when he said that the three-tier sleeper coach was highly inconvenient for the passengers. In the lower-tier whenever a person tried to get up, he had to be cautious to put his head in the correct position, otherwise there was a danger of his head getting a severe knock. He was right when he said that the three-tier seats were "nothing less than rigorous imprisonment" and there was need for converting them into two-tier coaches in the larger interest of the third-class passengers who were responsible for the bulk of the railway passenger revenue.

Taking up the case of the small collieries, Mr. A. S. Alva said that complaints had been received that the collieries were not notified about the allotment of wagons and the allotted time was insufficient. They were supposed to load the wagons in five hours while very often there was no intimation regarding their time of availability. If they did not load within the allotted brief time, they had to pay heavy demurrages. These grievances of the collieries, he said, required immediate redress. He also drew attention to the railway sidings which are not sufficiently strong. The catering department of the railways came in for severe criticism from many members and it was felt that the passengers did not get their money's worth.

A hard-hitting and pungent speech by Mr. U. M. Trivedi exposed the various ills from which the Indian Railways suffer. He gave a number of instances of inefficiency, corruption, mal-administration and wastage. Two of these deserve a special mention here. According to the latest railway report, 5,984 persons were killed every year by railway accidents. Mr. Kashi Ram Gupta was kind enough to promptly re-translate these figures into casualties per day which came to as high as 20 (excluding the holidays!) This daily loss of life created a lot of resentment amongst the members. Mr. Trivedi's reference to the first report (Third Lok Sabha) of the Public Accounts Committee also evoked great interest. He read out the following excerpt from the report:

> "A siding at Halisahar was being used from 1947 for stabling condemned wagons in dispute with Pakistan Government and the special surveys conducted in 1963-57 revealed that 3,930 feet of railway track with fittings valued at Rs. 28,000 had been stolen. In addition, component parts of the wagons stabled on the siding valued at Rs. 1.56 lakhs were stolen between 1950 and 1957".

The manner in which the assets of the railways are frittered away through negligence is, indeed, exasperating. This is only one of the many similar cases. Mr. Trivedi also recalled the well-known case of 40 wagons which had been removed by Pakistan in 1947 from Jammu (Tawi) which were lying on our side of the border. The debate illustrated the point that while all Railway Ministers are anxious to raise additional revenue by enhancing the fare or freight rates, they tend to ignore certain essentials in management which can make all further imposts almost unnecessary.

Question Hour

Bank Nationalisation: Intervening during the Question Hour in the Rajya Sabha on February 18, the Union Minister without Portfolio, Mr. Lal Bahadur Shastri, reiterated that it was not advisable to nationalise banks at this stage. He said, "We do not say it is a question which could not be considered. The only point is if we can take other steps to control banks and regulate them, we should do it". Among the steps taken by the Finance Ministry in this regard, Mr. Shastri listed the powers to control and regulate the appointment of directors and executive officers of banks. The Prime Minister, Mr. Nehru also intervened and stated that the Indian Ambassador in Washington, Mr. B. K. Nehru, had not sent any message or report on the likely reaction of the United

States to the proposal for nationalisation of banks.

Postponement of Projects to Fourth Plan: The Union Minister for Finance, Mr. T. T. Krishnamachari, told the Lok Sabha last week that the postponement of any project from the third Plan to the fourth one had not been the result of lack of internal resources. Whenever a project was postponed, it was due to reasons or circumstances beyond the control of the Government. The Deputy Minister for Planning, Mr. C. R. Pattabhiraman stated that it was likely that some third Plan projects might not get a real start by 1965-66. These included the Organic Intermediates Plant (Panvel), Phyto Chemical Plant (Kerala), Basic Refractory Project (Bhilai), Heavy Structural Works and Heavy Plate and Vessel Works (Wardha), Precision Instruments Project (Kerala), Ball and Roller Bearing Project, Heavy Compressor and Pump Project, and Marine Diesel Engine Factory. The reason for delay in the implementation of these schemes, he said, was that their preliminary stages had taken more time than anticipated. Mr. Pattabhiraman added that nothing had been so far done in regard to the proposed second Heavy Structural Works and the second Heavy Plate and Vessels Works.

Stock Exchanges and Unit Trusts: Mr. T. T. Krishnamachari revealed in the Lok Sabha that the Government did not favour stock exchanges contributing to the initial capital of the Unit Trust of India. In a written answer, he stated that a representation had been received from the Calcutta Stock Exchange suggesting that the recognized stock exchanges in the country should be included among the contributors to the initial capital of the Unit Trust. The suggestion was examined and it was decided not to accept it.

Foreign Exchange Rules: The Deputy Minister for Finance, Mrs. Tarakeshwari Sinha, ruled out in the Lok Sabha any relaxation of measures imposed last year to conserve foreign exchange. The apparent improvement in foreign exchange reserves compared to the position a year ago, she pointed out, had to be judged in the light of the country's obligations abroad. Foreign exchange reserves, excluding gold held by the Reserve Bank, amounted to Rs. 182.67 crores on February 14 this year, as against Rs. 147.81 crores on February 15, 1963. The obligations in respect of principal repayments and interest due during the 12-month period following February 14 this year, were of the order of approximately Rs. 50 crores more than during the 12-month period following February 15, 1963.

Income-Tax Assessments: The Minister for Finance disclosed in the Rajya Sabha that the total number of individual assessees for income-tax, super-tax and surcharge had increased from 4,99,621 in the first year of the second Plan to 9,40,246 in the first year of the third Plan.

Coal Exports: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, disclosed in the Lok Sabha that, keeping in view the increased production of coal and necessity to earn foreign exchange, the Government of India had decided to increase exports of coal. It was to export during the next financial year 1.6 million tonnes of coal (40 per cent Sel. "B" and 60 per cent grade one) to Pakistan and 30,000 tonnes to Japan. Another 2.66 million tonnes of coal had been offered for export to Burma during 1964-65. Exchange earnings from coal exports to Pakistan and Japan were estimated at Rs. 5.4 crores and Rs. 15.95 lakhs, respectively. If exports to Burma materialised, they would bring in about Rs. 2 crores in foreign exchange. No formal demands for coal had been yet received from Nepal. Nepal, however, had not to pay for Indian coal in foreign exchange.

Tractors: Mr. Subramaniam also told the Lok Sabha that it had been programmed to produce about 40,000 to 50,000 small tractors per annum. This was on the basis of the estimate of demands made recently by the Union Food and Agriculture Ministry. Mr. P. C. Sethi, Deputy Minister in the Ministry of Steel, Mines and Heavy Engineering, said that two firms had already been licensed for the manufacture of small tractors and power tillers up to about 27,000 numbers per annum. He added that three more schemes had also been approved in principle. The question of licensing additional capacity was under consideration.

Printing Machinery: It was stated by Mr. Subramaniam in the Lok Sabha that nine new schemes, with a production capacity of about Rs. 5.9 crores per annum had been approved for the manufacture of printing machinery. This was in addition to the existing installed capacity in terms of value for about Rs. 84 lakhs a year. The Government has decided to set up a standing panel for this industry, with representatives of industry, Government and technical experts on it, so that development in this line may be accelerated.

Aircraft Manufacture: The Minister for Defence Production, Mr. Raghuramaiah, stated in the Lok Sabha that the HF 24 Supersonic Fighter Aircraft being developed at Bangalore would soon go into squadron service. The aircraft was undergoing various tests and the Orpheus engine was being developed. On MIGs manufacture, Mr. Raghuramaiah said that it would be difficult to anticipate by which date the whole MIG complex would be ready. He was not aware of any perceptible or avoidable delay in the execution of the project. The project, he added, was divided into three parts —the airframes would be manufactured at Nasik, engines at Koraput and the electronic equipment at Hyderabad. It was not unusual for the engines to be manufactured at one place and the airframes at another. The project reports had been received and were under the examination of the Government. The civil works at the Nasik factory had already begun. Mr. Raghuramaiah did not agree that MIGs proposed to be manufactured in India would become obsolete by the time production was started. "As we manufacture, we will also incorporate the necessary modifications", he pointed out.

Ordnance Production: Mr. Raghuramaiah also disclosed in the Lok Sabha that trial production at the proposed ordnance factory in Maharashtra would start before the end of 1964 and bulk production in 1965. A substantial portion of the plant and machinery for this project was being financed by the United States as part of its aid programme. It was expected to arrive before the end of June next. Assistance from the UK had been secured for meeting part of the expenditure on another ordnance factory proposed to be set up. Procurement of plant and machinery from abroad was proposed for four more ordnance factories and for the modernisation of the existing ones as and when felt necessary and available.

Panvel Chemical Plant: The Minister for Petroleum and Chemicals, Mr. O. V. Alagesan, disclosed in the Lok Sabha that the production programme of the chemical factory proposed to be set up at Panvel, was being revised in the light of the report submitted by the technical committee of experts. The tenders for the caustic soda, chlorine, sulphuric acid, nitric acid, inert gases, steam and refrigeration units had been received and were under examination. The final decision on them would be taken when the availability of foreign exchange was known. The land for the factory and its services had been acquired and the general lay-out for the factory buildings settled. Plans and design for organic buildings were in an advanced stage of preparation in consultation with the collaborators.

Free Trade Zone: The Minister for Industry, Mr. Nityanand Kanungo, stated in the Lok Sabha that the Kandla Free Trade Zone was expected to start functioning partly by about the middle of next year. The first exports from the Zone would be expected to begin during the second half of 1965. The types of industries to be set up here would be decided after a scrutiny had been made of the applications now being invited. The details of the various potential industries were being worked out. The execution of the development works would start in April next.

Export Trade: India's deficit trade balance showed an improvement in 1963 as a result of increase in exports and decline in imports. This was stated in the Lok Sabha by the Minister for Industry, Mr. Nityanand Kanungo. Exports during 1963 at Rs. 791 crores showed an increase of Rs. 104 crores over the previous year. The trade deficit was reduced from Rs. 439 crores in 1962 to Rs. 296 crores in 1963.

Santa Cruz Airport: The Deputy Minister for Transport, Mr. Ahmed Mohiuddin, stated in the Rajya Sabha that new navigational aids were being installed at the Santa Cruz airport at Bombay. A precision approach radar had been obtained and would be installed by the end of this year. An air-route surveillance radar was proposed to be put up before the end of the third Plan. A new instrument landing system was planned for the runway under the fourth Plan. The International Wing of the terminal building at this airport was being airconditioned for the comfort of passengers.

Cochin Shipyard: The Minister for Shipping, Mr. Raj Bahadur, informed the Lok Sabha that the next round of talks between the Union Government and the Mitsubishi Company of Japan on the construction of the Cochin Shipyard would begin in Tokyo in the first week of April. He was hopeful that these talks would result in an agreement with the Japanese concern.

Mr. Raj Bahadur gave the following information on shipping in the two Houses of Parliament:

Mechanization of Ports: The existing mechanized cargo handling facilities at the ports in India, such as fork lifts, tractors, mobile cranes and jitney motors, are being augmented according to requirements. The possibilities of providing modernized bulk handling equipment are considered from time to time.

New Ships: The Shipping Corporation of India has placed orders for the construction of four 13,400-ton coal carriers with a Yugoslav shipyard. The Government has also permitted a private shipping company to enter into an agreement with a Belgian shipyard for the construction and supply of one coal carrier.

Additional Steamer: Arrangements have been finalised for engaging an additional steamer for lifting the UK bound cargo of about 5,000 tons for which shortage of shipping space had been reported. Arrangements have also been made to avoid shortage of shipping space in Bombay and Saurashtra ports.

Damage to Food Crops: The Minister of State for Food, Mr. A. M. Thomas, informed the Lok Sabha that there had been extensive damage to rabi crops in several districts of Punjab, U.P., Delhi, Rajasthan and Madhya Pradesh. It had not been possible as yet to make a quantitative estimate of the damage caused.

The Minister for Food and Agriculture, Mr. Swaran Singh, informed the House that larger imports under PL 480 were contemplated this year. These would help in meeting the situation caused by the damage to rabi crops. Mr. Thomas added that the decision on the extension of the PL 480 Agreement of May, 1960, by one year beyond June, 1964, was expected to be taken in the next few months. This would enable all the shipments of wheat under this agreement to be completed. So far, 9.44 million tonnes of wheat and 737,600 tonnes of rice had been imported under this agreement out of the total provision of 16 million tonnes of wheat and one million tonnes of rice. The total value of the wheat imported so far amounted to Rs. 348.67 crores and that of rice to Rs. 51.61 crores.

The following other information was provided in the two Houses of Parliament:

Bonus Issue: The Bonus Commission's Report has been circulated to various Union Ministries and the State Governments for their comments. The Government would give further thought to this matter after these comments are available.

Provident Fund: The Union Government is considering the question of extending the enhanced rate of Provident Fund to twelve more industries. These are: tea (other than plantations in Assam), coffee, rubber, pepper, iron-ore mines, manganese mines, limestone mines, gold mines, industrial and power alcohol industry, asbestos cement sheets industry and coffee curing establishments.

Wage Board for Textiles: A second Wage Board for the Textile Industry is likely to be announced within the next couple of months. The terms of reference and the composition of this Wage Board are being finalized.

Outlays for Agriculture: The outlay approved for various agricultural programmes for the next year is of the order of Rs. 146.7 crores, as against the finally approved outlay of Rs. 127.5 crores for 1963-64.

Family Planning: The Government has under consideration a proposal to manufacture family planning accessories in the public sector. Licences have been issued to the private sector manufacturers for the production of 92.55 million numbers of rubber contraceptives per annum. Three more schemes have also been approved with a combined annual capacity of 242.98 million pieces of rubber contraceptives, 41.4 million foam tablet and 0.48 million tubes of contraceptive jellies and pastes.

Cowdung Gas: A small plant of about 60 c.ft. capacity, costing about Rs. 350, has been designed for producing cowdung gas. It is currently under test by the Village and Khadi Industries Commission.

Transmitters: The Union Government is considering purchase of two transmitters of 400 KW each from Czechoslovakia to counteract Chinese propaganda.



"PINDI-CHINI BHAI BHAI!"

How to Expand World Trade

H. E. Sir PAUL GORE-BOOTH
(U.K. High Commissioner in India)

PRACTICAL success over the years is a good test of policies and philosophies. At any rate the representative of a country which has built up, through skill and enterprise, an export trade of over Rs. 5,000 crores a year, approaches in what I might call an ambitiously pragmatic spirit, the great economic challenge of today — how to expand world trade as fast as possible with benefit to all and unfair advantage to none. Trade flows in the first instance from enterprise. Enterprise proceeds from individuals and groups who are prepared not only to take risks to get rewards but to build up the very special expertise of selling abroad which is the product of local research, long experience and much hard work. How are the reserves of manufacturing and commercial skill and talent in every country to be encouraged and developed and harnessed for the good of the international community?

Nursing a National Economy

When this question was posed in Britain in national terms at the beginning of the Industrial Revolution, there developed what seemed to be the obvious answer, "Laissez faire" — give free play to demand and supply, and the things which people genuinely want will be supplied with the greatest efficiency by those most able to make and sell them.

"Laissez faire" had, strictly economically speaking, certain advantages. It recognised the fundamental point that, if wealth is not allowed to come into existence, there will be nothing to share out anyway. However, serious defects began to show themselves. The check of competition on unrestricted private enterprise could be frustrated by private combinations; if the private enterprise race is to be fair, the runners should have an opportunity to start level; the community as a whole may need and want things (such as leisure, space, pictures, libraries, health services, national insurance) which individuals and groups acting in a strictly business capacity do not provide. Hence all genuinely democratic countries have insisted more and more that the play of acquisitive instincts and economic forces must be tempered by social justice.

In Britain we have developed a mixed economy in a free political society. Our nationalized industries now employ two million people, about eight per cent of the total labour force. Their investment demands are heavy, more than £1000m. (Rs. 1300 crores) per year. The political forces which brought about the nationalisation of the coal-mines coincided with economic necessities. The demand for the capital to develop the coal-mines for the maximum benefit of the community had already outrun the capacity of private resources. Electricity supply similarly requires investment on a massive scale. Major undertakings such as railways, gas, electricity could not go on being operated purely for private profit without depriving sections of the community of services which had come to be accepted as necessities. Nevertheless we like to see enterprises, whether public or private, paying their way as nearly as possible in commercial terms. This is, after all, as good a test of efficient house-keeping as any. The national coal gas and electricity industries are doing this. Our railways are at present under searching examination and re-organisation because they do not.

We approach the problems of international trade with the sort of philosophy which has served us well in building up our national economy. We believe in trade for its own sake and not as a political weapon. We believe in multilateral trade under the most liberal possible rules, because we think this generates the highest level of trade. It is broadly true that the most successful trading countries in the world are those which have tended to be the most liberal. They have found that it is in their interest to spread both opportunities and risks; they know that excessive protection is a two-edged weapon, for they have to keep their own customers in business as well as themselves. It is often tempting to try to guide trade into bilateral channels. In the short term this may be sound sense, in so far as it fosters the growth of new production, and of new trade with new markets, and amounts to something more than the mere artificial diversion of traditional and natural trade flows. But multilateralism is, in our experience, the right target for the long term. Excessive bilateralism may grow into something like a restrictive practice. It tends to raise costs. It deprives one side, or both, of the flexibility and opportunities which competition provides. When it comes to capital goods and raw materials, to be forced to shop in a restricted market can in the longer run be damaging to the national interest.

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In the world of multilateral trade, success does not depend on any particular pattern of national economic resources as the following table illustrates:

TRADE IN 1962

	Imports	Exports	Total Trade	Population (millions)	Trade per head in Rs.
U.S.A.:	7738	10171	17909	187	960
Federal Germany	5847	6316	12163	55	2200
U.K.:	5989	5053	11042	53	2100
Netherlands:	2547	2183	4730	12	3900
New Zealand:	326	378	704	2.5	2800

Source: U.N. Commodity Trade Statistics.

The U.S.A., self-sufficient in food, with access to virtually the whole range of fuel and raw materials within its own borders and with all the skills necessary to process them is, nevertheless, the biggest (aggregate) trading country in the world. Britain and Germany each run a trade two-thirds the American size with less than a third of the population. Reckoning per head of population, the Netherlands, which has never had any significant raw materials, is at the top of our list. New Zealand, despite difficulties of isolation and distance, by intelligently exploiting its asset of perennial grass land is, reckoned per head, one of the biggest trading nations in the world.

Sharing Prosperity

It is one of the most interesting trends of the last few years that trade is developing fastest among the most developed countries. Between 1959 and 1962, trade between developed countries increased by 24%. If the comparison is confined to industrial goods, the figure rises to 34%. This illustrates the benefits of multilateralism and freedom to compete with the minimum restraint. Britain and Germany, for instance, keen competitors in world markets, run a trade with each other of over Rs. 270 crores each way. How can the developing countries share this propensity of the developed countries to trade more and more intensively with each other?

One policy, which we have for long followed in Britain, is to keep our doors as wide open for foodstuffs and raw materials as we possibly can. Even if developing countries develop industries at an increasing rate, this liberal import policy is bound to remain of fundamental importance. We have deliberately avoided self-sufficiency in our domestic agricultural policies and we are trying to lead the way in pushing doors wider open for the new manufactures of the developing countries.

The following table gives some idea of the pattern of imports of primary products by the major importers:

MAJOR IMPORTING COUNTRIES OF FOOD AND RAW MATERIALS

(Rs. Crores)

	Food and Live Animals	Beverages and Tobacco	Inedible crude Materials	Minerals fuels and Lubricants	Total	Per Head
U.S.A.	1548	202	1385	871	4006	210
U.K.	1927	168	1179	712	3986	750
Federal Germany	1307	132	1040	505	2984	540
Japan	334	18	1125	496	1973	210
Italy	372	28	675	385	1460	290
France	530	163	658	552	1912	200
Netherlands	310	29	280	328	947	790
Belgium and Luxembourg	235	33	386	214	868	910

Source: U.N. Commodity Trade Statistics.

If the demand for these raw materials had been growing recently, at steady or increasing prices, in direct ratio to the development of industrialisation in the importing countries, the most obstinate of our international trade problems would be much nearer to solution. But unfortunately this is not happening. Primary products, despite the name, are not necessarily the simplest to produce. They emerge, in most cases, as the last link in a long chain of planning, cultivation, mining, refining, processing and so on. They are often out of phase with demand for this reason and their prices tend to fluctuate accordingly. On the other hand the industrial processes which use them tend to develop rather fast. Manufacturers are always trying to economise in raw materials, to switch from one to another to gain small advantages of weight, strength, whatever it may be. And the search for substitutes, synthetic or otherwise, is ceaseless.

The following table shows how imports into Britain from some developing countries have tended to fluctuate over the last five years:

BRITISH IMPORTS

(£ Millions)

	1958	1959	1960	1961	1962	1963
India	139.4	142.6	148.5	144.9	135.9	140.8
Afghanistan	3.5	2.5	3.7	3.7	4.2	5.0
Burma	6.9	7.9	10.1	10 0	11.3	11.3
Ceylon	46.4	39.7	41.0	40.3	42.0	41.5
Indonesia	10.9	5.6	6.0	6.0	10.7	9.2
Iran	56.2	56.9	48.6	48.9	35.4	35.0
Federation of Malaya	40.3	35.6	41.0	37.9	28.9	25.4
Pakistan	19.8	25.7	29.2	25.0	29.3	28.1
Philippines	2.6	3.4	4.5	4.0	3.0	3.7
Thailand	3.7	2.0	3.8	7.2	8.3	5.2

Source: Trade and Navigation Accounts of U.K.

This table illustrates the difficulty of expanding imports of raw materials at a steady developing rate. Between 1955 and 1961 prices of primary commodities fell by 10% while prices of manufactured goods rose by 10%. Prices of primary commodities have latterly recovered but not yet significantly enough to indicate a reversal of the trend. It is natural therefore that those developing countries which pay their way in the world at present largely through supplying raw materials to their more developed partners should be demanding rules of trade which assure them of a fair return.

Problem of the Gap

The narrowing of the trading gap between the more and the less developed countries has to be tackled by all practicable means. The problem will be solved only by hard and prolonged effort on the part of both the developed and the developing countries. We may get to the solution more quickly if we avoid the temptation to believe that some new institution, organization or formula will provide a magic answer. We should build on what we have and on what has proved its usefulness in practice.

It has been a long and arduous process to establish the general "most favoured nation" system which is now accepted by the contracting parties to the General Agreement on Tariffs and Trade. It is to be noted that the G.A.T.T. was born by generalising the ideas enshrined in the whole range of bilateral agreements on the pattern of the first agreement which Richard Cobden negotiated with France in 1860. The idea came first and the institution afterwards. The G.A.T.T. operates pragmatically. It has not waited for the perfect or universal organisation before getting on with the job. That is why it has such solid achievements to its credit. It has brought to an end the tariff war between the industrialised countries, and it has cleared away a whole range of quantitative restrictions. On five occasions it has engaged in multilateral negotiations in which tariffs have been reduced or "bound" (i.e. held down to a stated level) on products accounting for approximately half of the world's trade. We shall soon, in the G.A.T.T., be entering a negotiation which will, we hope, cut tariffs in the major industrialised countries by 50%. All countries in the world (not merely in the G.A.T.T.) will benefit from these tariff cuts.

The G.A.T.T. has not confined itself to the industrial tariffs of the industrialised countries, but has been increasingly studying measures to reduce the lag between the developing and the fully industrialised countries. It has sponsored an action programme aimed at reduction and eventual elimination by industrialised countries of barriers against the trade of the developing countries. (As an illustration, agreement has recently been reached between Britain and the European Economic Community to remove customs duties on tea and tropical timber). The G.A.T.T. is also developing machinery for closer study of the problems of developing countries. It is ready to study any device or arrangement which holds out any practical possibility of expanding the trade of developing countries.

Commodity Agreements

Commodity prices raise difficult problems. Who can decide what is the fair price for both the producer and the consumer? Prices determined by agreement may initially appear satisfactory. But precisely for this reason they may hasten the search for substitutes, synthetic or otherwise. Price increases encourage new producers and may soon develop new surpluses and new vested interests. It is not easy to persuade countries to refrain from growing or mining something which looks as though it will pay its way satisfactorily.

We believe, however, that there is a place for commodity agreements and are in fact a party to all such agreements as

far negotiated. The special use of such agreements is to damp down excessive fluctuations of price and supply in the short term. Carefully negotiated agreements may in this way make a significant contribution to reconciling the interests of producer and consumer. But to interfere with the long term flow of supply and demand is a vastly complex and difficult undertaking and may, in the name of regulation, put a brake on progress.

Investment & Development

There is a further direction also from which we must continue to attack the problem. This is to speed by aid and investment the process of industrialisation in the developing countries themselves. As I have already mentioned, trade flows fastest between countries which are most industrially developed; this is an encouraging pointer to future possibilities.

British capital and know-how contributed overwhelmingly in the last century to the development of the United States. That country has now become our biggest market. By the end of this century, as the British Chancellor of the Exchequer, Mr. Reginald Maudling, has recently said, India could become the most important market in the world for British goods. We might then see Indian investment in Britain beginning, as a counterpart to our investment in India.

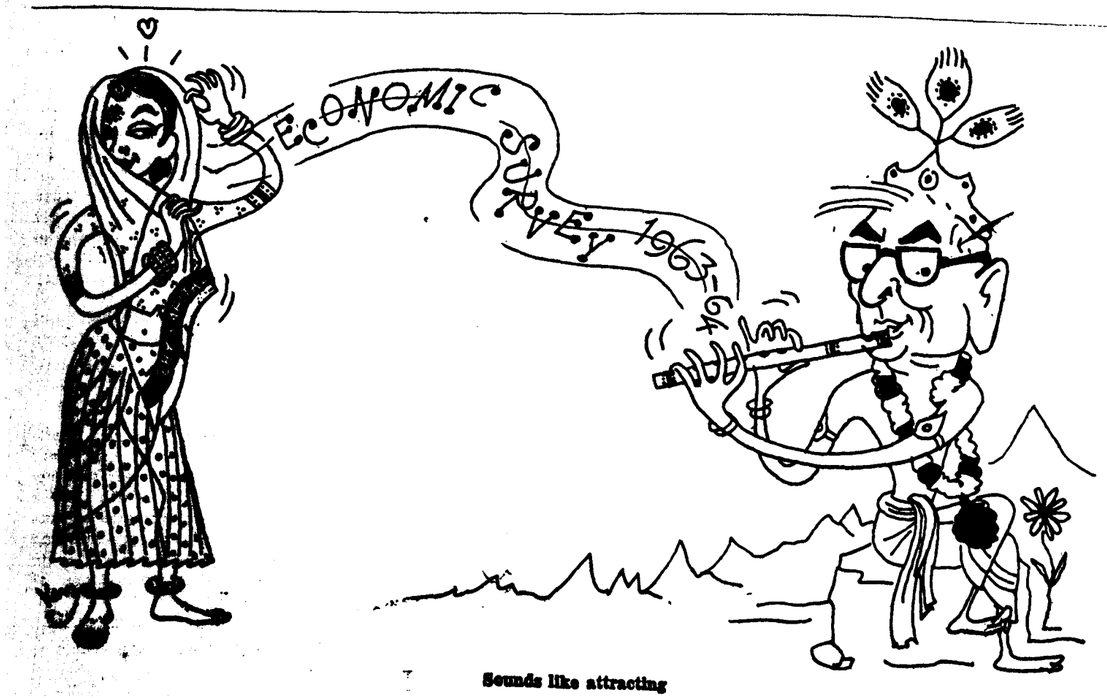
The developing countries have largely and wisely advanced by means of mixed economies. Private industry has expanded but the size of investments needed for the basic plants on which industrialisation depends is, in many cases, quite beyond the capacity of private interests to supply. Investment in development must, therefore, take the form of governmental loans and aid as well as the investment of private funds, know-how and skill. Britain's governmental co-operation in development in this way, in addition to a steady flow of private investment into countries which offer a suitable climate, is now running at £180 million per year in the form of loans, grants and credits.

I have tried to indicate the way in which we in Britain look at world trading problems. We see as the major problem today the reduction of the gap between the developed and the developing countries by every possible means: reducing tariffs; eliminating quantitative restrictions; modifying domestic policies in the light of the needs of developing suppliers; negotiating agreements to stabilise commodity prices; investing all the resources that can be spared in development overseas. This in short states the objectives which we shall be pursuing at the United Nations Trade Conference which opens in Geneva on March 23rd and in the negotiations which will be continuing throughout the year in the G.A.T.T.

We would not reject any proposal which seemed to us to have some practical hope of success and we would hope that such proposals would accord with our general philosophy of the most liberal possible approach to trade in a multilateral trading world. We view the urgent need to solve the problem of the gap between the developed and the developing countries as something which should be pursued for its own sake, and we look on financial aid, and the provision of technical assistance as in some sense a moral duty. At the same time there is, and must be, a degree of enlightened self-interest about this view, since prosperity flows over the boundaries of countries. We cannot provide any sort of assistance unless we have the resources to provide it from. These resources cannot be built up without a healthy trade. It is largely because of the high level of trade between the industrialised countries that they are able to make a start today on fulfilling the obligation to co-operate with the developing countries in removing the disparities between the nations.

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Finally, we see trade as an agent of peace. Of course there have been, and are, exchanges of goods which are not peaceful. But international trade by and large means international interdependence of livelihoods. It means, especially where there is freedom of circulation, friendships across international frontiers. It means that the best and cheapest things in one part of the world can be at the disposal of the rest. All these things are ruthlessslessly interrupted, if peace fails. So as a trading nation, we find ourselves peculiarly devoted to peace and, as a peaceful nation, we only seek peacefully to pursue our trade.



Sounds like attracting

WINDOW ON THE WORLD

The Value of the Deutschemark

From Our Special Correspondent

FRANKFURT:

THE RUMOURS of a possible upward revaluation of the Deutschemark referred to here recently have since then gained enough currency to attract a denial from Mr. P. Schweitzer, director of the IMF, not to mention repeated contradictions of the West German authorities. Mr. Schweitzer included the Dutch florin too, as unlikely to be revalued, but of course no one had seriously suggested that in the event of an appreciation of the Deutschemark the Dutch would be able to follow suit as they did in 1961. As was pointed out here, the Dutch now belong in the inflationary camp of the Common Market, and their situation looks like worsening this year: wages will rise, 10 per cent in theory, probably 15 or 16 per cent in practice, while a payments deficit of 500 million florins is expected for 1964. The florin, then, is once and for all "unhooked" from the German mark and may be dismissed from the following discussion. In fact, the Dutch authorities made a mistake in March 1961 when they decided on the spur of the moment to imitate the German revaluation of which they had had no advance warning; and this is a mistake they would be unable to repeat today even if they wanted to for reasons of prestige.

The case of the Deutschemark is very different, and it is not hard to see the reasons that, without making a revaluation desirable or even likely, would prompt interested parties abroad to canvass the suggestion. Briefly, the situation is that the Federal Republic is scoring a large, persistent and even increasing trade surplus; a similarly large and presistent payments surplus is also evident; and finally there is an influx of foreign capital into West German banks which is in danger of swelling further for at least two reasons. Firstly, the Swiss are taking further steps to discourage the entry of foreign funds and the French have acted similarly, and this tends to divert money to West Germany. Secondly, despite all the official denials that revaluation is contemplated, speculators will be tempted to gamble on it, and as their funds pour into Germany the eventuality comes to look more probable, leading to further inflows, and so on; in this domain it is really true that nothing succeeds like success.

One may well begin at that point to list the arguments against the likelihood of a revaluation, because if its motive were to discourge the transfer of capital, then there is no evidence (cases of upward revaluation are rare, admittedly) that it has ever succeeded in doing so. Naturally, once the awaited decision to up-value is announced, gamblers take their profits and there is some reflux of funds, but other owners of capital who seek security rather than quick exchange profits seem to be impressed by the strength of a currency that can afford to up-value and convert their money into that currency. However illogical this may be, it is a fact and explains why within a few years of its last exercise in revaluation the Federal Republic is again faced with a large payments surplus.

Apart from the fact that revaluation, then, would not necessarily scare away floating funds for long, the Federal authorities have other good reasons for not considering it. It is sure that up to March 1961 the Deutschemark was undervalued; in fact it had been so ever since the monetary reform of 1949. It was so much under-valued that, at the time a more generous margin of appreciation would have been preferable to the small percentage actually decided upon. But it is too late now to take a second bite at the cherry, for one cannot argue (the large payments surplus notwithstanding) that the mark is under-valued today. At least not in relation to all currencies, and not to the main ones (the dollar and the pound sterling). In other words, the current trade and payments surpluses are coming from West Germany's commercial and monetary relations with a small group of countries, namely her partners in the Common Market, and not at all from her relations with the USA and Britain who happen to be her main rivals on most world markets.

Thus in the past 12 months, West Germany has imported very much more from the USA and has incurred a widening deficit in that trade. Her "dollar gap" in 1961 was 2,603

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New Delhi.

million DM, it was 3,171 million DM in 1962, and rose to 4,127 million DM last year. True, this large deficit was almost entirely wiped out by the West German surplus in trade with the rest of the Common Market: 2,401 million DM in 1961, 2,039 million DM in 1962 and 3,803 million DM last year. It is significant that suggestions for a fresh upward revaluation of the mark have not come from within the Common Market; her partners know that the German trade surplus with them is due to their own errors and is to be removed by correction of those errors rather than by treatment of the symptom, their "Deutschemark gap". Rather, the suggestions in that sense have come from the USA, a country that already enjoys a large surplus in trade with West Germany and would gain an even larger one in the event of revaluation. They are part of the US campaign to the effect that the Six owe the dollar a living, and should finance America's payments deficit painlessly by incurring an ever greater dollar gap in trans-Atlantic trade.

Disguised Effects

Given their source, these arguments are unlikely to cut any ice, even if (or especially if) supported by British hints to the same effect, since the Germans know that outside the territory of the Six their main competitors are the Americans and the British. The fact is that West German production costs have risen in the last few years much faster than in the Anglo-Saxon countries. The adverse effects of this deterioration in German competitiveness have been disguised, in the global trade returns, by the accident that costs were meantime rising even faster elsewhere in the Common Market — and, for the moment, German trade with the Common Market is expanding more quickly than its other external trade. This is natural, since the Six are reducing their internal tariffs and otherwise stimulating regional trade; enjoying a competitive advantage during this process of forming an expanding market, West Germany inevitably scores a large trade surplus with the other five. But the process of installing the six-nation customs union will be complete within a few years (maybe as little as three years if tariff disarmament is accelerated) and thereafter regional trade will not grow so much more quickly than trade with outsiders. Besides, by then the other five will surely have righted the unbalance by bringing the inflation of costs under control, i.e. down to the West German level.

The global West German trade surplus, therefore, is no argument for revaluation. When analysed as to its origin, it appears that revaluation is contra-indicated as regards Germany's trade with (and in competition with) the USA and Britain. It could be suggested only as a means to wipe out the immense surplus with the rest of the Common Market. But would it even be a sensible suggestion in that connection? The Six form a monetary bloc in process of emergence, and are bound to consider such problems from a community point of view rather than each from an independent nationalist standpoint. And when the six Finance Ministers put their heads together it becomes reasonable to argue that an upward revaluation of the mark is no more indicated than a devaluation of the lira (to take an example that is hypothetical but far from fanciful). Such retorts have been made before today when nations began urging each other to alter the value of their currencies, but they have no force in normal international monetary relations; on the contrary, they are quite cogent within the European Economic Community. More generally, the Germans can tell — already are telling — their partners that the responsibility for correcting the present gross unbalance in internal trade and payments lies with them and not with Bonn. The Community would be no sort of community at all if its internal difficulties were to be dealt with by the lightning surgery of unilateral surprise revaluations, instead of by harmonisation of economic policies.

The question is definitely a community one if one takes note of the fact (which currency speculators seem to have overlooked) that West Germany's trade partners have changed with the introduction of the Common Market. Last year her principal clients were, in order, France, Italy, Holland and Belgium-Luxemburg, i.e. the rest of the Common Market, followed only then by the USA. So it is the other five who are primarily responsible for the large increase in West German exports last year (plus 10 per cent); in fact German exports to the rest of the Community rose 25 per cent in the two years 1961-63. It happens that Germany's main supplier remained the USA, followed then by the five of the Common Market. Thus a solution to her embarrassing surplus problems must lie in co-operation with her partners. A simple upward revaluation would benefit far and away most the country that is her main supplier but only her fifth client, the USA.

One may conclude that the time is not yet to speculate on a revaluation of the Deutschemark. That time may come, nonetheless: if and when the Six decide to freeze their mutual exchange rates as a first step toward introducing a common currency for the Common Market. Before doing that, they would want to be sure that their exchange rates (as between themselves, rather than in terms of gold or the dollar) were reasonable, i.e. liable to stand up to the future evolution of economic relations inside the Community. That might well require an adjustment of parities, the mark perhaps going up and the lira down and so on. It would be a joint operation undertaken in cold blood, and not in response to temporary unbalance. But that eventuality lies far in the future.



LISTENING POSTS

Superior Coal Prices Raised

By Our Special Correspondent

NEW DELHI:

THE UNION Government is understood to have decided to allow an increase of 75 nP. and Rs. 1.25 per tonne in the prices of Grade I-equivalent coking coal and selected grades coking coal, respectively. An announcement to this effect is expected shortly.

The increase in these superior quality coal prices, however, is being granted subject to the condition that the industry agrees to sampling at the destination i.e. at the steel plants to which these categories of coal are supplied. Hitherto, coal was sampled and analysed at the loading points. The new stipulation, it is understood, is being placed in view of the complaints that the Union Department of Mines has been receiving from the steel plants about the poor quality of coal supplied to them.

No increase in the prices of non-coking coals, supplied to all the industrial establishments other than steelworks, is being granted for the present. The matter is said to be still under the consideration of the Government. According to reliable sources, the Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, told the Gonsultative Committee of Parliament attached to his Ministry, on Wednesday, that he would soon take measures to make the mining of medium and lower grade coals also "economic".

The increase in coal prices that is being allowed presently obviously will be disappointing to the industry particularly to the producers of non-coking coals who, after their discussions with the Government recently had come to entertain hopes of reasonable incentives being granted to them as well for raising production. This belief of theirs had been further strengthened in view of the World Bank Team on Coal suggesting a fair increase in the prices of these coals also and the fairly sizable sums having been advanced to them by the Government and the World Bank as loans for import of mining machinery for developing their mines. The increase in the prices of higher grades of coking coal, it is learnt, will benefit only about 50 collieries out of over 800 working at present.

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Much satisfaction has been caused in both the official and non-official circles here at the conclusion of an agreement this week between the Governments of India and the United States, providing for a loan of $225 million (Rs. 107 crores) out of the $435 million aid promised by the latter under the aegis of the Aid-India Consortium for 1963-64, to finance commodity imports required to carry forward the Indian economy. The broad commodity import groups for which this credit will be available are: steel, non-ferrous metals, lubricants, fertilizers, machinery and machinery parts, sulphur, rubber, tyre cord, carbon black, caustic soda, DDT, chemicals, vehicle components and other components. The list, of course, is flexible; some of these commodities may even be substituted by new ones at Government of India's request. When shortages occur, the Government of India can use part of this credit to import a product in short supply in order to bring down its prices. The bulk of the commodity imports under this loan — approximately 80 per cent — is for meeting the needs of the private industry.

The credit, channelled through the US Agency for International Development, is repayable over a period of 50 years, with no repayment of the principal falling due within the first 10 years. Interest charges will be three-fourth of one per cent per annum for the first 10 years and two per cent per annum for the remaining period of 40 years.

The balance $215 million out of the $435 million assistance promised by the US for 1963-64 is to be utilised for specific projects.

The United States extended to India non-project assistance totalling $460 million (Rs. 219 crores) during the first years of the current Plan. With the loan announced this week, the total non-project aid made available by the U.S. for the third Plan so far, comes to $685 million (Rs. 326 crores). It is 48 per cent of the total US commitments (under the Aid-India Consortium) of $1,415 million (Rs. 674 crores) for the three years 1961-62, 1962-63 and 1963-64. The rest of this assistance has been provided for specific projects. The United States has in the recent past contributed to building of 20 power plants and made available railway equipment, such as diesel locomotives and signalling equipment, under "project" aid.

Including the aid being provided by the United States under P.L. 480, the total assistance that India will get in 1963-64 from this friendly country will be approximately $880 million (Rs. 419 crores). Of this, $441 million (Rs. 210 crores) will be in dollar grants and loans and $439 million (Rs. 209 crores) in the shape of about 3,600,000 tons of wheat, cotton, rice, powdered milk and other food products. These products are now arriving in India at an average rate of 10,000 tons per day.

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Meeting here at a conference last week-end under the shadow of strindently rising food prices and failure of rabi crops at various places in North India, the State Food and Agriculture Ministers are understood to have taken three important decisions — (1) tightening of licensing controls on foodgrain dealers; (2) provision of a more realistic price for procurement of foodgrains; and (3) implementation of the decision taken at the Bhubaneswar session of the Congress for socialisation of the rice milling industry.

It was agreed that all the State Governments should fall in line with West Bengal and Andhra Pradesh in modification and enforcement of the model Foodgrain Dealers Licensing Order circulated to them recently by the Union Ministry of Food and Agriculture. This Order requires all licensees to deposit security ranging between Rs. 500 and Rs. 1,000, depending on their turnover, which would be forfeited for breach of any licensing provision or regulatory directive issued by the Government. The Order also stipulates that price lists should be displayed prominently at all shops and the retailers registered with wholesalers should sell foodgrains in accordance with the instructions issued by the marketing authorities in the regulated markets or other such bodies as may be recognized by the Government for the purpose in the case of unregulated markets. It prohibits licensees from charging higher prices for foodgrains than those fixed by the Central or the State Governments.

In regard to procurement prices, it was decided that these should not only be related to cost of production, but also contain an element of incentive for increasing production. Apart from "floor" prices for various foodgrains,

"ceiling" prices may also be fixed in the interest of consumers. As against the target of 750,000 tons of rice fixed for procurement from the States of Andhra Pradesh, Madras, Madhya Pradesh, Punjab and Uttar Pradesh this year, nearly 3,15,000 tons are said to have already been procured.

On socialization of the rice milling industry, it was generally agreed that every State should examine the conditions prevailing in its jurisdiction and work out a detailed plan for action. The position will be reviewed in about two months' time at another conference to be called for this purpose. Meanwhile, it was agreed that the new rice milling capacity should be exclusively in the co-operative sector. Regarding movement of rice from one State to another, it was favoured that it should be in accordance with an agreed monthly phased programme so that there were no undue movements in the lean periods.

The importance of strengthening the State Food Departments, especially the inspecting staff, was also stressed at the conference. The Central Government is understood to have indicated that it would consider the question of giving financial assistance to help States to maintain adequate inspecting staff for ensuring strict enforcement of rules against profiteers and hoarders in foodgrains.

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On the basis of the contemplated capacity targets for the fourth Plan for nitrogenous fertilizers (2 million tonnes), soda ash (1.2 million tonnes), caustic soda (0.8 million tonnes), and petroleum refining (25 million tonnes — this has been recently raised to 30 million tonnes), the machinery and equipment requirements of these industries during the fourth Plan period are annually placed at Rs. 24 crores, Rs. 3.6 crores, Rs. 6 crores and Rs. 17.6 crores (approximately Rs. 28 crores for a 30 million tonne target), respectively. The indigenous capacity for fabrication of these plants and equipment at present is stated to be only meagre. There is, thus, a tremendous scope for sponsoring additional capacity in these lines of manufacture. The Union Government is anxious that Indian entrepreneurs should go in for the manufacture of machinery and equipment for these chemical industries so that the drain on foreign exchange resources could be mitigated. Tie-ups with the leading foreign manufacturers in this respect are favoured. But it is considered desirable that the prospective Indian entrepreneurs should not only seek collaboration for items which they will manufacture themselves but also for those which they will sub-contract to others. This implies that they should seek complete designs and working drawings for the machinery and equipment proposed to be manufactured by them.

Foreign capital participation in petroleum refining and manufacture of fertilizers, soda ash and caustic soda is also favoured by the Government.

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Trade between India and Nepal is proposed to be doubled during the next five years as a sequel to the replacement of the existing trade and transit treaty between the countries (due to expire in October next year) by a new five-year agreement to be concluded in accordance with the GATT and other international conventions. The Union Minister for International Trade, Mr. Manubhai Shah, had discussions in this regard with the Nepal Government during his last week's three-day visit to Kathmandu.

According to a joint communique issued at the conclusion of Mr. Shah's visit to Nepal, India will also co-operate with this Himalayan kingdom in her industrial development. Long-term loan facilities are proposed to be provided by India for this purpose. To begin with, a credit of Rs. 100 lakhs has been promised. Nepal will repay it in 15 years with 3 per cent interest per annum.

The loan will be utilized for starting new enterprises in various parts of Nepal through the State-owned National Industrial Development Corporation. In the immediate future, it will be available for setting up paper, plywood, cotton and woollen textile manufacturing units. (A cotton textile mill with 12,000 spindles will be shortly set up in Nepal by Birlas). If Nepal so desired, India will also be willing to consider the establishment of a cement plant in that country at a suitable place where adequate raw materials are available.

An all-India industrial exhibition is proposed to be held at Kathmandu next autumn.

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Messrs. Hilton's Hotel Corporation of the United States, it is learnt, has shown interest in providing technical and financial collaboration to the Indian hotel industry. It is said to have had recently exploratory talks in this connection with the Union Ministries of Finance and Transport.

The Government of India is not averse to foreign collaboration in this field, provided it is available on reasonable terms. The Ad Hoc Committee on Tourism has also favoured this idea on three considerations. Firstly, such an arrangement will help in meeting part of the foreign exchange cost of the hotel industry which has to be expanded at a rapid pace in the interest of fostering tourism. Secondly, if the collaborating foreign hotel belongs to a large group, the hotel sponsored in India would receive the benefit of publicity and promotion done by the foreign company. Thirdly, the hotels set up with foreign collaboration can become pacesetters in new techniques and methods of hotel management.

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The Union Ministry of Transport is understood to have communicated to the State Governments new model rules framed by it in consultation with the State Governments and the other concerned interests, on issue of permits for inter-State operation of vehicles engaged in tourist traffic. The State Governments have been asked to publish these rules in the official gazettes under section 133 of the Motor Vehicles Act, 1939, and bring them in force with effect from May 1, 1964. The main change proposed in the existing rules is that in respect of the fifty tourist taxis and ten contract carriages which are to be licensed by each State or the Union Territory for operation throughout India for tourist traffic, in terms of a decision taken on the recommendation of the Ad Hoc Committee on Tourism, the permits will not require counter-signatures from the other State authorities.

There is no proposal under the consideration of the Union Ministry of Transport to relax the existing rules in regard to other vehicles operating on inter-State routes.

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The Government of India has arranged to refund to the International Monetary Fund the first instalment of $25 million out of the sum of $250 million (Rs. 119.04 crores) drawn from the Fund on August 1, 1961. The rest of the amount has to be repaid to the Fund by the end of July, 1966.

The Fund provided India under this credit $110 million (Rs. 52.38 crores) in U.S. dollars, $60 million (Rs. 28.57 crores) in Pound-Sterling, $45 million (Rs. 21.43 crores) in Deutsche Marks, $15 million (Rs. 7.14 crores) in French Francs, $15 million (Rs. 7.14 crores) in Italian Lira and $5 million (Rs. 2.38 crores) in Japanese Yen.

Apart from the outstanding balance of $225 million, India has a standby arrangement with the Fund for $100 million effective for one year from August last year. No amount, however, has been drawn as yet from this standby credit.

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At a Press Conference held here last week, Mr. Bruno Leuschner, Deputy Chairman of the Council of Ministers, German Democratic Republic, told newsmen that the G.D.R. was prepared to supply India complete plants, equipment and machinery to a far greater extent than hitherto and on more favourable terms. The G.D.R. has made some proposals in this direction. Details of these will be finalized by experts from both the countries in the near future. The proposals submitted by the G.D.R. cover supply of equipment for power stations, transport and mining machinery. In exchange, the G.D.R. is willing to buy from India more textiles, mica, coffee, tea, spices, tobacco and several other items.

The German Democratic Republic is currently supplying technical know-how and machinery to about 40 Indian firms. It is prepared to go in for joint ventures with the private sector. In this regard, it is awaiting specific proposals from the Indian entrepreneurs. Specific proposals have also been made by the G.D.R. to the Union Government for expanding trade between the two countries which now amounts to Rs. 25 crores both ways.

Talks have also been held between the G.D.R. delegation and the Union Ministers regarding further development of Indo-G.D.R. relations in the fields of science, cul.ure, education, public health, art, literature, broadcasting and sports. The signing of a cultural agreement between India and the G.D.R. was announced at the last week's Press Conference. The highlights of this agreement are:

(i) The German Democratic Republic will provide in 1964, 15 scholarships for Indian post-graduates for further studies in science.

(ii) At the invitation of India, the G.D.R. shall send five post-graduate scientists to undergo further studies here for a period of one to two years, and three scientists in the field of agriculture and technology to work in India for several years.

(iii) In the field of general education, 30 Indians will undergo practical training in the G.D.R. for periods ranging between one and two years. A delegation of pedagogues from India will be invited by the G.D.R. to study her educational system.

(iv) In the field of public health, five medical doctors from India will undergo further studies in the G.D.R. in special fields of medicine for a period of one year. The G.D.R. is also willing to assist India in setting up a Hygiene Museum.

(v) In the field of art and literature, the G.D.R. will hold an exhibition of sculptures in India and also participate in the third International Film Festival to be held in New Delhi. A group of artists from G.D.R. will also visit India.

Mr. Leuschner regretted that his country had been excluded from the coming World Trade Conference in spite of the fact that it was one of the highly industrialized countries in Europe. He supported the principle of international division of labour. India could manufacture tropical engineering machinery for export to East Germany, he said.

Maharashtra Budget: A Mixed Bag

From Our Correspondent

BOMBAY:

THE FINANCE Minister of Maharashtra, Mr. S. K. Wankhede, would perhaps earn the reputation of being the first in presenting not only a surplus budget, but a budget which also has a new direction in approaching the problems of development in the State and in providing relief to the lower strata of society. There would, no doubt, be dissatisfaction, still, in sections of the low income and wage groups that the quantum of benefits is not adequate or commensurate with the pressures of demand on them. What is most significant is the change in the direction and for that, the Finance Minister should be congratulated. The revised estimates of the State Budget for 1963-64 show a revenue surplus of Rs. 5.4 crores; the net effect of the capital transactions in the year would leave a surplus of Rs. 1.4 crores, thus making up a total over-all surplus of Rs. 6.8 crores, for the current year. No doubt, the bouyancy in the revenue receipts is largely due to the increased receipts under additional taxation measures introduced in the first three years of the third Plan. At the same time, one should not minimise the dynamism in the economic activities of the State which has also contributed to the surplus position. In 1964-65, the Budget estimates a revenue surplus of Rs. 51 lakhs. Accounting for capital transactions expected in the budget year, the overall position would, however, show a net deficit of Rs. 9.8 crores; and that will have to be met by judicious budgetary planning. This, the Finance Minister has attempted to do.

The relief to the low income and wage groups is fairly widespread. The concessions relate to the sales-tax on food, clothing and drugs amounting to Rs. 25 lakhs; relief for pensioners costing Rs. 11 lakhs; benefits of dearness allowance to the Government staff and additional rebate of sales-tax on diesel oil costing the exchequer in all Rs. 2.50 crores.

As pointed out, while the State budget has enthused certain sections and also disappointed others, in respect of the quantum of relief, the approach to the budget itself should be viewed in the background of the progress of the economy in the State. There has been a striking evidence of growth, the State income rising from (at 1955-56 prices) Rs. 1,004 crores in 1955-56 to over Rs. 1,400 crores in 1962-63. This gives a total rise of 39.5 per cent. The per capita income in the same period has risen from Rs. 292 to Rs. 343, a rise of about 17.5 per cent, at constant prices. That would indicate the strengthening of the economy in the State, when compared to other States and the all-India average growth. Particularly in agriculture, the triennial average of foodgrain production for 1961 - 62 was 30 per cent higher than the average for 1952-53. There was also a significant progress in the rural areas as indicated by the strengthening of the economic and social overheads.

In the sphere of industry, the value added by manufacture in the State increased from Rs. 232 crores in 1959 to Rs. 299 crores in 1961. The State's share of industrial production in the country was 26 per cent in 1961. While there is no indication of the position as at the end of 1963, it is believed that a major part of the all-India rise in the index number of industrial production from 139.4 in 1961 to 163.4 in September 1963, was contributed by the State of Maharashtra. This is supported by the increased consumption of power by industries in the State.

The power-generating capacity which was 530,000 k.w. at the end of 1956 rose to 1,010,000 k.w. at the end of March, 1963. The output of electricity increased to 2,743 million k.w.h. in 1962-63 from 2,249 million k.w.h. in 1956. The consumption of electricity by industries rose from 1,235 million k.w.h. to 2,396 million k.w.h. in the same period. The number of working factories increased from 6,979 to 8,762 and the workers employed, from 6.9 lakhs to 8.1 lakhs in the period. In

the transport sector, the road length would increase from 33,600 k.m. in March 1956 to 43,000 k.m. in March 1964. These are the highlights of the State's progress in the economic sphere under the impact of planning. However, the budget shows the consciousness of the long way that has yet to be covered in bringing a reasonable standard of living throughout the State.

Mr. Wankhede, in presenting the budget, has expressed Government's concern over the spiralling rise in prices. Following the general trend in the wholesale prices, the retail prices in the urban areas in the State increased by 7 per cent between December, 1962 and the end of 1963, the prices of foodgrains alone advancing by about 9 per cent. He was quite realistic in explaining the factors which led to this price rise, as being due to the demands of funds for capital formation and for defence production, in the absence of a corresponding rise in the production of consumer goods. He also took note of the effects of Central and State taxation which were inescapable and the shortages in rice, sugar and other essential commodities. Regarding the defects in distribution, he observed, it was an all-India occurrence and was frequently due to the circumstances beyond the immediate control of the State as also the difficulties of transport and artificial maladjustments between supply and demand. With a vision of a balanced development for the State and the interests of the rural community and the lower income groups of the urban sector in formulating the budgetary policy for the State it is quite reasonable to expect that the economy of the State would be further strengthened in the future and Government resources would also be improved to move forward to greater momentum in the economic effort.

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Mr. Asoka Mehta, Deputy Chairman, Planning Commission, did not provide the realistic approach to the strategy and policy for economic growth and all-round dynamic action to increase production and productivity that was sought by Mr. J. D. Somani in his address at the last annual general meeting of the Indian Merchants' Champer, but he did not fail to discuss the need for more production and productivity urged by Mr. Somani. As a matter of fact, Mr. Mehta recognised the need for a considerable increase in production all round — by 1970, he visualised the need for a rise of about twice the present of foodgrains, sugarcane and oil seeds and of about five times in consumer goods, a five-fold increase in the output of steel and petroleum products, a six-fold expansion in electricity, cement and chemicals, and more than twelve-fold growth in steel and machinery, as compared to 1960-61. And, to bring this about he also realised the need for increased investments. He even conceded that, alongside a high rate of investment, there must also be a high enough rate of profit on the investment made. Yet, surprisingly enough, he spoke also of a curb on growth of income. A curb on conspicuous consumption is understandable, but what is the relevance of a curb on the growth of income in the context of the country's needs today? Unless there is a strident rise in income, alongside of a curb on conspicuous consumption, the available savings for investment cannot increase materially and certainly not to the extent of one per cent in the rate of savings and investment every year for the next ten years, as Mr. Mehta himself wants to ensure even a modest rate of growth of seven per cent.

Mr. Mehta spoke of a decade of intensified drive towards development accompanied by certain "corrective devices". In this connection, besides the curb on consumption, which is obviously one such, he also made a mention of "familiar measures at re-transferring incomes to correct the stubborn disequalising forces in development." At the same time, he made the significant remark that the country could rely only marginally on benefits through income redistribution. In other words, in order to achieve the objective of a faster rate of growth, according to him, apart from increased production and productivity, another available solution would appear to be "certain alterations in the process of income generation itself." Does this mean that Mr. Mehta is thinking in terms of a further increase in the share of national income accruing to the Government? It is true that there is today, an observable trend towards an increase in the share of Government in the gross national product of many countries, including even free enterprise countries like the USA and West Germany. But those who allude to this trend seem conveniently to forget that, thanks to the dynamism and diversity of modern economic development, especially in the advance countries, the increased share of the Government is the result of Governments participating in new fields of enterprise; seldom do they impinge on existing lines in which free enterprise is already engaged. For instance, there is hardly any talk of nationalisation of banking in those countries. The net result of the visit of Mr. Mehta to the Chamber, therefore, seems to be that the IMC President did not get any assurance from the Deputy Chairman of the Planning Commission that "ours should be a truly mixed economy with the public and private sectors functioning as one national sector." Evidently, the Bhubaneswar thesis of democratic socialism only permits of the private sector "being tolerated on sufferance or on grounds of political expediency."

If this is the case, it only serves to substantiate Mr. Somani's assertion that, in their impatience with the intractability of problems to be tackled, the authorities tend to succumb to the temptation to advocate adoption of measures and policies which are largely borrowed uncritically from outdated socialist dogmas. The need of the country at present is a calculated and critical borrowing of the best features of both capitalism and socialism, a distinct trend observable in respect of both types of economies today.

The Search for Funds

From Our Correspondent

CALCUTTA :

TWO EASTERN States — West Bengal and Bihar — have presented their Budgets for 1964-65 to their respective legislatures, this past week. A third, Orissa, will soon present its own, but the Chief Minister of that State has already declared that there will be no fresh taxation proposals in his Budget, an extraordinary thing to do before the Budget is actually presented perhaps, but nevertheless reassuring from the taxpayer's point of view. The Bihar Budget shows a surplus—a small one of Rs. 51 lakhs — but this may disappear in the course of the year, because in the capital Budget for the year on account of Plan schemes, a gap of Rs. 3.75 crores has been left uncovered. Bihar may also have to incur additional non-Plan expenditure to implement the recommendations of the Pay Revision Committee concerning Government servants. The Chief Minister, who also holds the Finance portfolio, has warned that subsequently it will be necessary to tap fresh resources through extra taxation and loans and through more economical operation of the Government's commercial and semi-commercial schemes. (The total receipts for 1964-65 are estimated at Rs. 197.27 crores and the expenditure budgeted for is Rs. 196.76 crores.)

A major feature of the Bihar Budget is that the provisions for rural development schemes and education have been substantially stepped up. The allocation for industries has actually been reduced, while that for agriculture has been raised. Among major items of capital expenditure, the largest single is multi-purpose river schemes which receives Rs. 15.51 crores; Rs. 1.70 crores has been allocated for agricultural improvement and research, but only Rs. 66 lakhs is provided for industrial development schemes. Education gets Rs. 17.69 crores, compared with Rs. 15.77 crores in the previous financial year, agriculture Rs. 5.73 crores (Rs. 4.58 crores) and community development Rs. 8.99 crores (Rs. 6.06 crores). The Chief Minister has also announced that a more liberal family pension scheme for State Government employees will be introduced from the next financial year (1964-65). This is in addition to the benefits which they may get under the recommendations of the State Pay Revision Committee, which are at present under the Government's active consideration. The Government also proposes to raise the pension of all categories of its employees as part of its social security programme.

The West Bengal Budget for 1964-65 shows a net deficit of Rs. 2.46 crores (revenue receipts Rs. 135.52 crores; revenue expenditure Rs. 129.91 crores plus Rs. 8.19 crores outside the revenue account minus Rs. 11 lakhs opening balance), and the Finance Minister proposes to cover this deficit by levying a higher stamp duty on the transfer of immovable property and similar transactions, increasing registration fees and additional revenue expected from land reforms. He also proposes to raise a loan of Rs. 7 crores from the market later in the year. Like Bihar, West Bengal too proposes to provide additional benefits for State Government employees — in West Bengal's case, these take the form of increased dearness allowance for Government employees as well as teachers of Government-aided schools, involving a recurring expenditure of Rs. 4 crores every year.

Central Assistance

The Finance Minister, Mr. S. Mukherjee's speech emphasised the need for further Central assistance to the State in view of the peculiar economic problems which West Bengal has been facing. During 1963-64, Central assistance amounted to Rs. 57.8 crores, and a similar order of assistance is expected during the next financial year. But in order to support his case for more Central aid, the Finance Minister pleaded that growing urban unemployment and underemployment in the countryside and the continuous influx of refugees made demands on the resources of the State which it was not in a position to meet. Moreover, as the progress of Plan schemes went, West Bengal had been ahead of any other State in India, and its per capita development expenditure was even higher than in Maharashtra where per capita taxation is much higher than in West Bengal.

West Bengal's employment problem is not only more difficult than it is in the other industrially advanced State of Maharashtra, but the problem has certain peculiar features. The former is much too over-populated, which explains the slow rate of growth in the per capita income in spite of further industrialisation. Between the years 1955 and 1962, the number of registered factories in West Bengal rose from 2,974 to 4,616, but in the decade 1951-61, the population increased to about 35 million from 26.3 million — a rise of 33 per cent against the all-India average of 21 per cent. West Bengal has practically no cultivable waste land, so any increase in the per capita income can come only from the industrial sector. Yet the percentage of workers to the total population has come down from 34.5 to 33.2 in the 1951-61 decade, whereas in the rest of India, the trend was in the reverse direction, the percentage of workers having gone up from 39.1 per cent to 43 per cent.

In the circumstances, West Bengal must strengthen and expand her industrial sector, and the Government has moved the Centre to locate more of the latter's industrial ventures in the State. The need to tackle the acute unemployment problem makes it imperative for the State to push ahead with the third Plan schemes. The Planning Commission has fixed the ceiling for West Bengal's Plan expenditure at Rs. 250 crores, subject to the condition that it could be raised by Rs. 43 crores more provided the State found the extra money from its own resources. (The State Government had originally submitted a Plan costing Rs. 341 crores). West Bengal has already raised more than the Rs. 90 crores which the Planning Commission has fixed as its share in a total outlay of Rs. 250 crores. In the circumstances, the Centre should raise its promised share of Rs. 160 crores by at least Rs. 27 crores. The State has to spend Rs. 9 crores on account of increased salaries for teachers and Rs. 31 crores on power development, since power shortage has proved a great impediment to industrial expansion in the State.

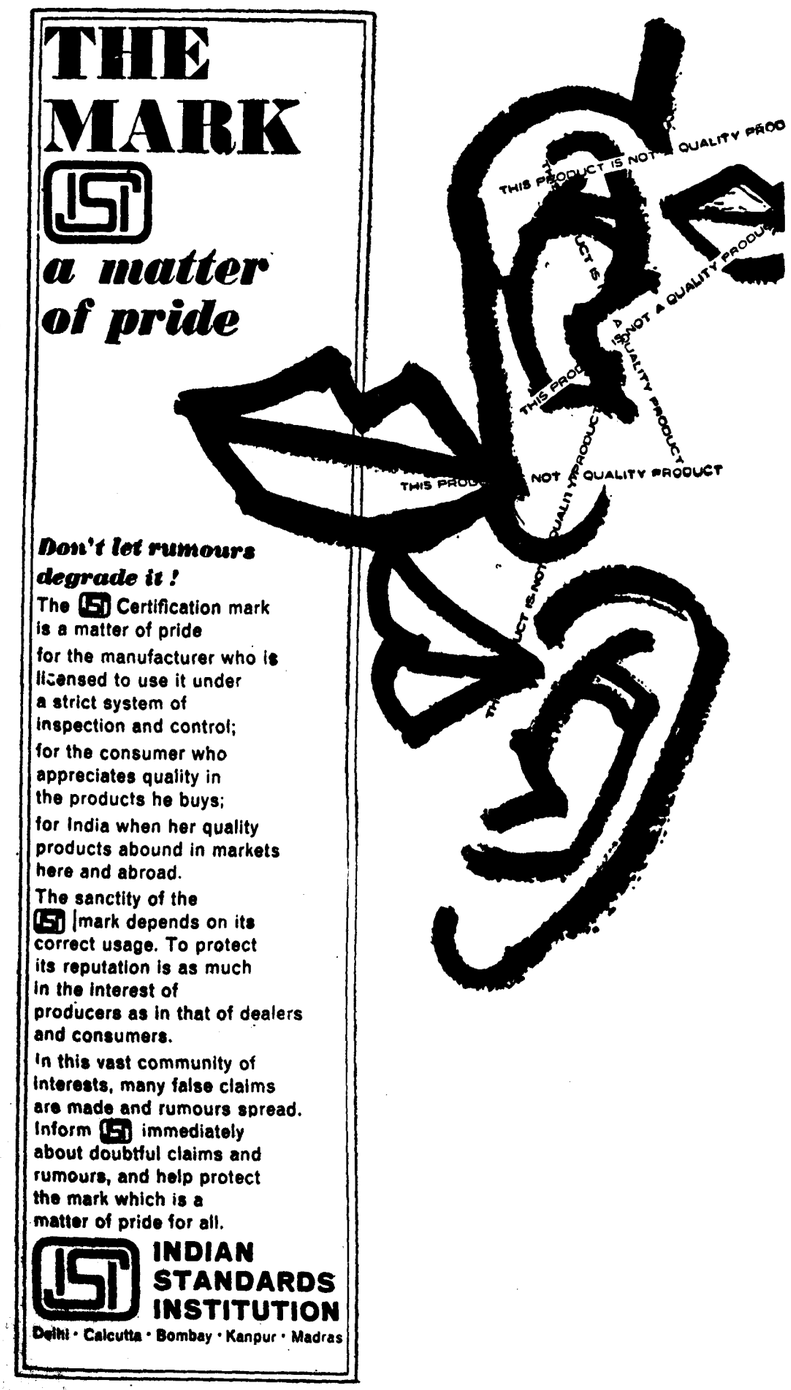
Looking Ahead

The Sachdev Committee has estimated the current requirements of power in the State at 1,184 MW; since the Committee made the estimate a couple of years ago, power requirements have increased by another 35 MW. Taking into account all the existing and new sources of supply including that from the D.V.C. the total deficit now amounts to 561 MW. To meet this deficit, the State Government has sanctioned power projects, including expansion of existing installed capacity, for a total capacity of 788 MW, but of this, a firm supply of 545 MW of salable power will be available from the end of the third Plan. It is also necessary to look ahead in matters like power generation, as the demand will undoubtedly grow with the progress of industrialization. The Central Government's Power Survey Committee has estimated that power demand at the end of the fourth Plan in West Bengal would be 2,200 MW. For this, the State Government would have to plan for more generating units, and it is estimated that a further investment of Rs. 200 crores would be necessary to raise power supply to the desired level by the end of the next plan period.

A significant statement by the Finance Minister in his Budget speech was about the role the private sector will have to play in the economic development of the State. "The State Government lays great emphasis on the role of the private sector in industrialization," Mr. Mukherjee said. The Government has decided to set up an advisory organization—a long-felt need—consisting of representatives of the Government and industry to review industrial prospects in the State. The Organisation will help remove bottlenecks of different types with the help of the State and Central Governments and "will devote itself to hastening the pace of industrialisation in the State." Mr. Mukherjee thinks that it will help private enterprise in many ways, particularly in getting over all the difficulties now being experienced in setting up new industries and expanding existing ones.

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A review of the current economic problems of eastern India was made by Mr. A. R. Foster, President of the Bengal Chamber of Commerce and Industry, in his address at the Chamber's annual meeting last week. Mr. Foster emphasized the importance of this region to the economy of the country as a whole, but uncertainties in the supply of rice, the basic foodgrain for the region, and transport and power shortages were hampering economic activity in eastern India considerably. These deficiencies need to be removed quickly; otherwise, the region may not be able to continue its past year's excellent record in the export field. Another serious problem of the region, which Mr. Foster called the "first and greatest" is that of the city of Calcutta. This vast conurbation is at once the administrative nerve centre, the market, the manufacturing area and the port and distribution centre



for the greater part of the industries and enterprises which are to be found throughout the Eastern States. "We owe the great existing development of industry and trade in this area to its natural advantages and resources, but whether it will continue to develop and whether there will be, in particular, that great increase in secondary industry and trade which should naturally follow, will depend very materially on whether Calcutta's problems can, if not solved, at least be substantially ameliorated," Mr. Foster said. This is exactly what the World Bank has said about the role of Calcutta in the economic development of the region, but unfortunately, funds for developing the city on more modern and manageable lines have not been adequately forthcoming.

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Tea is a major export commodity, which is mainly produced in eastern India. Its exports have gone up steadily over the past two years. In 1962, India exported 193 million kilograms of tea valued at Rs. 120 crores in foreign exchange; in 1963, the volume of exports went up to 223 million kilograms, earning Rs. 132 crores of foreign exchange. The prospects for the current year are not good, as the North Indian crop has fallen short and the price trend is less satisfactory. It was, however, good to hear Mr. B. C. Biyani declaring (in his presidential address) at the annual meeting of the Tea Packeters' Association that the trade is determined to increase packet tea export. But there is a special excise on packet tea, which Mr. Biyani rightly criticized as discriminatory. His view has been upheld by the Central Excise Reorganisation Committee. The Government apparently thinks otherwise. The excise has encouraged the selling of tea in loose form in the internal market, even though it is obviously less hygienic. Mr. A. S. Bam, chairman of the Tea Board, who also addressed the meeting, however, defended the special levy on the ground that it was meant to encourage the export of packet tea since the differential duty was refundable on export. The additional duty also reduced the burden on tea producers by spreading the collection of excise duty over two stages, thereby giving the benefit of deferred payment of a substantial portion of the excise duty. The single point collection of excise duty might cause hardship to the financially weak gardens. But Mr. Bam still gave no satisfactory explanation why the packeters must be placed at such a disadvantage against those selling loose tea in the internal market. Is it the Government's policy to promote exports at the expense of home consumers? The need for exports is admittedly great, but an industry like tea, so vulnerable to fluctuations in world demand, should not be made to depend on exports so completely. An internal market can serve as a great cushion for the industry in times of declining world demand, and should, therefore, be nourished, and not starved, as the present official policy appears to imply

Shortfall in Resources

From Our Correspondent

MADRAS :

THE ANDHRA PRADESH BUDGET for 1964-65 presented by Mr. K. Brahmananda Reddi on Friday last is in line with general expectations. With an agitation against the levy of higher taxes on land going on and the unwillingness of the various State Governments to levy additional taxation, the Andhra Pradesh Finance Minister also has chosen to adopt the line of least resistance in spite of the fact that there is a big gap to be closed and the next financial year is expected to finish with a sizable negative cash balance. The State's resources, however, have grown at a fast rate in the past few years and the revised estimates for the current year disclose a significant surplus of Rs. 2.31 crores on revenue account, there being an increase in receipts under the revised estimates by Rs. 10.69 crores. As the tempo of work on many projects was also quickened and additional sums were allotted for power projects, there was a net increase in expenditure on revenue account by Rs. 8.49 crores. With some increased allotments in the capital budget as well, the current year was expected to close with a cash balance of Rs. 1.84 crores against Rs. 2.46 crores at the end of 1962-63.

With the anxiety to implement many big projects in a short period and with the greater emphasis laid latterly on industrial development, there is now confidence that the Plan outlay for 1961-66 will be comfortably exceeded if only Central assistance was liberalised in respect of the Nagarjunasagar Project. Even otherwise, the total outlay for the third Plan had been raised by Rs. 7.7 crores to Rs. 312.70 crores. By the end of 1963-64, it is estimated that an expenditure of Rs. 166.22 crores would have been incurred leaving a balance of Rs. 146.48 crores to be spent in the remaining two years. The State Government had, therefore, suggested to the Planning Commission that the allotment for the financial year be fixed at Rs. 72.54 crores. The latter felt, however, that there should be a pruning of these allotments as the required resources were not in sight. The State Government has, nevertheless, decided to stick to its original allotment of Rs. 72.54 crores as otherwise the effort required to complete the target in the final year would be something beyond the capacity of the administration.

The higher level of Plan expenditure, the grant of additional dearness allowance to the Government employees drawing salary upto Rs. 300 per month, the extension of the compensatory allowance to a larger number of Government employees and the revision of pay scales on the basis of the recommendations of the Two-man Committee would naturally be reflected in a much higher level of expenditure. It is no doubt expected that gross borrowing through open market loans would be Rs. 11 crores, the same as previously, even though it is not yet clear what would be the decision of the Central Government in regard to the method of raising loans. Receipts are expected to increase by Rs. 6.95 crores over the revised estimates for the current year to Rs. 136 crores even with existing taxation. Some of the measures introduced last year and the revision of the sales tax structure will be helpful in bringing about larger receipts. But even without providing for the payment of additional dearness and compensatory allowances, it was expected that there would be only a nominal surplus of Rs. 15 lakhs while there would be a big deficit in capital budget resulting in a negative cash balance of Rs. 3.29 crores. The overall deficit was estimated at Rs. 5.13 crores after utilising the small revenue surplus. The deficit, however, would now be increased to Rs. 5.23 crores because of the payment of additional allowance to the employees in the next year by Rs. 1.94 crores.

It is not clear how and why the deficit has been left uncovered. It is probably expected that the Central Government would be agreeable to provide larger assistance for the Nagarjunasagar project though it is not known whether it would be prepared to implement this project as a Central undertaking. It has actually been urged by Mr. Brahmananda Reddi that, pending a settlement of the problem, the recovery of interest charges on the Central loans for Nagarjunasagar project should be postponed. What exactly will be the deci-

sion of the Centre remains to be seen. But there is force in the argument put forward by the Andhra Pradesh Government, as the expenditure incurred on this mammoth project by the end of this Plan would have aggregated to Rs. 90 crores while another Rs. 50 crores would have to be spent during the next Plan. It will take a long time for the results out of this large expenditure to be realised. It has, therefore, been complained that the outlay on this scheme, which is costing nearly one-sixth of the budget on plan account every year, has prevented the Government from embarking on other big schemes which would yield quicker results and benefit the local population immediately.

The Nagarjunasagar project has, no doubt, to be developed in the present circumstances. with greater vigour. But it would be worthwhile to examine whether besides this project, other medium-sized schemes can be undertaken and a much larger increase in production achieved during the next few years. While this is necessary from the national angle, the State Government would appear to be more anxious to develop the industrial sector and install additional capacity for generating electricity. The impact on plan expenditure of these and the industrial sector has so far been not quite significant.

Distinct Improvement

But it is now expected that the Central projects will take shape in the next two years and there will be a distinct improvement in the power situation with the installation of the second gas turbo set and the commissioning of new units under the Tungabhadra Hydro Electric scheme. The thermal unit at Nellore also will start functioning in a short period. But the real improvement in power situation will come about only when the thermal stations at Ramagundam and Kothagudem are completed in the next two years and about the same time many industrial projects will reach the production stage. The huge factory of Coramandel Private Limited alope will consume large quantities of power. It will be located at Visakhapatnam. Arrangements are being made to construct another fertilizer plant at Kothagudem. Mr. Brahmananda Reddi has stated that efforts are being made to erect a huge steel plant at Visakhapatnam. For meeting the water requirements of steel plant the Railway Reservoir scheme has been investigated and the project report sent to the appropriate authorities. A similar report on the Meghadri-Gadda scheme is under preparation and would be sent to the Centre soon. It is emphasised that the location of a large steel plant in the State would stimulate the growth of a number of ancillary small-scale industries throughout the region and will have a catalytic effect. Mr. C. Subramaniam himself has been pointing out to the need for a coastal-based steel plant, and it will be interesting to know what will be the ultimate decision of the Central Government. In the private sector, the cotton textile industry is expected to grow considerably in stature while there will be a large number of sugar and cement units and various other factories are under construction and there will be a jump in the output of chemicals and fertilisers. The whole character of the economy might undergo a major change in the next few years.

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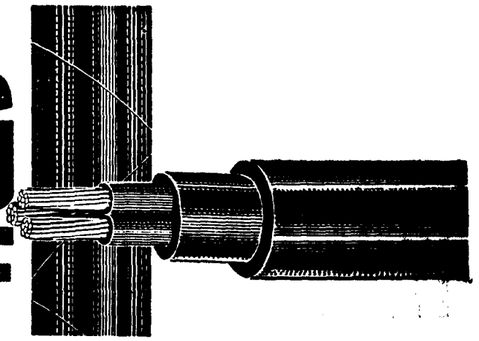
The absence of any fresh taxation in the State Budgets presented so far, with the exception of West Bengal, has given rise to the feeling that other State Governments too might be unwilling to impose fresh taxes and court unpopularity. The Madras Budget is to be presented on the same day as the Central Budget. It is very unlikely that Mr. Bhaktavatsalam will decide to levy additional taxes as only last year new heavy levies were imposed. The absence of surprise in State Budgets has naturally led to greater activity in the stock markets and plantation shares are very active. In the past few days, there has been a definite firming up of prices following encouraging advices from Bombay. As the Union Finance Minister has chosen to take a deliberately optimistic view of the immediate outlook and the impression has gained ground that, apart from there being no additional taxation, there may be possible tax reliefs, a further sharp rise in prices for select scrips has been recorded. Textiles shares like Madura Mills, Travancore Rayon and South India Viscose have been very active while many other industrials like India Cements, Aluminium Industries, Ashok Leyland and Mettur Chemicals have been outstanding. The last mentioned scrip has come for active buying on reports of excellent working results in the current accounting period and, with the firmer trend of chemical shares in Bombay. It is reliably learnt that the profits of Mettur Chemicals in the first half of 1963-64 are even slightly higher than the profits for the whole of 1962-63. The directors have, naturally, decided to maintain the interim dividend on an increased equity capital and it is generally expected that there will be no difficulty in servicing a larger capital in the next year even though the new caustic soda factory will be in full operation in 1965-66 and the benefit of the programme for manufacturing chlorine based chemicals will also be reflected only in the results of the subsequent year. The recent issue of equity shares for Rs. 60 lakhs is stated to have been considerably over-subscribed. Those who had applied for additional shares will receive only partial allotment. The preference issue was not fully taken by the existing shareholders. But the Life Insurance Corporation has offered to take up the unsubscribed balance with the result that Mettur Chemicals has been successful in raising the large sum of Rs. 1.80 crores in preference and equity shares in a short period. This is indeed a gratifying achievement.

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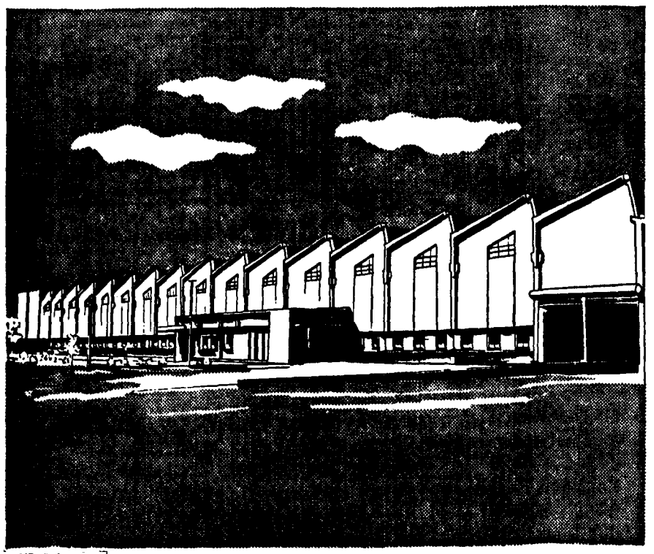
In the Budget proposals of the Madras Corporation for 1964-65, it has been suggested that the professional tax of Rs. 2|- levied on those belonging to the lowest income groups should be removed while Corporation employees receiving salaries up to Rs. 400 per month should be given an additional house rent allowance of Rs. 5 per month. There are also proposals for providing mid-day meals for a larger number of school children while more schools are to be opened for girls. These proposals had been made by the D.M.K.-dominated committee with a view to winning votes though the proposals will be finalised only when the new Council comes into being early in March. On the basis of existing taxation, it is expected that there will be an increase in revenue to Rs. 6.26 crores from Rs. 5.76 crores in 1963-64. It is estimated that there will be a deficit of Rs. 6 lakhs, same as previously. There will not be really any loss on account of the removal of professional tax in the last bracket as the existing staff can concentrate on the collection of arrears of professional tax which are outstanding for a long time and for heavy sums. The Corporation has obviously to streamline its own organisation and make the best use of available funds as, with the helpful attitude adopted by the State Government and growing revenues, it is in a position to do much better service for the citizens of Madras. The newly elected Council could probably bestow greater attention to many outstanding problems.

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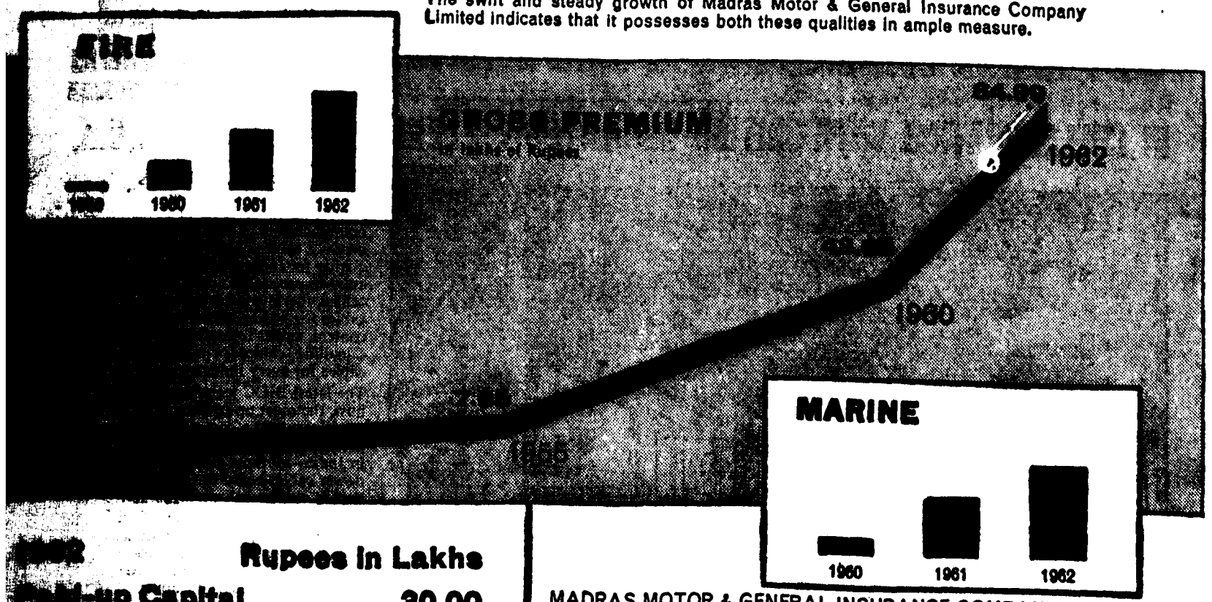
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The moving finger writes

THE BUSINESS world seems to have developed a split personality in its attitude to the impending Central budget. One part of it seems determined to be cheerful—and I am not referring simply to the stock exchanges where I see that the bulls are adventurous without being reckless. The Finance Minister has deliberately been building up a climate of expectations over the past many months. Taking as his base the Mid-term Appraisal of the third Plan, which has drawn attention to the slackened growth of the economy, Mr. Krishnamachari has been proceeding step by step in the direction of building up a pattern of corrective action. So far, he has performed a little and has promised a lot. Naturally the public and the business community expect his forthcoming budget to make a significant contribution towards the fulfilment of the hopes he has sedulously fostered.

This apart, there is great respect all over the place for Mr. Krishnamachari's knowledge and technical skill where the management of the economy is concerned. Consequently, the natural expectation is that his budgetary policies would make a reasoned and reasonable contribution to stimulating the economy. The Finance Minister has made no secret of his desire and determination to practise economic growthmanship.

At the same time, in another part of its mind, the business community is equally naturally harassed and harried by fears and anxieties. The frequent references by the Finance Minister to what he has been describing as "unaccounted money," the apprehension that, following the Bhubaneswar session of the Congress Party, pressure might be brought to bear on the Government to speed up socialist policies and the shadow cast in advance by the coming Mahalanobis Report on the distribution of wealth and economic power in the community have all combined to produce a certain amount of nervousness. As a result, there are many areas in the business world where it is felt that although the economic policies of the Central budget might, on the whole and in the long run, promote economic growth, there could still be in it specific decisions which could produce an adverse reaction on investment and enterprise. Symptomatic of this nervousness was the persistent rumour that, as a measure of proceeding against "unaccounted money," the Finance Minister might decide to demonetize hundred-rupee notes. The Reserve Bank has rightly come forward to deny any such intention on the part of the Government, and while this may give the quietus to this particular gossip, it is clear that until Budget Day, there is bound to be a lot of speculation over how the Finance Minister might propose to deal with the problem of "unaccounted money" which he has been talking about so long.

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Incidentally, there have been reports that the Congress High Command (or the Congress President) has written to the Finance Minister suggesting that he should take note of the Bhubaneswar proceedings in framing his budget proposals. This account is more fanciful than factual. What seems to have happened actually is that it was mentioned in the Working Committee that the Government should take note of the Bhubaneswar Resolution on Democratic Socialism and also the Congress President's speech in framing its economic policies in and through the Central budget. The Prime Minister seems to have responded by saying that a copy of the Bhubaneswar proceedings referred to might be sent to the Government and on being asked further to whom exactly this should be sent, he had reportedly mentioned that the copy might be sent to the Finance Minister. Following this, one of the General Secretaries of the All-India Congress Committee seems to have forwarded the Bhubaneswar papers to Mr. Krishnamachari with a formal covering letter. It may perhaps be added here that any direct attempt by the Congress Party (or any office-bearer of that party) as such to influence the budget proposals through a direct communication to the Finance Minister might be a breach of the conventions to which parliamentary government must conform. It is, therefore, gratifying to learn that no impropriety has been committed.

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Mr. Swaran Singh's attempt to play sugar daddy to the public is surely sickening. Everybody seems to know, barring the Food and Agriculture Minister, that the output of sugar this year is most unlikely to be more than between 2.5 million and 2.6 million tons, and yet Mr. Swaran Singh has been naive enough to inform State Governments that their sugar quotas might have to be reduced since sugar production is not likely to reach 3.3 million tons. The Food and Agriculture Minister ought to be aware by now that fancy figures such as "3.3 million tons" or even the "three million tons" which he mentioned in Parliament a few days ago, have ceased to have any relevance to current trends in sugar output. If, nevertheless, he refuses to face facts, it must be due either to his inherent mental laziness or his characteristic weakness for believing that all evil could be simply wished away.

I had always felt that Mr. Swaran Singh was not the Minister for portfolios which called either for really imaginative planning or for detailed and arduous home work. In my view, his custodianship of the Steel portfolio during the formative years of the steel development programme has certainly had a lot to do with all the delays and disappointments the nation has had to put up with in that vital sphere. Now, for no reason that I can think of, he has been picked by the Prime Minister for the job of putting the nation's agriculture on its feet. I should certainly be surprised if he proves that he can do the pulling and pushing which the task demands.

It is true that Mr. Swaran Singh has not been long enough in the Food and Agriculture Ministry to show results, but the point is that he seems to have been there long enough to have learnt already to complain that the weather is letting him down. I suggest that the Prime Minister should now proceed to make the Weather God our Food and Agriculture Minister. After all, those primitive peoples who turned to worship the Sun and the Moon, or the Tree and the Snake, or the Clouds that did not come, or the Winds that would not blow, knew what they were doing.

V.B.

Trade Winds

TRADE POLICY FOR DEVELOPMENT

A REPORT presenting the main issues facing the United Nations' Conference on Trade and Development (which will meet in Geneva from March 23 to June 15, 1964) has been issued by the Secretary-General of the Conference, Mr. Raul Prebisch. The objective of the conference is to formulate a new trade policy for development. The export of primary commodities in general is expanding relatively slowly while the demand for imports of manufactured goods has tended to grow rapidly. The resulting imbalance constitutes a serious external bottleneck which will have to be eliminated if development is to be accelerated.

One of the objectives of the United Nations Development Decade is to attain average annual growth rate of five per cent in the income of developing countries by 1970. This target is not much higher than the 4.4 per cent rate of the previous decade. The rate of growth of five per cent can in no sense be considered fully satisfactory because it would mean an annual rate of increase of only 2.6 per cent in average per capita income, in view of the rapid rate of population growth which tends to slow development. Nearly half of the capital invested in the developing countries goes to meet the needs of this increased population; hence there are less resources available for raising the overall level of living. At the rate of five per cent, unless population growth slows down, it would take 80 years for the developing countries to reach the present average per capita income level of Western Europe and approximately 40 years more to reach that of the United States. For the least advanced countries, accounting for one-half of the population of developing areas, the period of time required to reach the present West European standards would be not less than 200 years.

The report points out that it would be extremely difficult, if not impossible, for many developing countries to reach the growth rate of even five per cent unless ways can be found to eliminate the growing gap between their export earnings and their import needs. External resources of the developing countries can be increased through additional exports of primary products, through more exports of manufactures or through additional foreign aid. As an essential condition for success, the various measures adopted should be integrated to achieve a rate of growth of the external resources of developing countries which, given the terms of trade, should be sufficient to enable them to obtain the level of imports rising by at least six per cent per annum every year.

Dealing with primary commodities and industrial goods of the developing countries, the report states that quantitative targets should be set for their entry into the markets of industrial countries. On the subject of industrial preferences, it is suggested that, within a pre-determined value, the industrial countries should establish a quota for admitting manufactured goods from the developing countries free of duty, but they could exclude a schedule of items, constituting a reasonable percentage of the total goods they import, from these perferences. Manufacturers from developing countries thus excluded from the scope of preferences should be admitted by the industrial countries on the usual most-favoured-nation basis. All the developing countries, regardless of their level of development, would be eligible to avail themselves of the preferential system until the relevant quota is reached. But there would have to be periodic review of the flow of exports; and if exports from one or more countries increased so much that they did not leave sufficient room for those from the others, limitations could be imposed.

The report also suggests that preferences granted by developing countries to the industrial countries should be brought to an end. Two kinds of measures—commodity agreements and compensatory financing—are envisaged, in the report, to guarantee the purchasing power of exports of primary commodities. Commodity agreements are recommended as a means of improving prices and maintaining a price parity with manufactures. Compensatory financing is imperative to the extent that it may not be possible, through commodity agreements, to prevent the exporting countries from suffering losses because of deterioration in the terms of trade. The compensatory resources might form part of a fund administered by international credit institutions, at either the international or the regional level, in accordance with the rules approved by governments.

Discussing groupings of developing countries, the report adds that, in order to encourage industrialization and to pursue a more rational import substitution policy, developing countries should form preferential groupings on as broad a scale as possible. These groupings should be supplemented by payments agreements between their member countries. The GATT rules now in force would have to be amended to take into account the consequences or the structural inequalities between industrial and developing countries.

GLASS AND CERAMICS

Inaugurating the reconstituted Development Council for glass and ceramics in New Delhi, the Minister of Industry, Mr. Nityanand Kanungo stressed the importance of developing indigenous technical know-how and of creating agencies for the training of technical personnel. The Minister stated that the production of glass and glassware had increased from 100,000 tonnes in 1953 to 250,000 tonnes in 1963. He added that during the past ten years, the installed capacity for the refractory industry had increased from 300,000 tonnes to nearly 900,000 tonnes per annum and that the industry was confident of achieving its third Plan targets.

Glass, ceramics and refractories together account for an annual turnover of over Rs. 50 crores. These are essentially feeder industries, catering to basic industries like iron and steel, chemicals, drugs, automobiles, etc. In addition, the ceramics industry also provides materials for construction, sanitation, electric generation and many other industries.

The ophthalmic glass and lenses are proposed to be manufactured in the public sector at Durgapur in collaboration with the U.S.S.R. The factory, which will have a capacity of 300 tons per annum, is likely to go into production in the beginning of the fourth Plan. Other items which will be produced for the first time are glass fibre, improved type of laboratory glassware, glass insulators and plate glass. Even small items of glass and glassware such as tubes and rods for thermometers, syringes and instruments have been given special encouragement for production so that all types of glass and glassware should be made in India by the close of the third Plan.

INDO-PHILIPPINES TRADE

An official Indian delegation, which visited the Philippines early this month to explore possibilities of expanding trade and economic co-operation between the two countries, had talks with the Philippines Government. It was agreed that the two Governments should encourage mutual visits of businessmen. The Indian delegation extended an invitation to the Philippines Government to send a trade delegation to India.

INDO-BULGARIAN TRADE PACT

A new five-year trade and payments agreement between India and Bulgaria has been signed. The agreement, which is operative from January 1, 1964, envisages trade both ways of about Rs. 9 crores in 1964 and Rs. 10.5 crores in 1965. The total trade both ways in 1963 was worth Rs. 6.2 crores. Bulgaria will buy from India engineering goods including tropicalised motors, diesel engines, pumps and sewing machines, drugs and pharmaceuticals, chemical products, cotton textiles, leather sandals (chappals), rolled steel products, tyres and de-oiled cakes apart from traditional items like tea, coffee, jute manufactures and shellac. India will continue to import from Bulgaria electric hoists, cranes, power cables, transformers, steel products, machine tools, ball bearings, mining locomotives, automatic looms, battery-operated trucks, pig iron, zinc, chemicals, capital goods etc.

WAGE BOARD FOR BANK OFFICERS

Addressing a Press conference in New Delhi, the President of the All India Bank Officers' Association, Mr. R. C. Chakraborty, said that they had suggested to the Union Labour Minister to appoint a wage board to look into the service conditions of banks' officers. He said the proposal would necessitate major changes in the provisions of the Industrial Disputes Act, 1947, so that the supervisory staff in banks may be brought under its purview. According to Mr. Chakraborty, the aim of the Association was to have one national organization of the employees of the banking industry—from "messengers to managers"—on the British pattern. At present, the nomenclature "supervisory staff," instead of "workmen," excluded bank officers from the purview of the Industrial Disputes Act.

COST INFLATION

Commenting upon the Railway budget, the President of the Bharat Chamber of Commerce, Mr. H. S. Singhania, said that it was unfortunate that the railways, being the largest public sector undertaking, should have thought it proper to give a lead in releasing a cost-push force in prices by the promulgation of two per cent surcharge on goods freight. Mr. Singhania added that the incidence of freight was aggravated due to loss on pilferage and the usual charging of wagon freight on capacity basis irrespective of the average lower wagon-load. Among the items of exemption export commodities had not been included. This was anomalous because, on the one hand, the Government professed to promote exports and, on the other, imposed fresh burdens on the cost structure of exportable goods. Specific concessions granted to a few items could not extricate the export goods from the general cost-push.

SUGAR MILLS PROTEST

Apropos the proposed increase of two per cent in goods freight in the Railway budget for 1964-65, the Committee of the Indian Sugar Mills Association, Calcutta, has represented to the Railway Minister that the freight on sugarcane which was already very high and which had to be borne by the growers, was adversely affecting cane supplies to the factories by encouraging cane diversion to gur and khandsari. The Committee has, therefore, urged for exemption of sugarcane from the proposed increase, in the interest of increased sugar production.

ORE TO JAPAN

The Kiriburu and Bailadila mines are scheduled to start exports of iron ore in 1964 and 1966, respectively. These projects have been taken up with the active collaboration of our largest buyer, Japan, which has contracted to buy six million tons of ore per year from these two mining areas on a long-term basis. According to a 10-year agreement signed on March 19, 1958, Japan contracted to purchase 20 million tons of iron ore from Kiriburu mines. According to the 15-year contract that Japan signed with the Minerals & Metals Trading Corporation on March 6, 1960, iron ore totalling 60 million tons will be exported to Japan from Bailadila mines.

COAL DEVELOPMENT

Preliminary work is in progress on the National Coal Development Corporation's second deep-shaft mining project at Monidih, located in the northern part of the central Jharia region. Like Sadamdih, this project is also being developed with Polish collaboration. Prospecting and drilling work has been completed and the project report is expected soon. A feasibility report for the project has already been received from "CEKOP", a Polish firm. For the first time, a regional integrated planning scheme is being evolved in this region to set up a model colliery township with adequate facilities for communication, electricity, water, sanitation and community welfare. This would serve as a pattern for all coal mining townships to be developed in the central Jharia region which has enormous potentialities for coking grade coal.

ELECTRO-NICKEL

An improved form of primary nickel in strip form for coinage applications has been developed by the International Nickel Company of Canada, Limited. Known as "electro nickel" strip, it is of uniform gauge and is comparable to wrought nickel in mechanical properties and ease of fabrication. It is of special significance to the mints throughout the world that the improved strip will substantially reduce the cost of producing pure nickel coins. The cost to the mint of making finished nickel coins will be reduced by about 30 per cent.

AUSTRALIAN WHEAT

India has signed a contract for the purchase of 1,71,000 tonnes of Australian wheat which will be shipped to this country before the end of June, 1964. According to Mr. Moroney, the Chairman of the Australian Wheat Board, India is regarded as a traditional and valuable customer for Australian wheat and in recognition of this fact, the Board has reserved a substantial quantity of wheat from the 1963-64 crop, in case India should require it this year.

JUTE PRODUCTION

The Union Ministry of Food and Agriculture, in its All India Final Estimate of Jute for 1963-64, has put the current year's area and production of jute at 21,30,000 acres and 59,10,000 bales (of 400 lbs. each) respectively. As compared with the partially revised estimates for 1962-63, the estimates for 1963-64 show an increase of 1.3 per cent in area and of 9.3 per cent in production. The yield per acre during the current year works out to 1,110 lbs. as against 1,028 lbs. of last year, showing an increase of 3 per cent. The increase in area has been reported by West Bengal and Orissa and is attributed to favourable weather conditions at the time of sowing this year as compared to last year. The increase in production is shared by Assam, West Bengal and Orissa and this is also attributed to more favourable weather conditions during the period of growth of the crop.

EXPORTING FOOD PRODUCTS

Indian bananas made their first appearance in the Soviet Union in November, 1963. Out of the 11,000 tons shipped to Odessa, 300 tons went to Moscow. The Indian bananas were highly appreciated by the Russians who are looking forward to increased supply from India in the near future. The Soviet Union has also placed orders for canned pine apple and canned mango, and mango and pipe apple juices from India during the current year. The only organization authorised to handle imports of fruit products into the Soviet Union is "Prodintorg (G-200, Moscow)."

Company Affairs

NATIONAL AND GRINDLAYS BANK

LORD ALDINGTON, Chairman, National and Grindlays Bank, in a statement circulated with the annual report of the bank spoke highly of the remarkable leadership provided by Mr. J. K. Michie during the last 18 years which had brought this bank to the present dimensions in its centenary year. To provide an idea of the task accomplished by Mr. Michie, the Chairman, stated that in 1946 the bank's deposits were around £62 million which by the end of 1963 were nearly £283 million. The advances during this period increased from £13 million to the present figure of £160 million. The bank spread its operations widely so that its branches increased from 163 as against 29 in 1946. It is, indeed, a magnificent record and Lord Aldington expressed his sentiments rightly when he said that he was glad to have Mr. Michie as his colleague on the board of directors.

In its centenary year the bank has achieved an envious position by having its assets at £356.9 million. Profits at £679,318 were not as high as in 1962 but the positive aspect of this performance was that the bank's profits from its widely separated branches overseas were higher this year than the previous year. Out of these profits, a sum of £150,000 has been placed to reserve fund. The half-yearly dividend proposed was unchanged at seven per cent making 14 per cent for the year.

Lord Aldington touched briefly the performance of the Finance and Development Corporation Limited, a subsidiary company, which recorded a profit of £29,301. During the year under review the capital of the Corporation was increased by the issue of 500,000 new shares of £1 each fully paid. Its resources were also increased by borrowing outside the bank. The fixed term loans granted in the last 15 years have been of considerable benefit to the overseas customers of the bank in the public and private sectors and have proved of lasting advantage to the economies of these countries.

The Chairman pointed out that in its second year, the Exporters' Refinance Corporation Ltd. made a marginal profit. Its turnover increased gradually and new exporting customers made use of its services so that fresh facilities were provided to encourage exports. Lord Aldington stated that in the context of the Indian economy the bank always wishes to play its part in financing India's exports as it has been doing in the case of her main crops for the last 100 years. He welcomed the creation by the Government of India of the new Export Credit Guarantee Corporation Limited.

The Bank has accelerated its drive for an increase in its deposits in the light of the new banking legislation which will raise the level of minimum holding of government securities after September 16, 1964. If the bank does not increase its deposits, the new legislation is bound to affect its ability to lend and its earning power. The Chairman pointed out that a high level of industrial investment in India, although financed partly by foreign loans, inevitably put a further strain on the banks when the money conditions were tight. The Industrial Development Bank which is to be created shortly following legislation will be of considerable help in this respect.

Referring to the Bank's growth in some other Asian countries, the Chairman indicated that Burma and Ceylon posed serious handicaps to its operations. In Burma, nationalisaion took away its business in February, 1963. A settlement on compensation was made and the bank was paid K. 500,000 which represented a loan granted by the bank to its Rangoon branch. But the settlement of its main claim for compensation has not yet been finalised. In Ceylon the bank offered a large part of its loans and overdrafts to Ceylon nationals and also offered help to small scale industrial enterprises approved by the Government. Soon, however, its operations were hampered by the restrictions placed on the opening of new accounts by the Ceylonese nationals. Naturally, the deposits of the bank declined during the year. Its performance in other countries like Pakistan, Kenya, Uganda, however, improved considerably.

STATE BANK OF PATIALA

The annual report of State Bank of Patiala reveals an all round progress achieved during the year ended December 31, 1963. Deposits reached a figure of Rs. 17.29 crores as against Rs. 13.41 crores at the end of the previous year. It may be added that a major increase was achieved in fixed deposits. During the same period advances also increased to Rs. 6.50 crores as against Rs. 4.30 crores last year. This was a significant improvement in the performance of the bank in the sense that the ratio of advances to deposits improved to 37.59 per cent as against 32.07 per cent at the end of 1962. The gross earnings for the year were around Rs. 88.08 lakhs as against last year's figure of Rs. 72.42 lakhs. This improvement was reflected in the year's profits. After making necessary provisions, the net profit recorded was nearly Rs. 5.35 lakhs against last year's Rs. 3.12 lakhs. The directors have proposed to transfer a sum of Rs. 1.50 lakhs towards reserve fund, Rs. 1.97 lakhs towards bonus to staff and Rs. 10,000 towards staff welfare fund. The directors have proposed the payment of a dividend at the rate of five per cent per annum which will absorb Rs. 1.75 lakhs. The authorised capital of the bank at Rs. one crore and the issued and paid-up capital at Rs. 35 lakhs remained unchanged. The entire issued capital of the bank comprising 35,000 fully paid-up shares of Rs. 100 each continues to vest in the State Bank of India. With the transfer of Rs. 1.50 lakhs from the profit of the current year, the reserve fund now stands at Rs. 26.70 lakhs and is 76.29 per cent of the paid-up capital.

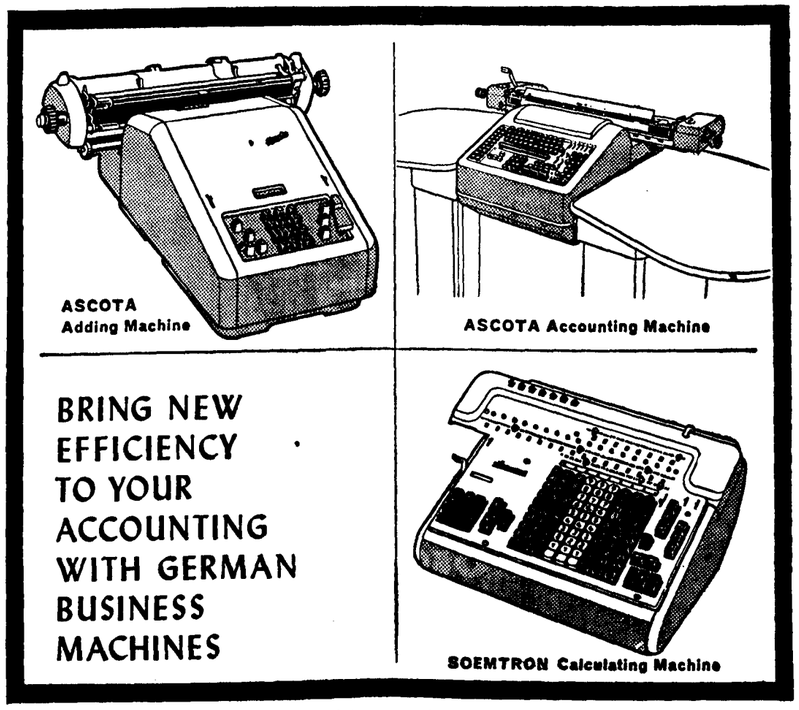
The improvement in the bank's performance was witnessed in terms of its area of operations too as the year was marked by the opening of seven new branches at Goraya, Jhajjar, Kalka, Kharar, Ludhiana (Millerganj), Rajkot and Simla so that by the end of 1963 the bank had as many as 63 offices as against 56 last year. As in the past, the bank continued to extend facilities to small-scale industries and the total credit limits sanctioned during the year rose from Rs. 78.82 lakhs to Rs. 110.04 lakhs and the number of units financed from 89 to 122. It also extended facilities to the co-operative institutions. The total credit limits sanctioned to co-operative institutions increased from Rs. 65.68 lakhs to Rs. 69.05 lakhs during the year under review. The number of units financed doubled to five. Warehouses of the Punjab State Warehousing Corporation and Central Warehousing Corporation within the operational area of the bank were sanctioned credit limits aggregating Rs. 88.50 lakhs to 110 parties at 34 warehousing centres as compared with Rs. 87.77 lakhs to 109 parties at 24 warehousing centres at the end of the previous year.

BAJAJ TEMPO

The directors of Bajaj Tempo Ltd. have reported that their company's issue of Rs. 29 lakhs made up of 290,000 equity shares of Rs. 10 each has been over-subscribed. It entered the market on February 10. The proceeds of this issue are to be utilised for its expansion.

P. S. BALL BEARING

P. S. Ball Bearing Company Limited proposes to enter the capital market shortly to raise Rs. 25 lakhs from the public to finance its Rs. 110-lakh project. It has an authorised capital of Rs. 2 crores—Rs. 150 lakhs in 1,500,000 equity shares of Rs. 10



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each and Rs. 50 lakhs in 5,000 (9.3%) preference shares of Rs. 100 each. The issued capital is Rs. 60 lakhs of which equity shares of Rs. 25 lakhs have been subscribed by directors, their friends and associates and preference shares of Rs. 10 lakhs will be taken up by the Punjab Government. The balance of Rs. 25 lakhs in 250,000 equity shares of Rs. 10 each will be offered for public subscription. It proposes to set up a factory near Ballabhgarh in Punjab to manufacture different types of ball bearings, It has entered into a technical collaboration agreement with Osaka Bearing Manufacturing Company Limited, Japan. The production is expected to commence this year.

INTERNATIONAL INSTRUMENTS

The inauguration of production at the International Instruments Limited was performed by the Governor of Mysore recently. This unit located in Bangalore proposes to manufacture a group of vital ancillary automobile components called dashboard instruments. It comprises speedometer, pressure gauge, vacuum gauge, temperature gauge, ampere meter, etc. Two other important items being manufactured by the company are speedometer cables and tachograph. It may be added that tachograph is a valuable badget for road safety in all heavy vehicles as it records every movement of the vehicle during the 24 hours of the day and, therefore, is a watch-dog against speed and careless rash driving. The unit has been established in technical and financial collaboration of the German firm. Messrs. VDO Tachometer Werke Adolf Schindinv G.m.b.H. These instruments produced by this company are already on the road as original equipment of Mercedes Benz and Leyland vehicles, Hindustan Motors, Bedford trucks, Standard cars, Enfield three-wheelers, etc.

BANK OF INDORE

The deposits of the State Bank of Indore recorded an increase of six per cent. from Rs. 11.99 crores to Rs. 12.70 crores during 1963. The advances during this period rose from Rs. 7.05 crores to Rs. 7.88 crores. Income from interest and discount increased from Rs. 56.34 lakhs to Rs. 63.56 lakhs and that from commission, exchange and brokerage from Rs. 8.18 lakhs to Rs. 10.90 lakhs. The net profit of the bank after making usual provisions amounted to Rs. 5.53 lakhs against Rs. 5.14 lakhs last year. During the year the bank opened three more branches making a total of 34 at the close of 1963.

INDIAN ALUMINIUM

The directors of Indian Aluminium Company Limited have recommended the payment of a final dividend of rupee one on each ordinary share (in respect of which the par or nominal value has been fully paid up) and a dividend of Rs. 6.25 on each preference share, both subject to taxation, for the year 1963. Sales during the year amounted to Rs. 13.89 crores against Rs. 10.50 crores during 1962. Net profit for 1963 was Rs. 1.60 crores after providing for Rs. 1.24 crores in depreciation and depletion, Rs. 7.50 lakhs for Development Rebate Reserve and Rs. 2.15 crores for income-tax and super profits tax compared to Rs. 1.26 crores net profit after providing for Rs. 1.06 crores for depreciation and depletion, Rs. 61.50 lakhs for Development Rebate Reserve and Rs. 52.50 lakhs for income-tax for 1962. The increase in the volume of sales and profit during 1963 was due largely to the extra output obtained from the production facilities commissioned during 1961 and 1962. Currently the Company is engaged in the construction for the expansion of the smelting capacity at Alupuram to 10,850 tonnes of aluminium ingot per annum and the establishment of an aluminium foil rolling mill at Kalwa in Maharashtra with a capacity of 2,500 tonnes per annum. The construction is proceeding according to schedule and the new production facilities are expected to be commissioned by 1965. During 1963 the Company was granted industrial licences for a further expansion of the Alupuram smelter to 15,850 tonnes per annum, and for installing a rod mill for the conversion of this additional smelter output of 5,000 tonnes ingot into electric conductor rods. Initial steps have been taken for the implementation of these plans.

ELGIN MILLS

The annual accounts of the Elgin Mills Company Limited for the year ended September 30, 1963 reveal a profit of Rs. 69.58 lakhs. The directors have proposed to separate a sum of Rs. 14.05 lakhs towards depreciation, Rs. 8.59 lakhs towards development rebate reserve, Rs. 8 lakhs towards provision for previous year's tax and Rs. 23 lakhs towards provision for taxation for the year under review. They have also transferred Rs. 9.50 lakhs towards rehabilitation reserve and Rs. 13.44 lakhs towards dividend reserve. They have recommended dividend on ordinary and vendors shares at the rate of Rs. 1.75 per share of Rs. 10 each, subject to tax. This will absorb Rs. 11.03 lakhs.

Although there was an increase of Rs. 92 lakhs in sales which touched a figure of Rs. 722.55 lakhs, the profit was slightly lower because of a rise in the prices of cotton, increased labour cost and general rise in price of all stores. The directors have pointed out that the prices obtained for finished goods could not be increased due to voluntary price control on cotton textiles. Moreover, substantial orders received from the Government for defence requirements were executed on marginal profits. The company carried out its programme of renovation and modernization. The installation of additional 12,000 spindles is proceeding satisfactorily and these are likely to go into production by the end of September 1964. The company proposes to install a further 6,500 spindles in accordance with the permission granted by the Government to all textile mills to install additional spindles to the extent of 7½% per cent. of their existing capacity.

DALMIA IRON & STEEL

The directors of Dalmia Iron and Steel Limited have announced a profit of Rs. 40.09 lakhs during the year ended September 30, 1963 as against Rs. 33.65 lakhs during the previous year. A sum of Rs. 13.36 lakhs was provided for depreciation and Rs. 8.75 lakhs for taxation. The directors have proposed to transfer Rs. 4.50 lakhs towards development rebate reserve, Rs. 4.50 lakhs towards general reserve and Rs. 10 lakhs towards dividend equalization reserve. They have recommended the payment of dividend at the rate of Rupee one per share, subject to deduction of tax, which is to be paid out of the dividend equalization reserve.

It is reported in the annual review that the three tons arc furnace commissioned in November 1962, is running only at 33 per cent of its rated capacity due to the non-availability of power. After the installation of extra feeder by the Calcutta Electric Supply Corporation Limited, and the revised allocation of power by the Government of West Bengal, power supply did improve after February 1963. The rated capacity of steel casting and grinding media of 3,600 tons and 6,000 tons respectively could not be achieved during the year under report as it could not import the equipment from France under the French credit arrangements. Now it is trying to import the equipment from the USA under the DLF Aid. The production capacity of the spun iron pipe plant has been increased to 45,000 tons per annum but unfortunately the capacity could not be utilized due to acute shortage of pig iron. The Govern-

ment has now given top priority to the pig iron industry and is also envisaging to import pig iron.

PLATT BROS.

Platt (Sales) Ltd. of England, have agreed to supply modern textile machinery worth Rs. 10 crores (£7.5 million) for 17 mills in India. A contract to this effect was signed in New Delhi recently between the representatives of the company and those of the State Trading Corporation of India. The modernisation of the mills is likely to enable the country to increase its exports of yarn and cotton cloth. Platt Bros. will be supplying cardroom spinning and doubling machinery valued at nearly £5 million. This includes Platt's latest high-speed machinery such as high production cards, century combers, globe draw frames and super spinner ring frames, which were presented at the recent Hanover Textile Machinery Exhibition. A new range of blow room machinery will form part of each mill's equipment. Deliveries of the machines will start this year.

TUNGABHADRA INDUSTRIES

It is reported that Tungabhadra Industries Ltd. recorded a profit of Rs. 7.82 lakhs during the year ended September 30, 1963. The directors proposed to separate Rs. 15,000 for development rebate reserve, Rs. 5 lakhs for general reserve and Rs. 3.06 lakhs for dividend reserve. A dividend at the rate of Re. one has been proposed to be paid on ordinary shares of Rs. 10 each. During the year under report, it recorded higher output of vanaspati, refined oil and hard oil at about 19,000 tonnes as against nearly 15,000 tonnes last year. It exported its products valued at nearly Rs. 85 lakhs. It has secured a licence to import mazzoni soap plant having a rated capacity of nearly 10 tonnes a day. The directors have also finalised the plans to put up a glycerine recovery plant at Kurnool.

VICTOR GASKETS

The plant of Victor Gaskets India Ltd. was formally inaugurated recently by Mr. V. P. Naik, Chief Minister of Maharashtra. Mr. O. W. Clifton, the Executive Vice-President of the Victor Manufacturing & Gasket Company of USA, specially flew over to Bombay to be present on the occasion. Victor Gaskets India Ltd., a joint venture of Anand Automobiles and the Victor Manufacturing & Gasket Company Ltd., of Chicago, Illinois, USA was registered in April 1962 and went into production six months later. It has been licensed to manufacture 36,000,000 gaskets per annum. It has recently been granted a separate licence to manufacture oil seals for automobile industry and earth-moving equipments. It has a well-equipped tool room required to manufacture a wide range of gaskets for all applications. Goodyear India Ltd. is distributing Victor gaskets in the Indian market.

CAPITAL ISSUES

Three companies have been authorised to raise fresh capital amounting to Rs. 3.45 crores. Of these, one is a State Government Undertaking issuing equities worth Rs. 2 crores. The other two companies are issuing equities and preference shares. One of them involves foreign collaboration. It will offer such number of shares for public subscription as would enable the company's scrip to be listed on recognised stock exchanges. The consent of the Controller of Capital Issues is valid for 12 months.

Andhra Pradesh Industrial Development Corporation Ltd., State Government Undertaking, is to issue capital of Rs. 2 crores divided into 20,000 equity shares of Rs. 1,000 each to be issued privately for cash at par. The money will be utilised for giving financial assistance to industry in Andhra Pradesh and for the promotion of industrial projects taken up by the Corporation.

Podar Mills Limited, Bombay is to issue Rs. 95 lakhs capital divided into Rs. 55 lakhs equity in shares of Rs. 10 each, and Rs. 40 lakhs preference shares of Rs. 100 each and carrying not exceeding 9.5 per cent rate of interest. All the shares will be issued for cash at par and will be offered to the existing shareholders of the company. The capital will be utilised for installing a new cotton mill of 25000 spindles at Jaipur and for modernisation and rehabilitation of existing subsidiaries at Bombay and Jaipur etc.

Shama Pistons & Rings Ltd., a new company incorporated in the State of Delhi, is to issue capital of Rs. 50 lakhs, divided into 3,50,000 equity shares of Rs. 10 each and 15,000 Preference shares of Rs. 100 each. Out of the issue, shares of a total value of Rs. 2,52,700 will be issued to Karl Schmidt of West Germany and SIM S.A. of Switzerland, at par, partly for cash and partly for consideration other than cash. Out of the remaining shares (to be issued for cash at par) such number of shares, in each class, as would enable the company's scrip to be listed on recognised stock exchanges will be offered for public subscription by a prospectus. The proceeds will be utilised for setting up a new industrial undertaking at Ghaziabad (U.P.) for manufacturing Pistons, Piston Rings, Piston assemblies etc. for internal and heat combustion engines.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951, during the week ending 15th February, 1964. The list contains the names and addresses of the licensees, the items of manufacture and the annual installed capacity.

COAL

National Coal Development Corporation Ltd., "Darbhanga House", Ranchi. (District Surguja, Madhya Pradesh) — Coal 0.60 million tonnes.

CEMENT MACHINERY

MecNally-Bird Engineering Co. Ltd., Chartered Bank Building, Calcutta-1. (Khumardhubi, Distt. Dhanbad, Bihar): Cement Mill Machinery 2 plants per annum (of capacity of 600 tonnes per day each.)

CONVEYING EQUIPMENT

Electric Construction and Equipment Co. Ltd., 9, Kalliprasanna Singhee Rd., Calcutta-2. (Budge Budge, Distt. 24 Parganas, West Bengal): Electric Overhead Travelling Cranes — 96 Nos. (1,440 tonnes) per annum.

COTTON TEXTILES

Shri Kunj Bihari Hada, C/o 42, Garden Reach Rd., Calcutta-24. (Diamond Harbour Area, 24 Parganas, West Bengal): Cotton yarn 12,500 spindles.

LICENCES REVOKED OR SURRENDERED

During the week ending 15th February, 1964
(Information pertains to particular licences only)

M/s. Herman & Mohatta (India) Pvt. Ltd., Bombay: Electric Overhead Travelling Cranes and Gantry Cranes. M/s. Ballabram Badrinarain, Calcutta: 1. Lathes, 2. Shaping Machines, 3. Drilling Machines, 4. Hacksaw Machines, 5. Power Presses, 6. Screw Presses, 7. Shearing Machines, 8. Rivet Making Machines and 9. Wire Nail Making Machines.



BALANCE SHEET OF THE STATE BANK

As at 31st December, 1962			CAPITAL AND LIABILITIES	As at 31st December, 1963	
Rs. nP.	Rs. nP.			Rs. nP.	Rs. nP.
	1,00,00,000 00	1.	**Capital :** Authorised Capital—1,00,000 shares of Rs. 100 each ..	1,00,00,000 00	
			Issued, Subscribed and Paid-up Capital—(pursuant to Section 7(1) of the State Bank of India (Subsidiary Banks) Act, 1959)—35,000 shares of Rs. 100 each		35,00,000 00
35,00,000 00		2.	**Reserve Fund and other Reserves**		26,70,000 00
25,20,000 00		3.	**Deposits and other Accounts :**		
	7,61,98,382 65		Fixed Deposits	10,42,61,831 50	
	3,02,71,501 47		Savings Bank Deposits	3,68,30,013 75	
13,41,15,448 96	2,76,45,564 84		Current Accounts, Contingency Accounts, etc. ..	3,17,64,688 10	17,28,56,533 35
		4.	**Borrowings from other Banking Companies, Agents, etc. :**		
	22,85,929 49		(i) In India	71,66,130 02	
22,85,929 49	..		(ii) Outside India	..	71,66,130 02
			Particulars :		
	22,11,965 53		(i) Secured by pledge of Government Securities of the face value of Rs. 7,60,62,400.00	71,66,130 02	
	73,963 96		(ii) Unsecured	..	
	22,85,929 49			71,66,130 02	
8,03,354 10		5.	**Bills Payable**		10,74,103 48
		6.	**Bills for collection being Bills Receivable as per contra :**		
	33,64,370 56		(i) Payable in India	46,59,481 72	
33,64,370 56	..		(ii) Payable outside India	..	46,59,481 72
	..	7.	**Other Liabilities :**		
	14,43,333 66		Dividend for the year	1,75,000 00	
49,21,792 81	34,78,459 15		Branch Adjustments	..	
			Other Liabilities	39,63,114 26	41,38,114 26
37,36,115 00		8.	**Acceptances, Endorsements and other Obligations as per contra**		92,55,844 28
		9.	**Profit and Loss :**		
	57,785 28		Balance brought forward from last year	49,312 92	
	3,11,527 64		Profit for the year	5,34,984 64	
	3,69,312 92			5,84,297 56	
			Less Appropriations		
	1,50,000 00		Amount transferred to Reserve Fund	1,50,000 00	
	1,70,000 00		Bonus to Staff	1,97,000 00	
	..		Amount transferred to Staff Welfare Fund	10,000 00	
49,312 92	..		Amount set aside for payment of dividend	1,75,000 00	52,297 56
		10.	**Contingent Liabilities :**		
	96,684 58		Claims against the Bank not acknowledged as debts	1,57,671 83	
	6,04,032 00		Guarantees given on behalf of customers	9,26,289 98	
	5,00,000 00		On partly paid-up debentures	..	
15,52,96,323 84			TOTAL		20,53,72,504 67

OF PATIALA AS AT 31st DECEMBER, 1963

As at 31st December, 1962			PROPERTY AND ASSETS		As at 31st December, 1963	
Rs. nP.	Rs. nP.				Rs. nP.	Rs. nP.
77,99,584 53		1.	**Cash :** In hand and with Reserve Bank and State Bank of India (including foreign currency notes)			1,28,05,193 47
		2.	**Balances with other Banks :**			
	41,79,139 91			On Current Account / On Deposits		
41,79,139 91	..		(i) In India	4,42,088.20 / 2,25,00,000.00	2,29,42,088 20	
..			(ii) Outside India		..	2,29,42,088 20
		3.	**Money at Call and Short Notice**			..
		4.	**Investments (at or below Market Value) :**			
	8,77,61,199 72		(i) Securities of Central and State Governments and other Trustee Securities		8,33,47,116 25	
			(ii) Shares			
	8,601 00		(a) Fully Paid Preference	9,076.00		
	3,583 70		(b) Fully Paid Ordinary	3,054.50	12,130 50	
	4,85,000 00		(iii) Debentures or Bonds		9,80,000 00	
	..		(iv) Other Investments		..	
8,82,58,384 42	..		(v) Gold		..	8,43,39,246 75
		5.	**Advances :** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)			
			(i) Loans, Cash Credits and Overdrafts, etc.			
	3,65,65,386 94		(a) In India		5,43,67,082 52	
	..		(b) Outside India		..	
			(ii) Bill discounted and purchased			
	64,58,865 14		(a) Payable in India		1,06,01,194 92	
4,30,24,252 08	..		(b) Payable outside India		..	6,49,68,277 44
			(Particulars of Advances : See separate statement appended)			
		6.	**Bills Receivable being Bills for Collection as per contra :**			
	33,64,370 56		(i) Payable in India		46,59,481 72	
53,64,370 56	..		(ii) Payable outside India		..	46,59,481 72
37,36,115 00		7.	**Constituents' Liabilities for Acceptances, Endorsements and other Obligations as per contra**			92,55,844 28
		8.	**Premises less Depreciation :**			
	6,33,590 52		Total Cost up to the 31st December, 1962		6,33,590 52	
	..		Additions		6,000 00	
	6,33,590 52				6,39,590 52	
5,84,766 68	48,823 84		**Less** Depreciation		65,171 66	5,74,418 86
		9.	**Furniture and Fixtures less Depreciation :**			
	4,12,493 95		Total cost up to the 31st December, 1962		5,59,965 07	
	1,50,159 18		Additions		2,09,385 52	
	5,62,653 13				7,69,350 59	
	2,688 06		**Less** Deductions		3,217 80	
	5,59,965 07				7,66,132 79	
4,38,175 28	1,21,789 79		**Less** Depreciation		1,94,790 26	5,71,342 53
		10	**Other Assets :**			
	32,54,516 56		Adjusting Account of Interest, Commission, etc. ..		43,05,750 53	
	1,12,708 80		Stationery and Stamps		1,56,450 99	
	2,086 00		Security Deposits		2,207 00	
	1,688 97		Balance with treasuries		1,688 97	
	2,23,581 46		Suspense Account		2,79,578 42	
	..		Branch Adjustments		2,50,339 76	
			Motor Car and Van :			
		63,285.09	Cost as at 31st December, 1962	63,285.09		
		..	Additions	..		
		63,285.09		63,285.09		
	22,143 06	41,142.03	**Less** Depreciation	56,963.31	6,321 78	
	92 34		Press Machinery		..	
			Property not used as Bank		..	
	41,792 19		Premises less Depreciation		1,347 97	
			Shares of joint stock companies in liquidation (at			
36,61,535 38	2,926 00		estimated market value)		2,926 00	50,06,611 42
2,50,000 00		11.	**Non-Banking Assets Acquired in satisfaction of Claims (at estimated market value)**			2,50,000 00
..		12.	**Profit and Loss**			..
15,52,96,323 84			.. TOTAL	TOTAL ..		20,53,72,504 67

THE STATE BANK OF PATIALA

PARTICULARS OF ADVANCES

As at 31st Dec. 1962 Rs.	nP.		As at 31st Dec. 1963 Rs.	nP.
3,94,56,132	79	(i) Debts considered good in respect of which the Bank is fully secured	5,94,18,708	11
23,53,454	01	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	37,15,213	16
12,14,665	28	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	18,34,356	17
..		(iv) Debts considered doubtful or bad, not provided for	..	
4,30,24,252	08		6,49,68,277	44
81,094	49	(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	1,39,726	08
..		(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	..	
96,306	90	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors, or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	1,51,361	71
..		(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	..	
..		(ix) Due from banking companies	34,081	33

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1963

Year ended 31-12-62 Rs.	nP.	EXPENDITURE	Year ended 31-12-63 Rs.	nP.
41,71,852	91	1. Interest paid on Deposits, Borrowings, etc.	46,73,201	21
22,84,789	74	2. Salaries and Allowances and Provident Fund	27,57,312	92
2,550	00	3. Directors and Local Committee Members Fee and Allowances	2,620	00
1,51,198	85	4. Rent, Taxes, Insurance and Lighting etc.	1,92,209	90
23,145	61	5. Law Charge	13,668	05
1,27,199	98	6. Postage, Telegrams, and Stamps	1,50,371	25
5,000	00	7. Auditors' Fees	5,000	00
1,07,806	87	8. Depreciation on and Repairs to the Bank's Property	1,33,266	91
99,701	59	9. Stationery, Printing, Advertisement etc.	1,22,478	17
..		10. Loss from Sale of, or Dealing with Non-banking Assets	..	
1,57,250	02	11. Other Expenditure	2,22,891	25
3,11,527	64	12. Balance of Profit	5,34,984	64
74,42,023	21	TOTAL	88,08,004	30

Year ended 21-12-1962 Rs.	nP.	INCOME (Less provision made during the year for bad doubtful debts and other usual or necessary provisions)	Year ended 21-12-1963 Rs.	nP.
62,39,740	04	1. Interest and Discount	72,03,555	07
10,84,465	61	2. Commission, Exchange and Brokerage	13,76,123	91
7,653	00	3. Rents	6,607	35
..		4. Net profit on Sale of Investments, Gold and other Assets (not credited to Reserves or any particular Fund or Account)	..	
..		5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	..	
17,553	84	6. Income from Non-banking Assets and Profit from Sale or Dealing with such assets	12,378	28
92,610	72	7. Other Receipts (Including subsidy from the State Bank of India in terms of Section 48 of the State Bank of India (Subsidiary Banks) Act, 1959, Rs. 1,39,884.00)	2,09,339	69
74,42,023	21	TOTAL	88,08,004	30

STATE BANK OF PATIALA

REPORT OF THE AUDITORS

TO THE STATE BANK OF INDIA,

We, the undersigned Auditors of the State Bank of Patiala appointed under sub-section (1) of Section 41 of the State Bank of India (Subsidiary Banks) Act, 1959, do hereby report upon the Balance Sheet and Accounts of the Bank as at 31st December, 1963.

We have audited the foregoing Balance Sheet and the Profit and Loss Account and the accounts relating thereto of the Head Office and the returns submitted and certified by the Branch Managers, which returns have been incorporated in the above Balance Sheet and accounts and report —

(i) that, in our opinion, the Balance Sheet is a full and fair one, containing all the necessary particulars and is properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by books of the Bank;

(ii) that where we have called for any explanation or information, such explanation and information have been given to us and have been satisfactory;

(iii) that the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(iv) that the returns received from the branches of the Bank have been found adequate for the purpose of our audit:

(v) that the Profit and Loss Account shows a true balance of Profit for the period covered by such account;

(vi) that, in our opinion, the Balance Sheet and the Profit and Loss Account are drawn up in conformity with the law; and

(vii) that, in our opinion, books of account have been kept by the Bank as required by law.

Delhi,
Dated : 6th February, 1964.

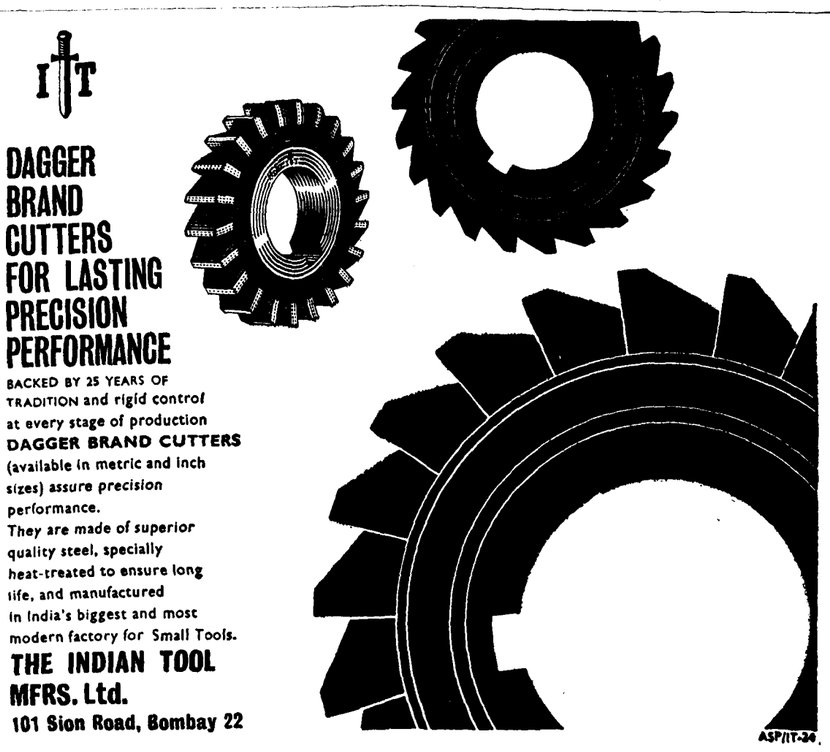
Ray & Ray
Auditors

Jagjit Singh Malhotra
Chief Accountant

A. B. Majumdar
General Manager

B. Venkatappiah
Chairman

Sita Ram)
Kushalpal Singh)
Ram Narain)
M. M. Mehra) Directors
A. H. Elias)
R. P. Goyal)
B. Mukerji)
K. S. Malhotra)



COMPANY MEETING

NATIONAL AND GRINDLAYS BANK

Expansion in Centenary Year

The Annual General Meeting of National and Grindlays Bank Limited will be held on April 2, in London.

The following are extracts from the statement of the Chairman The Right Hon. Lord Aldington, P.C., K.C.M.G. C.B.E., D.S.O. circulated with the report and accounts for the year 1963.

It is my privilege to report to you upon the Bank's Centenary Year. I want to place on record the thanks of your Directors to Mr. J. K. Michie, for the purposeful leadership with which he guided the Bank's affairs so successfully as Chairman for close on 18 years, until he retired from the chair on 31st December, 1963.

Some idea of the size of the task that this Bank accomplished under his leadership — and some indication of his wide understanding, foresight and courage — can be gained from these few figures. In 1946 when he became Chairman our deposits were £62 million, they are now £283 million; our advances were £13 million; they are now £160 million; we had 29 branches in 1946, we now have 163. And during these 18 years most of the territories in which we operate have experienced a rate of political, social and economic development that would have surprised our founders. We cannot expect that the challenge to us in these important overseas countries will grow less formidable in the future, and the Bank will always be grateful to Mr. J. K. Michie for the example he has set.

I am greatly strengthened in seeking to maintain the high standard of my predecessor by having as my Deputy, Mr. Ronald Mann, and we are both fortunate indeed in our colleagues who form the Board — and happy that Mr. Michie has agreed to remain one of them.

THE ACCOUNTS

The consolidated balance sheet continues to show a general expansion in our business. Total assets at 31st December last were £356,915,796. It will be noted that we have changed our practice this year to accord with that of leading banks in the world and have included for the first time an amount of £59,874,545 for confirmed Credits, Guarantees and Endorsements. Without that figure our assets are about £20,000,000 higher than they were in December 1962.

Profits at £679,318 are not as high as in 1962, but the increase that year, as my predecessor stated, did not arise from our overseas operations. I am glad to be able to report that our profits from our widely spread banking overseas were higher this year than last.

Out of the year's profits the sum of £150,000 has been placed to Reserve Fund, which, when taken with the consolidated carry forward, is now a little more than our issued capital.

The half-yearly dividend proposed is unchanged at 7 per cent, making 14 per cent for the year.

NATIONAL AND GRINDLAYS FINANCE AND DEVELOPMENT CORPORATION LIMITED

As last year the profit £29,301 has been retained in the subsidiary company and is included in the Consolidated Profit and Loss Account.

During the year the Finance and Development Corporation's capital was increased by the issue of 500,000 new shares of £1 each fully paid. In addition the Finance and Development Corporation's resources were increased by borrowing outside the Bank. The fixed term loans granted in these last fifteen years have been of benefit to our overseas customers in the public and private sectors and we believe also a lasting advantage to the economies of their countries.

EXPORTERS' REFINANCE CORPORATION LIMITED

In its second year the Exporters' Refinance Corporation made a small profit. Its turnover is increasing at a healthy rate as new exporting customers make use of its services and new facilities are developed to help export.

INDIA

The action by the Government and the country to marshal the resources necessary to meet the challenge from China included an unprecedented budget and strict control over credit. The rate of growth in the economy has been slower in the past two years than in the years of the first two Plans. But there were clear signs in the latter half of 1963 of more expansionist policies.

Money conditions have varied more than normally. In the first quarter of 1963 money was exceedingly short and the inter-bank calls rate reached 6½ per cent. By the middle of the year that rate had fallen to under 1 per cent for a short period and it remained at a fairly easy level until December when taxation payments pushed it up to about 5 per cent.

It is not my intention to try to analyse India's economic problems or her progress in solving them. But it would be a mistake to let the period of slower growth, perhaps better called a period of consolidation, blind us to encouraging factors of great importance not least the steady rise in export earnings which will be one of the principal keys to India's prosperity.

This Bank will always wish to play its part in financing India's exports new and old as we have in financing the export of her main crops for these last hundred years. We welcome the creation by the Government of India of the new Export Credit and Guarantee Corporation Limited.

A high level of industrial investment although financed partly by foreign loans inevitably puts a further strain on the banks when money conditions are tight. The Industrial Development Bank which is to be created shortly following legislations will greatly help in this respect.

In 1963 if we had not been able to increase our deposits through the new branches and by our drive for an increase in savings accounts, we should not have been able to go so far to meet the demands made upon us for industrial development. Under the new banking legislation, we have to increase our holding of Government securities in India quite substantially before 16th September, 1964. This is bound to affect our ability to lend, and our earning power, unless we gain our share of increased deposits.

I have full confidence in the Bank's ability to help in India's future development, and in the wish of our friends in India that we should do so.

PAKISTAN

I have these same feelings about our ability to help in Pakistan's future and about our position there. The rate of industrial expansion and the volume of exports generally are important factors for us to watch. Both were satisfactory in 1963. And it is encouraging to know of the increase in last year's wheat and sugar crops and of the expected increase in the 1963-64 rice crop. The finance of cotton and jute exports, and their manufactures, remains of particular importance to us. Cotton exports in 1962-63 were almost double the year before. Raw jute exports at the end of 1963 seem to be just below the level of a year earlier, but exports of jute manufactured goods were 12 per cent higher.

Foreign private investment will continue to be welcomed in industries where large capital and high technical skill is involved.

The policy of directing a large proportion of available investment resources to East Pakistan was continued and the results of this policy are becoming apparent. Examples of this are: the construction of an oil refinery and a steel works near Chittagong and a number of projects for flood control and irrigation. These should lead to a needed increase in agricultural production. The development of East Pakistan has always been handicapped by poor communications, inevitable in a land of so many rivers, and determined steps are being taken to improve them. The big hydro-electric project on the Kornufuli River at Kapti east of Chittagong had become operative, and electric power from it is now available in Dacca and Narayanganj. This new supply of electric power will greatly facilitate the completion of Government's plans for a further substantial expansion of the jute manufacturing industry and encourage the establishment of other industrial projects.

CEYLON

We and the other British banks play an important part in financing both Ceylon's overseas trade and her industrial development as well as her tea, rubber and coconuts. We were able during the year to correct misleading reports that we confined our facilities to British owned firms. In fact a large part of our loans and overdrafts have been to Ceylon nationals or firms they control. In 1963 we offered a sum to help small-scale industrial enterprises approved by the Government, and we could do more in this and other ways to strengthen Ceylon's economy, if we were not hampered by restrictions placed on the opening of new accounts with us by Ceylonese nationals. As a result of these our deposits have declined in the past year.

BURMA

Nationalisation took from us our business in Burma on 23rd February, 1963. As reported to you last year, it was expected that a settlement on compensation would be made within three months. We have received K. 5 lakhs which represented a loan granted by the Bank to its Rangoon Branch but there is still no settlement of our main claim for compensation.

The profit earned up to 23rd February, 1963 has not been remitted and has therefore not been included in our profit figures for this year.

EAST AFRICA

The independence of Kenya was achieved on 12th December, 1963 in circumstances far more promising than most prophets could have predicted. That this was so is due in the main to the political leadership of Kenya and to Mr. Malcolm Macdonald.

The future of the East African Common Services Organisation now rightly falls to be decided by fully independent governments but we should not be impatient if they take a little time before deciding about this and about Federation. Anyone responsible for banking in East Africa can have little doubt about the economic advantages to the territories of full and free co-operation between them, but other factors have rightly to be taken into consideration before final decisions can be taken. A separate but related question concerns the formation of a Central Bank. In solving this too regard has to be had to the different economic, political and social conditions in the territories.

The serious events of mid-January and the decisive action initiated by all concerned show how closely Kenya, Uganda and Tanganyika are linked in sentiment and in security. That the wounds to cofidence generally should be able to be healed so quickly is a credit to all the governments concerned and a sign of the potential strength of East Africa. It is wrong to lay too much stress on inevitable feelings of uncertainty about the future. Economic progress has not been unsatisfactory in recent years, and there is no reason why it should not be maintained given stability.

GENERAL

After dealing with the bank's activities in African countries, the Chairman's statement continues:

After a year when Britain's visible trade exports have reached new records it is perhaps right to emphasize the value to that trade of the British overseas banks and the importance of the so-called invisible exports which accrue from them. The growing interest in our aims and problems taken by U.K. High Commissioners and their staffs, and by the Government in London, is both welcome and encouraging. If, as I hope, this country is further to expand its investment in Commonwealth and other developing countries — and to request others to do the same — it is also right that Britain's policies and actions should foster its existing investment in those territories.

Overseas, each year adds to the importance of the help we can give to the development of industry, new and old, in each territory. This often requires longer-term finance than that to which bankers were accustomed earlier in the century.

We can only guide our varied business successfully and ensure the right lines for its future development, if the General Management and Directors have themselves a close and constantly refreshed knowledge of conditions in each territory. Our branch managers, chief managers and the superintendent in East Africa keep us fully informed but I am sure we shall be right to maintain the practice of encouraging visits from London. In 1963 Mr. Gillespie, Mr. Mann and I visited between us many of the branches in India, Pakistan and Ceylon and participated in the Centenary celebrations there. It was enormously valuable to us to meet so many of those who bank with us.

The note on which I wish to end my first statement is that of efficiency and modernisation of our methods. I have seen many improvements at home and overseas in recent years. Good evidence of this at home is the computer which Mr. Michie opened on 30th December last. In India and our other territories there are varying degrees of mechanisation in different branches. What is right in one place may not be right elsewhere. And our staff must be carried along with our plans. But in the long run the test whether the service we provide will be preferred to the service of others is the test of efficiency, coupled of course with the human understanding of our customers' needs of which the three forbears of this Bank have always been proud. We intend to see that with the co-operation of our staff we use the best machinery and methods that are appropriate to each of our branches. The quality of service we offer shall be second to none.

RECORDS AND STATISTICS

Economic Survey: 1963-64

THE OFFICIAL survey of the Indian economy, which was distributed along with the budget papers in the past, was released during the current week. It is divided into two parts; the first part deals with a general review of the economy with emphasis on the future outlook and the tasks ahead, while the second part provides an analysis of agriculture, industrial production, coal and power, railways, budgetary transactions, monetary trends, capital market trends, prices, balance of payments and external assistance. We reproduce below both the parts:

In agriculture there was a decline in 1962-63 compared with the high-level attained in 1961-62, resulting in reduced availability of some essential articles of consumption, industrial production continued its upward trend. The overall rate of growth was not, however, commensurate with earlier expectations, and attention was sharply focussed on this in the review that was made in the middle of the year of the progress of the Plan as a whole. Considerable thought was, therefore, given to the problem of accelerating the rate of economic growth. It was recognised that improvements had to be effected in the implementation of the agricultural programme and in the execution and working of many public sector undertakings. The fiscal and monetary situation was also reviewed and a number of measures were taken in the latter part of the year to revive the capital market, to stimulate investment and output, to extend social security and to provide such relief to the consumer as was consistent with the claims of defence and development.

The Budget for 1963-64

Defence expenditure in 1962-63 was Rs. 505 crores according to Revised Estimates, representing an increase of Rs. 192 crores above the level in 1961-62. The Budget for 1963-64 made a provision for a further and substantial increase to a total of Rs. 867 crores. In accordance with the decision of the National Development Council, the development programme was strengthened alongside the increase in defence expeditures and the Budget made a provision for increasing the outlay on the Plan from Rs. 1,414 crores to Rs. 1,654 crores. A very considerable tax effort was needed to provide for the increased outlays and the Central and State Budgets sought to raise Rs. 334 crores through additional taxation and increases in railway fares and freights and postal charges. The Budget envisaged that the increase in Government expenditure would be financed primarily by additional tax revenues and efforts to mobilise private savings through market borrowings, small savings collections, etc. Nevertheless, the budgetary deficit was estimated to be Rs. 181 crores at the Centre, though every effort was to be made to reduce this.

The substantial rise in taxation was designed not only to raise revenue but to discourage in particular the consumption of items which had to be imported or for which an increase in demand was expected in the wake of the defence effort. It is noteworthy that as a result of the increase in taxes on kerosene, for instance, the rising trend in cosumption which had to be met by imports was checked, giving relief to the balance of payments.

In some respects, the budgetary provision for expenditure at the Centre had to be increased in the course of the year. The provision for Central assistance to the States for their plans, for example, was raised from Rs. 450 crores to Rs. 500 crores in October, 1963 and a further increase of Rs. 15 crores had to be sanctioned subsequently. On the side of receipts, while tax collections have been higher than expected, market borrowings were somewhat lower than envisaged in the Budget Estimates. The increase in the rates of return and the liberalisation of the limits of individual subscriptions stimulated small savings, net collections of which amounted to Rs. 71 crores in the first nine months of 1963-64 as against Rs. 30 crores in the corresponding period of 1962-63. Altogether, when the fiscal situation was reviewed towards the end of 1963, it was reckoned that, allowing for likely shortfalls in expenditure, the budgetary deficit of the Centre would be lower than the Budget estimate of Rs. 181 crores.

Production Trends

Agricultural production as a whole declined by 3.3 per cent in the 1962-63 crop season. The output of rice fell by 2.8 million tonnes or 8 per cent, and of sugarcane and wheat by about 7.5 per cent each. The state of agricultural production in 1962-63 was relevant for the supplies, in the earlier part of the year, of consumer articles as also of raw materials for several important industries. The cotton crop had recovered from the low level of the previous year and had reached 5.3 million bales in 1962-63; and the total production of cloth during the first half of 1963-64 was 3,468 million metres as against 3,339 million metres in the second half of the previous year. Although jute and mesta production declined, the production of jute manufactures increased since adequate stocks of jute were available and foreign demand was satisfactory. The decline in sugarcane production and the diversion of cane to the manufacture of gur and khandsari led to a sharp fall in the output of crystal sugar.

The availabilities of power and transport and of basic materials such as coal increased and shortages were relieved. Electricity generated was higher by 16 per cent in the first half of 1963-64 as compared with the corresponding period of 1962-63. The goods traffic carried by the railways went up by 10 per cent. The production of steel reached full capacity level towards the end of 1962-63 and aluminium output rose as a result of substantial additional capacity coming into production. The marked increases in the production of coal and cement achieved in the second half of 1962-63 were on the whole maintained, though demand for the latter continued to be in excess of supply. Machine tools, electrical machinery, transport equipment such as railway wagons and trucks and other items of capital equipment were produced in larger quantities. In engineering industries, increases in output were facilitated by increased indigenous content of production. Altogether, industrial output in the first half of the year under review showed an increase of 8.5 per cent over April-September 1962. These trends are expected to continue in the second half of the year also, and industrial production during 1963-64 as a whole should show an increase comparable to that in the previous year.

Prices & Short-term Measures

The decline in agricultural production and the consequent scarcity of supplies of consumables had begun to exert a pressure on prices during the early months of 1963. Accordingly, apart from limiting the scale of deficit financing, the Budget for 1963-64 had avoided large increases in indirect taxation on items of mass consumption which were produced domestically. Even so, there has been a steady upward pressure on prices in general over most of the year. Sugar prices had started rising from January 1963 and rice prices which had declined between October 1962 and March 1963 by 3 per cent went up between April and October 1963 by as much as 17½ per cent. The rise in rice prices was particularly sharp in West Bengal and Madhya Pradesh where the production of rice had shown a large decline. There was also a marked

increase in rice prices in Orissa and Maharashtra and, later in the year, in Andhra Pradesh, Madras and Kerala.

The situation was sought to be met by larger releases of rice and wheat from Central stocks to the States affected by the scarcity and by an increase in the number of fair price shops and consumer co-operatives. Larger imports of rice were also arranged. In the case of sugar, price and distribution controls were re-imposed in April 1963.

The normal seasonal tendency for wholesale prices in general to decline over the second half of the fiscal year has not been in evidence during the current year. The wholesale price index (1952-53 = 100) which had reached 136 at the end of October 1963 declined to 134 by the end of November, but it rose again in December and on January 25, it was 137. Rice prices have indeed declined since October—on an average by 8.5 per cent, the decline being marked in particular States where a sharp increase had occurred earlier. Even so, by the end of January 1964 they were 10 per cent higher than a year ago. Edible oil prices have fallen and gur prices have also shown a sharp decline since October. It is disturbing, however, that there has been a marked increase in prices of wheat, inferior cereals like jowar and of cotton in recent months.

The rise in the price level has been a matter of major concern throughout the year. To give relief to the lower income groups, the Compulsory Deposit Scheme was withdrawn in September 1963 so far as non-income tax-payers were concerned. There was an increase in pensions and a liberalisation of the terms of the Family Pension Scheme for Government employees in addition to compensation for the rise in cost of living. A number of steps are also being taken to reverse the rising trend in prices. In view of the expected larger crop of rice, Government have decided to step up the procurement programme with the object of building up a substantial stock. State Governments have been advised to stipulate margins to be maintained by traders and also to regulate trading practices through more effective supervision and inspecttion of trade transactions. Restrictions have been imposed on the movement of cotton in some areas and imports are being arranged. While these remedial measures are being taken, it is becoming increasingly clear that the primary approach to price stability has to be in terms of stimulating production and productivity.

Measures to Stimulate Production

The assurance of a fair minimum return has in recent years been recognised as being necessary to secure higher levels of agricultural production. The price support and buffer stock schemes for raw jute had resulted in increased output in 1961-62 and comfortable stock position since then. During the year under review, minimum prices of wheat and procurement prices of rice were raised. Minimum prices of jowar were also fixed for the first time, thus extending the coverage of the price support schemes to major food and commercial crops. In order to encourage the cultivation of sugarcane and improve the yield and quality, the minimum prices of sugarcane were increased. Fiscal incentives were also given to factories to stimulate larger production of sugar during the 1963-64 season.

Considerable attention has been given to the intensification of agricultural programmes since the Emergency. The "package" approach was extended to the production of important commercial crops in view of the increasing requirements of industry and exports. In July 1963 an Agricultural Refinance Corporation was set up to facilitate medium and long-term credit for the development of agriculture and allied activities.

Reappraisal by the National Development Council of the third five-year Plan in November 1963 indicated that a concerted drive was necessary to achieve the 5 per cent annual rate growth visualised at the beginning of the Plan and that improved organisation was required particularly in the field of agriculture. Following this reappraisal, an Agricultural Production Board, with the Central Ministers and a Member of the Planning Commission as members, was set up to ensure an integrated approach in matters of agricultural policy.

Both fiscal and price policies were employed to stimulate production in priority industries. An increase in price for additional production was allowed in 1962-63 to the cement industry as a result of which it was able to maintain high levels of production during the current year. The development rebate for the coal industry was increased from 20 per cent to 35 per cent with a view to encouraging investment and output. While the basic import duties on machinery were raised, concession was given for coal mining machinery and fertiliser manufacturing equipment.

Equitable Returns

There has been increasing recognition of the fact that while a measure of control over basic items in short supply is necessary in a planned economy, it is equally important to ensure that basic industries secure returns adequate to finance expansion and to attract capital which would otherwise go into non-priority industries. Apart from this, controls in actual operation over a long period do not always serve the purposes for which they were set up so that a continuing examination of the operation of controls is an important task of policy. In keeping with these considerations, price and distribution controls on 16 commodities including rayon yarn, staple fibre, various chemicals, soap and natural rubber were removed during the year. The problems of steel, coal and electricity have naturally called for more detailed examination. A committee of economists has reviewed the operation of the distribution and price controls on steel. The question of adjusting electricity tariffs in order to secure an adequate return on power generation and the need for revision of coal prices have been examined by inter-departmental committees. The recommendations of these committees are under consideration.

A number of steps to improve industrial efficiency and speed up the process of development were taken. In the public sector, measures were adopted to strengthen management and expedite decision making. The procedures with regard to the control of expansion of industrial capacity in the private sector were simplified. Arrangements were made to take prompt decisions on proposals submitted by potential foreign investors. The exemption limit for licensing under the Industries (Development and Regulation) Act was raised to Rs. 25 lakhs of fixed assets and capital issues below this amount were also freed from control. A committee of non-officials and officials recommended a revised procedure for considering applications for establishing capacity in certain key industries, and its proposals were accepted by Government. At the same time, the laws relating to banking and company operations were amended to provide safeguards against the concentration of economic power and against malpractices in business administration.

There had been a slackening in the raising of fresh capital and in the starting of new projects by private industry after the Emergency. While the foreign exchange required for import of equipment, components. etc. remained scarce, in the case of projects for which foreign exchange had been arranged, difficulties of rupee finance needed to be removed. Steps were therefore taken towards the end of the year to stimulate the flow of savings into industries of high priority. In order to enable priority projects to move forward, additional financial resources were made available by Government to the IFC and the ICICI, and as a measure of immediate relief it was announced that no premia for Emergency Risk Insurance would be collected during January-March 1964.

As longer-term measures, a Unit Trust was set up to channel small savings into industrial investment and Government announced that a Development Bank would be established

to finance private industrial expansion. The Bank will co-ordinate the activities of existing financial institutions and give assistance for the promotion of key industries as also industries requiring special assistance.

In the slack season of 1963 there was an unusually large contraction of bank credit to the private sector. Government borrowings from the banking system were significantly larger than in the previous year and money supply with the public increased substantially. The deposit resources of the banking system expanded; but time deposits increased less than demand deposits, partly as a result of the offer by non-financial institutions of high rates of return on funds deposited with them. After a review of monetary trends, a modification was made in the Reserve Bank's policy in regard to accommodation to the scheduled banks to enable them to meet the genuine credit needs during the busy season.

The expansion of bank credit to the private sector during the first two and a half months of the current busy season (November to mid-January) was substantially larger than in the corresponding period of the previous year whereas Government borrowings from the banking system have been significantly smaller. In part, the larger credit creation for the private sector reflected the expected increase in agricultural production and the replenishment of stocks which, in all probability, were run down during the previous year. It will, nevertheless, be necessary to keep a careful watch on credit trends with a view to ensuring that credit expansion does not lead to speculative hoarding of commodities. The accent of monetary policy will also necessarily have to be on realistic interest rates which reflect adequately the real cost of capital to the economy.

Balance of Payments

A major task of policy in recent years has been to conserve scarce foreign exchange resources and to secure progressive increases in export earnings. The budget for 1963-64 had, as noted earlier, increased import and excise duties with a view to curtail the consumption of commodities which were chiefly imported. The increase in direct taxation was accompanied by concessions in respect of exports. The gold policy of Government has also been directed towards conservation of foreign exchange which financed the smuggling of gold and while some features of the Gold Control were eased to meet the transitional problem arising from the unemployment of goldsmiths, there can be no slackening of the effort to discourage the use of gold in the country.

These and other measures have resulted in a degree of improvement in the balance of payments position during 1963-64. The level of sterling balances at the beginning of 1963-64 was about the same as at the beginning of 1962-63 and it is expected that the position at the end of 1963-64 would be no worse. There is, however, one major improvement in 1963-64 as compared with 1962-63. In 1963-64, India will have repaid a part of its drawals from the International Monetary Fund, while in 1962-63, it had actually borrowed from the International Monetary Fund.

The increase in export earnings over the previous year has been a major factor contributing towards this improvement. During April-November 1963, export earnings were Rs. 512 crores, i.e. Rs. 56 crores higher than in the corresponding period of the previous year and the rising trend in exports continues. On the import side, a higher proportion has been financed out of the external assistance which India receives from friendly countries. The improved utilisation is, in part, attributable to the delivery of plant and machinery ordered against earlier credits and in part due to a larger proportion of external aid being available in non-project form. It is important for the economy to speed up the utilisation of external assistance and a high-level committee was appointed to examine the problem. Its report is awaited.

Valuable as external assistance has been in promoting economic development and in achieving stability in the external balance, the growth in the external debt falling due for repayment over the next few years has become a matter of concern. The growing debt repayment burden underlines the paramount importance of strengthening the balance of payments as well as the need for avoiding arrangements for financing imports which result in short and medium-term payment liabilities and entail high interest charges.

Outlook & Tasks Ahead

In the ultimate analysis, a lasting solution to India's major economic problems can be sought only within the framework of a rapidly expanding economy. The need for accelerating the pace of growth has become all the greater in the context of substantially larger defence requirements. At the same time, the acceleration of economic growth must be achieved in an environment of reasonable stability of prices if the levels of living at the most vulnerable points in the society are to be protected and raised and if the economy as a whole is to be freed progresively from dependence on external assistance.

There are indications that the rise in national income in real terms will be higher in 1963-64 than in the first two years of the current Plan. The potential for a rapid rate of development has been built up as a result of the investment and effort already made in the past. Advance action is also being taken in relation to some of the schemes to be executed during the fourth Plan period. The favourable situation in regard to transport, power, and the like which exists now will have to be made full use of so as to push production and incomes to still higher levels during the remaining years of the current Plan. The paragraphs below indicate in brief the progress in basic sectors which is likely to occur as a result of present efforts and to suggest areas where further efforts will be necessary.

Agricultural output has been rising at an average annual rate of 3.5 per cent over the last 12 years. It would appear that significant returns are being secured from the investments in the agricultural sector. The increase in the utilisation rate of irrigation potential from 50 per cent in 1955-56 to 71 per cent at the end of the second Plan and around 80 per cent in the current year, indicates that the capital investment is being more productively employed.

The gross irrigation potential of major and medium schemes is expected to rise by 6.8 million acres during the last two years of the third Plan, as compared to an increase of 3.5 million acres during 1962-63 and 1963-64 and utilisation is expected to improve further. In 1964-65 an additional area of 3.2 million acres is expected to be brought under minor irrigation and soil conservation programmes should cover an additional area of 2.8 million acres. The substantial increase in supplies of fertilisers should also have an impact on agricultural output. The consumption of nitrogenous fertilisers (in terms of nitrogen) rose from 193,000 tonnes in 1960-61 to around 450,000 tonnes in 1963-64, and is expected to rise further to 570,000 tonnes in 1964-65 and 750,000 tonnes in 1965-66. The availability in adequate quantities of improved seeds has been important in raising output; and an additional area of 21 million acres is proposed to be brought under improved seeds in 1964-65. Similarly, supplies of pesticides, of bulk storage facilities and of credit for productive purposes will be substantially larger. Altogether, the flow of productive inputs to agriculture will be considerably higher, and the dependence on weather conditions should be further reduced.

That an expanding agricultural economy is essential to progress in other spheres is generally recognised. Without agriculture making its proper contribution, it would be difficult to secure the desired increase in national income, in savings or in exports; nor could costs and prices be held down to let development proceed smoothly. The success of an agricultural programme, however, depends ultimately on what happens at the farm level, on whether or not adequate arrangements exist to provide the individual farmers with the knowledge, the resources and above all the incentives needed for additional production. The intensive district development programmes and the package programmes for cotton, oilseeds and sugarcane provide a part of the answer to the organisational problem, and the creation of the Agricultural Production Board, the appointment of a Production Commissioner for commercial crops and the decision to deploy study teams to go into the problems of individual States are also important steps in the same direction. However, in the case of commercial crops like cotton, oilseeds and jute, where speedier progress has become imperative in the overall context, the time has come to consider whether the existing machinery should not be further strengthened to ensure that these commodities receive the specialised attention that is needed to secure quicker results.

Among agriculture-based industries, the jute mills have been able to utilise the additional supplies of raw jute efficiently as a result of the modernisation of equipment. The progress of modernisation of the cotton textile industry has, on the other hand, been slow. The expansion of capacity, particularly for the production of yarn, and modernisation need to be undertaken speedily to meet the increase in demand for cotton cloth as a result of higher incomes and population growth and to improve the competitive position in export markets. While the equipment for the purpose may be imported to some extent, primary reliance will need to be placed on the expansion of textile machinery manufacture. In the case of sugar industry, expansion of capacity and modernisation can now be effected with indigenous equipment.

Power for Industry

During the first three years of the third Plan, power generating capacity has increased by 1.97 million KW, and as a result the power requirements of industry are being met fairly adequately, though there are localised shortages. The additions to capacity expected are 2 million KW in 1964-65 and 2.9 million KW in 1965-66; and as a result, power requirements should continue to be adequately met even with significantly higher rates of increase in industrial production. The inter-connection of major power systems in regional grids will help to even out supplies. In order to secure continuing expansion of power generation at around the rate likely to be achieved by 1965-66, projects to meet requirements in the early years of the fourth Plan have been taken up in the current year. The power programme, particularly in the Bengal-Bihar area, will enable the use to be made of by-product coal from the coal washeries.

The Railways carried 194 million tonnes of originating traffic in 1963-64 and were able to meet in full the requirements of coal and steel industries. A further expansion of around 25 per cent is expected over the next two years, and goods traffic requirements should continue to be met. The increase in railway capacity is being achieved by larger production of wagons, increased use of diesel and electric locomotives and expansion and doubling of track. The expansion in the capacity for the manufacture of commercial road vehicles to 45,000 under projects now being implemented will also augment the availability of transport.

While mild steel production may rise only marginally during 1964-65, there should be a substantial increase to around 5.8 million tonnes of finished steel in 1965-66. The equipment for the expansion programmes of the public sector steel plants has already been ordered, and by 1967-68 the industry will have a capacity of 7 million tonnes of finished steel. The arrangements for financing the expansion plans of the private sector units are under consideration. A company has been formed for the implementation of the Bokaro Project. Certain categories of steel, and particularly flat products, will continue to be in short supply till additional production is available from Rourkela and from Bokaro. While progress in the field of special steels was initially slow, the projects under implementation should produce 50,000 tonnes in the last year of the third Plan and 75,000 tonnes by 1967-68. Aluminium production, which was 42,000 tonnes in 1962-63, is expected to be around 73,000 tonnes by 1965-66.

The expansion of cement output is now based on the use of indigenous equipment. The capacity of the industry is expected to rise by more than a third during the next two years. The cement machinery manufacturing industry can now produce about ten standard cement plants of 200,000 tonnes each year. Reference has been made, earlier to the manufacture of sugar plant. Capacity has also been installed for the manufacture of two paper plants per year with a capacity of producing 50 tonnes of paper per day.

Heavy Machinery Projects

The heavy machinery manufacturing projects in the public sector will produce equipment needed by the capital goods industries. The Heavy Engineering Corporation has ordered equipment worth around Rs. 67 crores for its heavy machine building, foundry forge, heavy machine tool and coal mining machinery projects, and machinery worth around Rs. 39 crores has arrived. Trial production has begun in the Heavy Machine Building Plant and the Mining Machinery Plant will be ready for commercial production in the coming year. While the Heavy Electrical Equipment Factory at Bhopal has expanded production, work has started on three more heavy electrical equipment manufacturing units; and the capacity for the manufacture of heavy electrical equipment from the projects under implementation is expected to amount to Rs. 20 crores in 1965-66 and Rs. 40 crores in 1967-68. Machine tool output will also rise; taking both public and private sectors together, the capacity resulting from projects in hand will be Rs. 25 crores in 1965-66 and Rs. 35 crores in 1967-68.

The petroleum refining capacity is expected to rise over the next two years from the current level of 6.8 million tonnes to 17.3 million tonnes. The Barauni Refinery will come into production during 1964-65. The erection of the refinery in Gujarat should be completed in 1964-65 and the Cochin unit should come into production in 1965-66. Plants for two more refineries are being examined as part of the advance action for the fourth Plan. The expansion of the refinery capacity will make possible the development of a petro-chemicals industry, which will provide a base for the production of fertilisers, synthetic rubber, plastics and many other valuable products. Two petro-chemical complexes are proposed to be established in the near future in Bombay and Gujarat. Taking account also of production which may be based on coal, the capacity for the manufacture of nitrogenous fertilisers (in terms of nitrogen), of projects completed or in hand will amount to 820,000 tonnes by 1967-68. In a number of other industries there will be significant increases in output during 1964-65 as the value of indigenous and imported equipment installed during 1963-64 was much larger than in the previous year.

As a result of the expansion of capital goods output and of the production of import substitutes such as fertilisers and steel, the import content of economic development is expected to be reduced. Nevertheless, there is urgent need for further increases in export earnings, in order to permit larger imports of components and raw materials to make full use of industrial capacity and to reduce the dependence on external assistance. The increase in exports during the last two years, in spite of the failure of agricultural output to expand adequately and the strains resulting from the Emergency, has been noteworthy. Further increases in earnings from exports can be secured only if the increases in domestic production of the commodities marketable abroad are accompanied by a measure of restraint on their consumption at home. It should

be possible to export commercial crops and their manufactures in larger quantities. The development of mining and transport facilities for iron ore should also result in a substantial expansion of exports during the next two years. In the long run, engineering products can make an important contribution, but in the next two or three years, the additional amounts earned from such exports can only be modest.

As already mentioned, there is also need for continuing vigilance in regard to prices. The current trend of wholesale and consumer prices reflects the growing pressure, to some extent inevitable in a developing economy, on supplies of foodgrains and other essential commodities. Not only is the consumer demand increasing, but with the rising standard of living, there is a shift in the pattern of consumption from coarse grains to rice and wheat and from coarse and medium cloth to fine and superfine cloth and art silk and rayon fabrics. While the ultimate solution to the price problem lies only in an increase in production, and an undue proliferation of controls of a kind which may impede growth must be avoided, continued action will be needed to avoid excess demand and to strengthen the framework of governmental regulation over the process of distribution.

It needs to be recalled at this juncture that the rate of population increase, which was around 2 per cent per annum in the decade of the fifties has since been larger, and is now in the neighbourhood of 2.3 per cent. Therefore, even a moderate rate of increase in per capita incomes can be achieved only if full use is made of the potential for raising agricultural and industrial outputs. In itself, the steady decline in death rates which has been responsible for the higher rate of population growth is a matter for great satisfaction as it signifies an improvement in national well-being which is not fully reflected in — and is indeed obscured by — statistics of per capita incomes. Even so, with the rate of population increase approaching what is a very high level by any standards, the family planning programme has assumed the greatest of urgency and importance.

The overall picture is one of promise of rising growth rates in the basic fields of industry, though these rates at present are somewhat below the expectations in the Plan. It will be necessary in the months and years to come to strengthen the forces which contribute to higher levels of growth not only in industry but also, and more fundamentally, in agriculture.

PART II

Agriculture

Agricultural production which had increased by 1.2 per cent in 1961-62 over the previous record level of 1960-61, declined by 3.3 per cent in 1962-63 on account of adverse weather conditions. There was a large decline in the production of rice and wheat, but the output of other cereals went up. The production of all major commercial crops, other than raw cotton declined. While raw cotton production regained the level reached at the end of the second Plan, raw jute output fell partly in response to the conditions of excess supply in the previous year. The decline in groundnuts and sugarcane was mainly on account of unfavourable weather.

Rice production fell by 2.8 million tonnes from the record level of 34.8 million tonnes in 1961-62. While there was a good crop in the South, a sharp decline in output occurred in Madhya Pradesh, Orissa and West Bengal. Production of wheat also declined by 9 lakh tonnes, due to adverse weather conditions in Uttar Pradesh. Although there was a notable increase in the output of jowar, bajra and other inferior cereals, production of foodgrains as a whole was 2.3 million tonnes lower in 1962-63 as compared with 1961-62.

The shortage of foodgrains resulting from the decline in production was in part made good by larger releases from Government stocks of rice and wheat. Imports of foodgrains in 1963 totalled 4.6 million tonnes as compared to 3.6 million tonnes in 1962. The total and per capita availability of foodgrains was slightly lower than in the previous year but since there are some indications that private stocks were run down, the consumption of foodgrains may have been maintained at the previous year's levels. In the case of rice, imports could be increased only within limits, and the sharp decline in production resulted in a marked lowering in the total and per capita availability of rice despite a substantial drawing down of Government stocks.

There was a marked increase in the production of raw cotton in 1962-63. According to official estimates, production was 5.3 million bales, which was about the same as in 1960-61 and nearly 18 per cent above the 1961-62 level. Imports during 1962-63 (September — August) amounted to 8.4 lakh bales, and although yarn production increased, the cotton stocks with the mills and trade rose to 1.7 million bales. As a measure of reassurance to the growers, the minimum support prices for cotton were raised by 17 per cent in April 1963. The ruling prices for cotton were, however, nearly 30 per cent above the minimum support prices. During 1963-64, cotton output is expected to be good.

Jute Production Declines

The output of raw jute and mesta declined by over a million bales in 1962-63, but supply was adequate in view of the stocks accumulated during the previous year. Government continued the policy of supporting raw jute prices at the operational minimum of Rs. 30 per maund (Rs. 80.38 per quintal) for the Assam Bottom variety. In addition to the purchases made by the Jute Buffer Stock Agency, the State Trading Corporation also gave support to the market during the year. The margin between the price received by the grower and that paid by the mills was sought to be reduced. During the current year, raw jute production has been good. Stocks were also substantial, amounting to 1.6 million bales at the end of October 1963. The requirements of the jute industry in the coming year should thus be fully met.

There was a fall of 7.5 per cent in the output of sugarcane in 1962-63, due partly to a reduction in area under cane in Uttar Pradesh and Bihar but largely to the adverse weather conditions that prevailed. The diversion of larger quantities of cane to the production of gur and khandsari, in response to the high prices of these commodities, resulted in a sharp decline in the quantities of cane crushed by the factories and in the production of sugar in Punjab, Uttar Pradesh and Bihar. To step up production of sugar in 1963-64, the basic minimum price of sugarcane was increased from Rs. 1.50 per maund in 1962-63 initially to Rs. 1.56 and subsequently to Rs. 1.75 per maund in respect of cane with a recovery of 9 per cent or less, with the provision that 1.5 nP. per maund would be added to the basic minimum price for every 0.1 per cent increase in recovery over 9.0 per cent. Factories located in certain areas of difficult cane supply on account of competition from gur and khandsari were permitted to pay a higher price of Rs. 2 per maund in case the minimum price according to the above formula worked out to be lower than Rs. 2 per maund. Government also took powers to regulate the disposal of sugarcane by growers in order to ensure adequate supplies to the sugar factories. As a result of these measures, an increase in the production of sugar in 1963-64 is expected.

The policy of price support to agricultural products was extended during the year to jowar, and it now applies to major foodgrains and commercial crops. A minimum price of Rs. 24.12 per quintal of white variety (and Rs. 22.78 per quintal of yellow variety) was fixed for jowar; the minimum price of wheat was raised by Rs. 2.68 per quintal or 8 per cent and there was an increase of Re. 0.67 to Rs. 2.68 per quintal (or approximately 5 per cent) in the procurement prices of rice in most States. The prevailing prices of these commodities in most parts of the country were higher than the minimum prices. The increase in minimum prices was, however, considered desirable as a protection against undue fall in prices in some pockets in surplus areas.

The supply of fertilisers and of other agricultural requirements has been increasing from year to year. The total availability of nitrogenous fertilisers from domestic production and imports was 280 thousand tonnes (in terms of nitrogen) in 1961-62 and 350 thousand tonnes in 1962-63, and is expected to go up to 450 thousand tonnes in 1963-64. The use of irrigation facilities spread further, the additional area benefiting from irrigation being 26 lakh acres in 1961-62, 33 lakh acres in 1962-63 and an estimated 55 lakh acres in 1963-64. The utilisation of new irrigation facilities from major and medium schemes rose to 80 per cent of the potential in 1963-64 as against 74 per cent in 1962-63 and 71 per cent at the end of the second Plan.

A number of steps were taken following the decision in November 1962 that special attention needed to be given to increasing agricultural output. The minor irrigation and soil conservation programmes were stepped up. The Central assistance for the States' agricultural programmes for 1963-64 has also been increased. Experience had shown that rapid increase in production could be secured if an intensive effort was made in the most productive areas instead of dispersing available resources over a wide field. "Package" programmes for increase in production of rice, millets, pulses, cotton and oilseeds were formulated. The organisation for implementing the programme for commercial crops was strengthened.

In pursuance of a decision of the National Development Council in November 1963, an Agricultural Production Board was constituted consisting of the Central Ministers and the Member of the Planning Commission concerned with agriculture and allied activities. The Board will ensure an integrated approach in matters of agricultural policy, secure effective co-ordination between Central and State Governments, review the progress of the development programmes and endeavour to remove any deficiencies.

While the average annual increase of agricultural output over the last twelve years has been about 3.5 per cent, the production in any given year is considerably influenced by weather conditions. The adverse weather conditions of 1962-63 had accounted for the decline in output in that year. During the kharif season of the current year, weather conditions on the whole have been more favourable. The production of jute in 1963-64 has turned out to be 59 lakh bales as compared to 54 lakh bales last year. The cotton crop is also good, and the rice crop is expected to be better than in the previous year.

Industrial Production

There was a further increase in industrial production during the year under review. Substantial increases occurred in the output of basic and producer goods industries; consumer goods industries did not do as well. There were significant additions to industrial capacity during the year.

The index of industrial production rose by 6.6 per cent in 1961-62 and by 3 per cent in 1962-63. There was a marked increase in production in the second half of 1962-63, the increase in comparison with the corresponding period of 1961-62 being 8.7 per cent. During April-September 1963, production was again 8.5 per cent higher than in April-Sepetmber 1962. The table opposite shows the indices of industrial production for the last few years.

The overall increases in industrial production as measured by the index depend primarily on the performance of the industries using agricultural raw materials, as these account for nearly half the weight in the index. In 1962-63, cotton textile output had declined in comparison to the previous year and this depressed the overall rate of growth of industrial production. The fall in output in spite of a comfortable cotton supply position was presumably due to slack demand for cloth. During the first half of 1963-64, cloth production increased in relation to the second half of 1962-63, although it was lower as compared witht the first half of that year. There is some indication that for 1963-64 as a whole the output of cotton textiles will show an improvement over the previous year's level particularly in the decentralised sector. Jute textile output had risen 20 per cent in 1962-63, reflecting the greater availability of raw jute and buoyant foreign demand. In the first half of 1963-64, there was a small increase in production over the high level of the previous year and output was maintained at a high level in the latter part of the year. The recent termination of the working time agreement should increase productive efficiency in the jute industry. Sugar production had declined substantially during the 1962-63 season, but is expected to be larger in 1963-64. Tea output particularly in north India has been affected by adverse weather conditions. Weather has, however, been favourable for the coffee crop and while production declined by 26 per cent in 1962-63, a substantial increase in output is likely in 1963-64.

Substantial Increases

There were very substantial increases in the production of steel and aluminium during 1962-63. The high level of aluminium production reached at the end of that year was maintained during the current year and a further increase is expected in the case of steel. The larger output of wagons and of trucks resulted in the increase of 8.3 per cent in the production of transport equipment during 1962-63; the production of cars, however, declined as a result of lower allocations for the import of components. Further increases in railway wagons and truck output are likely in 1963-64 and there will be some improvement in the indigenous content of trucks. The increase in machinery output, especially the output of machine tools, during the first half of the current year is likely to continue in the second half also. The chemical products which account for higher production in the first half of 1963-64 include ammonium sulphate, soda ash and caustic soda.

During the year under review, the public sector industries made further progress. The production of Heavy Electrical Plant at Bhopal is expected to reach Rs. 70 million as against Rs. 30 million in 1962-63. The third factory of Hindustan Marchine Tools at Pinjore in Punjab went into production in October 1963 and two other factories in Kerala and Andhra Pradesh are to be built. The production of machine tools by the Hindustan Machine Tools Limited is expected to be about Rs. 9 crores in 1963-64 in a total production of machine tools of Rs. 14.5 crores. The Heavy Machine Building Plant at Ranchi and the Coal Mining Machinery Plant at Durgapur were inaugurated in November 1963 and construction is in progress at the Foundry Forge Plant at Ranchi. Work has also satrted on the Heavy Machine Tool Plant. The development and construction work of the Kiriburu Iron Ore Mines was completed. Construction has also begun on three of the projects with the assistance of the USSR viz., the Antibio-

INDEX OF INDUSTRIAL PRODUCTION

(1956 = 100)

	1959-60	1960-61	1961-62	1962-63	1963-64
1st Quarter ..	113	127	139	149	159
2nd Quarter ..	119	126	138	149	164
3rd Quarter ..	122	139	141	154	
4th Quarter ..	127	139	148	160	
Annual Average ..	120	133	142	153	

Note: Quarterly figures are seasonally adjusted.

tics Plant at Rishikesh, the Synthetic Drugs Plant at Hyderabad and the Surgical Instrument Plant at Madras.

The output of steel ingots rose from 4.3 million tonnes in 1961-62 to 5.4 million tonnes in 1962-63 and to an annual rate of 6 million tonnes in April-September, 1963. The producer-wise breakdown of steel production was as follows:

PRODUCTION OF STEEL INGOTS

(Million tonnes)

Producers	1961-62	1962-63	1963-64 (Apr.-Sept.)
TISCO	1.63	1.80	0.94
IISCO	0.93	1.00	0.51
Bhilai	0.79	1.06	0.56
Durgapur	0.46	0.73	0.47
Rourkela	0.35	0.70	0.46
Mysore	0.05	0.05	0.02
Others	0.05	0.06	0.03
TOTAL	4.26	5.40	2.99

The production in the second half of 1963-64 was at around the same level as in the first half. Further increases in production will be possible only when additional capacity is installed. By the end of the year, orders will have been placed for the equipment needed for the expansion programmes of the public sector plants. The private sector steel producers have drawn up expansion schemes and arrangements for financing these are being negotiated.

Certain categories of steel, and particularly flat products and special steels, continued to be in short supply. The requirements of special steels, which had increased due to the rise in machinery production, had to be met, as before, almost entirely through imports. Total imports of steel amounted to 11 lakh tonnes in 1961-62 and 9 lakh tonnes in 1962-63; in 1963-64, imports are likely to be somewhat higher than in the previous year.

For increasing the output of special steels, the conversion of the Mysore Iron and Steel Works for production of 74,000 tonnes per annum was approved by Government. Orders have been placed for a public sector plant at Durgapur and certain projects in the private sector are also going forward. The schemes covered by external assistance so far will result in the establishment of 50,000 tonnes of capacity by the last year of the Plan and of 75,000 tonnes of capacity by 1967-68. Progress in this field has been relatively slow.

While the supply of pig iron to foundries was stepped up to 1.2 million tonnes, the demand also rose and amounts to around 2 million tonnes. Arrangements are being made for import of small quantities. Schemes have been approved in the private sector for the establishment of additional capacity, and plans are also being drawn up for larger production of pig iron in the public sector plants, to be utilised at a later stage for conversion into steel.

Coal and Power

Although there was an improvement in the supply and in the arrangements for transport of coal during the first half of 1962-63, the overall position was difficult in relation to requirements. Arrangements were made for the substitution of oil for coal by some cement factories and power houses in areas distant from the mines and for a greater use of coastal and, to some extent, road transport. In the latter half of the year (October 1962-March 1963) aggregate output of coal rose substantially, being 34 million tonnes as against 30 million tonnes during the preceding half year. Demand in the last few months, however, has been less than anticipated. As a result, stocks at pitheads and with industries have increased somewhat. Nevertheless, during 1963-64 as a whole, output may be around 66 to 67 million tonnes i.e., 2 to 3 million tonnes more than in 1962-63.

During the current year, the railways were able to move considerably larger quantities of coal and transport was no longer a limiting factor in the availability of coal to industry. The daily average loading of wagons from the West Bengal/Bihar region increased from 5,000 in April-September 1962 to 5,600 in the same period of 1963.

The increase in production was, however, in the medium and lower grades and there was actually a decline in the supply of higher (selected) grades. One of the reasons for this was the downward regrading of certain seams.

The shortage of selected grades of coal, therefore, persisted. With the increase in coal washing capacity, the quantity of washed coal increased from 1.8 million tonnes in April-September 1962 to 2.9 million tonnes in the same period of 1963. Arrangements have been made for the installation of the coal-washing capacity envisaged in the Plan, but progress has been slow.

The grade-wise classification of coal had been revised in 1962-63 with a view to introduce an ash differential of one per cent between the various grades. There have been periodic price adjustments to promote the output of the superior grades. Further proposals with regard to price adjustments are under consideration.

Private Sector Mines

The requirements of imported equipment for the private sector mines will be financed from the loan of $35 million from the IBRD. The utilisation of the loan had been slow, but ordering of equipment was encouraged by the reduction of the import duty on coal-mining machinery and components to a uniform rate of 15 per cent. The development rebate available to the industry was raised from 20 per cent to 35 per cent in new mining machinery installed between 1963-64 and 1965-66. Government undertook to give a partial guarantee on loans by credit institutions to the private sector coal industry. The Reserve Bank of India provided additional assistance to commercial banks which provided finance. So far, orders have been placed for equipment worth Rs. 13 crores against the IBRD Loan of Rs. 17 crores. The public sector collieries have also made substantial progress with regard to the ordering of equipment. The planned output of heavy mining machinery in the country will assist the growth of the coal industry.

The requirements in the last year of the Plan have now been re-estimated and it is anticipated that while, for the next few years, both aggregate coal output and transport facilities will be adequate to meet demands, the main problem will be one of ensuring sufficient supplies of superior grades and of washed coal.

The progress in power development during the first three years of the third Plan was as follows:

POWER: INSTALLED CAPACITY

At the end of	Capacity (million kw.)	Annual percentage increase
1960-61	5.6	16
1961-62	6.0	8
1962-63	6.7	11
1963-64 (anticipated)	7.6	13

The progress in the first two years of the third Plan was relatively slow partly because of the cut-back in the power

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programme due to the foreign exchange shortage in the middle of the second Plan. During the current year, a significant increase in capacity is expected. According to the estimates of the maximum demand and firm capacity likely to be established by the end of the year, there will be no deficit in the Western region and only small deficits in some of the States in the Northern and Eastern regions. In the South, however, there would be some shortage of power. Orders have been placed to cover not only the third Plan generating capacity but also some fourth Plan schemes. A considerable volume of equipment for the transmission and distribution of power, however, remains to be ordered, and this requirement is being given high priority. It is expected that the electricity generation target of 45 billion kwh. by 1965-66 will be reached ,although in terms of installed capacity there may be a slight shortfall in relation to earlier anticipation. The regional shortage are expected to be mitigated by diversion of surplus power from the neighbouring areas through the construction of inter-State grids.

The Electric Power Survey Committee, which completed its first survey in July 1963, has provided a broad picture of the power requirements in different parts of the country over the next few years. A major recommendation of the Committee is the establishment of Regional Grid organisations for effective planning, development and co-ordination of future generating and transmission capacity. Three Regional Electricity Boards have been decided upon so far, one in the Northern region (comprising the States of Jammu and Kashmir, Himachal Pradesh, Punjab, Delhi and Rajasthan), one in the South (comprising the States of Madras, Andhra Pradesh, Mysore and Kerala) and another in the Eastern region (Bihar, Orissa and West Bengal). The operation of these Boards should, apart from reducing the need for stand-by capacity, help secure a fuller and more economical use of the power supplies available in the respective regions.

Railways

In 1962-63, originating tonnage lifted by the Railways rose by 11 per cent and a further increase of about 9 per cent is anticipated in 1963-64. The bulk of the increase in goods traffic was in respect of raw materials and finished products for the steel industry and the requirements of the coal and steel industries and of other goods traffic were met in full in 1963-64. The outstanding registrations for wagons for general goods traffic have fallen as compared to earlier years. At the end of 1963 the indents on the broad gauge were equal to 2½ days' loading and those on the metre gauge somewhat under 3 days' loading. The following table sets out the increase in goods traffic :

Year	Originating traffic (million metric tons)	Annual percentage increase
1961-62	160	2.8
1962-63	179	11.4
1963-64	194 (Estimated)	8.5

The increase in tonnage carried was made possible because, among other things, of the higher output of railway wagons, which rose from 19,100 in 1961-62 to 26,000 in 1962-63 and about 32,000 in 1963-64. There has been good progress in the manufacture of many types of railway equipment and the foreign exchange content of the railway programme is expected to be about 18 per cent in the third Plan period as against 30 per cent during the second Plan.

Apart from the increase in rolling stock, progress in the electrification and dieselisation has also helped improve the transport situation. Against the target of electrification of 1490 route kilometres, 868 route kilometres were commissioned during the first two years of the Plan and another 980 are expected to be commissioned by the end of the next year. The proportion of goods traffic hauled by diesel and electric locomotives increased from 21 per cent of the total in 1962-63 to 29 per cent during April-November 1963.

Although the transport requirements of the steel plants will be less, the originating traffic expected to be carried in the last year of the Plan has now been estimated at 245 million tonnes. The railway programme, however, provides for capacity adequate for carrying 260 million tonnes. The goods traffic in terms of tonne-kilometres in 1965-66 is expected to be at the level originally envisaged in the Plan, as the movements of general goods involving longer leads will be larger.

Budgetary Transactions

The estimated expenditure according to the Budgets of the Central and State Governments during 1963-64 is Rs. 717 crores larger than that for the previous year; this compares with the increase of Rs. 632 crores in 1962-63 (according to Revised Estimates) over 1961-62. The acceleration was primarily caused by the increase in defence expenditures. From Rs. 313 crores in 1961-62, the expenditure on defence went up to Rs. 505 crores in 1962-63 (Revised Estimates) and during the current year the Budget has provided for an outlay of Rs. 867 crores. The budgeted increase in defence expenditures was thus Rs. 362 crores. Expenditure on the Plan was increased by Rs. 240 crores; and on developmental items outside the Plan by Rs. 59 crores, of which Rs. 38 crores represented increased provision for building buffer stocks of foodgrains. In brief, the increase in development and defence outlays accounted for nearly 92 per cent of the increase in Central and State outlays for 1963-64.

An increase in budgetary expenditures of this order would normally put considerable strain on the real resources of the economy. To avoid inflationary consequences, Government sought to cover as large a proportion of the increase in outlay as possible by augmenting current receipts. The Central Government sought to raise a sum of Rs. 249 crores through additional taxation, another Rs. 30 crores was expected to be realised from the increase in railway fares and freights and post and telegraph charges, and Rs. 20 crores from inter-State sales tax. The States introduced proposals which would yield Rs. 35 crores for the year. Altogether the fresh imposts were expected, according to the Budget proposals, to add Rs. 334 crores to the Central and State revenues, covering over 90 per cent of the increase in defence outlays. The overall deficit in the Central and State Budgets was kept down at Rs. 179 crores. This was lower than the Revised Estimate of Rs. 209 crores for 1962-63 and somewhat higher than the actuals for that year of Rs. 132 crores

After the presentation of the Budget, an additional sum of Rs. 65 crores has been given to the States to cover speedy implementation of certain Plan projects and a sum of Rs. 11 crores was voted as a supplementary demand by Parliament in November 1963 to finance defence expenditure not provided for in the Budget estimates.

As the Compulsory Deposit Scheme was withdrawn for the categories other than income-tax payers and premium rates under the Emergency Risk Insurance Scheme had been progressively lowered with no collections during January-March 1964, receipts will be less than provided for in the Budget. The actual net borrowing against market loans will be only Rs. 146 crores, as against the Budget provision of Rs. 174 crores. Receipts against external assistance are likely to be somewhat lower than in the Budget (although they would be higher than in 1962-63). On the other hand, collections from indirect taxes may accord with Budget estimates, and direct tax collections are expected to be higher. Small savings receipts have risen substantially. During the first nine months of the year, the net collections from small savings amounted to Rs. 71.16 crores as against Rs. 30.27 crores in the corresponding period of last year. Subscriptions to National Defence and Defence Deposit Certificates have been large and the deposits in the Post Office Savings Bank have also increased. On the whole, the overall deficit for the year, on account of the budgetary transactions of the Central and State Governments taken together, may be somewhat lower than provided for in the Budgets for 1963-64.

Monetary Trends

During the current financial year, upto 17th January, 1964, money supply with the public increased more than in the corresponding period of the previous year. Government borrowings from the banking system were larger; commercial bank lending to the private sector was, however, slightly smaller. The improvement in export earnings and the increased use of external assistance led to a small increase in the foreign assets of the Reserve Bank, whereas in the comparable period of the previous year there was a large decline. This also contributed to the larger increase in the money supply during the current financial year.

During the first seven months of the current fiscal year, most of which was the usual slack season, there was a large contraction in bank credit to the private sector in contrast to a small rise in the previous year. Government borrowings from the banks were, on the other hand, substantially larger. The increase in demand deposits was larger than that in time deposits partly in response to the attractive rates of return offered by institutions other than banks. Since the onset of the busy season in November, the credit extended by the banks to the private sector has increased substantially; Government borrowings from the banks have, however, been less than in the corresponding period of the previous year. The expansion of credit to the private sector for productive purposes was facilitated by a modification at the end of October in the Reserve Bank's policy in respect of lending to commercial banks. Legislation was also passed to regulate acceptance of deposits by non-banking institutions and to enable the Reserve Bank to regulate their operations.

Expanded Resources

The resources of the banking system expanded more in 1963-64 than in 1962-63. During the slack season of 1963 (May-October), deposits of the banks increased by Rs. 166 crores (excluding .PL. 480 | P.L. 665 deposits) as compared to Rs. 93 crores in the corresponding period of 1962. There was an unusually large contraction in the bank credit to the private sector, the decline being as much as Rs. 70 crores as against an increase of Rs. 2 crores in 1962. In part, the contraction in credit reflected the destocking of commodities like rice and sugar which were in short supply; in part, it may have been on account of subdued conditions in the capital market. In view of the large decline in the bank credit to the private sector and the increase in deposits, the banks had adequate resources to increase their investments in Government securities. Money market conditions were easy and the call money rate in Bombay fell to 1¾ per cent towards the end of the slack season.

During the current busy season (i.e. since the beginning of November 1963) the private sector demand for bank credit has increased. In October 1963, a modification was made in the Reserve Bank's system of quotas for lending to the commercial banks to ensure adequate finance for productive purposes during the busy season. As a result of the modification, scheduled banks can borrow from the Reserve Bank upto 150 per cent of the average of their statutory reserves in the preceding quarter, 75 per cent at the Bank rate and the remainder at 6 per cent. Additional borrowings are permitted at the discretion of the Reserve Bank and the rate charged on them is also 6 per cent. The commercial banks have been able to meet the increased demand for credit and their lending to the private sector went up by Rs. 181 crores between the end of October 1963 and 17th January, 1964, as compared to the increase of Rs. 92 crores in the corresponding period of the previous year. The call money rate in Bombay moved up and by 17th January, 1964, it was 5.10 per cent as compared with 4.86 per cent a year ago.

The basic considerations underlying the Reserve Bank's monetary policy have not undergone any change during the current year. While enabling larger flow of resources into productive investment, the objective of policy continues to be to check the use of bank finance for speculative purposes and also to ensure that interest rates in the organised sector reflect the scarcity of capital. Selective credit controls continued to be operated flexibly, and recently, the Reserve Bank has lowered the ceilings on scheduled bank advances against paddy and rice.

The financing of exports has high priority and during the year an Export Bills Credit Scheme was introduced. Special facilities were also made available to scheduled banks to finance small-scale industries and co-operatives and the expansion of capacity in the coal industry. An Agricultural Refinance Corporation was set up for facilitating medium and long-term credits for the development of agriculture and allied activities.

Capital Market

Following the increase in the Bank Rate by ½ per cent in January 1963, there was a further downward adjustment in the prices of Government securities. The index of prices of Government and semi-Government securities (1952-53 = 100) which had declined from 100.7 in June 1962 to 99.6 in December 1962 in a process of adjustment to higher yields offered on new Government loans, declined further to 98.6 by the middle of May 1963. The improvement in the liquidity of commercial banks and the increased demand for Government securities emanating from this as from other institutional investors gave some support to the gilt-edged market in the subsequent months. The index rose to 100.1 by the end of November and has remained stable since then.

Throughout the greater part of the year, the stock markets remained in a subdued condition. The decline in share prices which had started about the middle of 1962 was accentuated after the declaration of the Emergency and the 1963-64 Budget. The index of variable dividend industrial securities (1952-53 = 100) came down from 195 in May 1962 to 173 by the end of December 1962 and further to 158 by the end of June 1963. A considerable part of the decline in share prices was in the nature of a corrective to the earlier boom, but since the decline had been sharp, a number of measures were taken to stimulate activity in the stock markets. Forward trading was resumed in June 1963, financial assistance was given to the Industrial Finance Corporation and the Industrial Credit and Investment Corporation to enable them to increase their underwriting operations and the selective credit controls were relaxed in so far as advances against shares were concerned. The modification in the credit policy of the Reserve Bank in October 1963 as also the announcement of Government's decision to establish a Development Bank led to a recovery in share prices and the index by 25th January, 1964 was 169, i.e. the level prevalent a year ago.

Following the declaration of the Emergency, there was a slowing down in private capital issues. During the first nine months of 1963, the amount raised by non-Government companies by way of shares and debentures was Rs. 42 crores (exclusive of a portion of the Oil India debenture issue subscribed early in 1963), as compared to Rs. 57 crores in the corresponding period of the previous year. Subscriptions to new issues have recently shown an improvement.

An increase in prices was to be expected as a result of the fall in agricultural production, and particularly in the output of rice and sugarcane. Since the scarcity of rice was

concentrated in the Eastern region, Madhya Pradesh and Maharashtra, the rise in prices was particularly sharp in these areas. The price situation as it has emerged during the current year may be contrasted with the experience of the first two years of the third Plan. While there was a decline in wholesale prices of 3.5 per cent in the first year of the third Plan, there was an increase of like magnitude in the second year. At the beginning of the third year, therefore, the price level was no higher than at the beginning of the Plan. Between April and October 1963, prices went up by 6.8 per cent as compared to the rise of 6.1 per cent in the same period of 1962. There was a small decline in November 1963, but the price level increased again in subsequent weeks, mainly because of an increase in wheat prices. The uptrend in prices during the year was caused mainly by a rise in the prices of rice, gur and sugar. The prices of sugar and gur had started rising from January 1963 and in the case of rice there was a sharp increase during the lean season, the increase between April and October being 17.7 per cent. In West Bengal and Madhya Pradesh, the rise ranged from 21 to 22 per cent and in Maharashtra it was as high as 34 per cent. Indeed, the increase in prices of the food articles group as a whole accounted for more than four-fifths of the total rise during the first half of 1963-64. Among food articles, rice alone caused a quarter of the increase in the general price level, and gur more than a third. Cotton prices rose somewhat, in spite of a larger crop, because of increased demand. The production of cotton yarn, while higher than in 1962-63, was close to capacity and the price of yarn rose by 3.7 per cent over 1963. While mill cloth prices rose slightly, a large increase took place in the price of handloom cloth. Raw jute prices were stabilised, and so were those of jute manufactures. The wholesale price index number rose over the year ended 25th January, 1964 by 11.4 per cent for food articles, by 5.8 per cent for industrial raw materials and 2.7 per cent for manufactures. The following table sets out the index numbers for selected commodities :

INDEX NUMBERS OF WHOLESALE PRICES

(1952-53 = 100)

Groups/Commodities	Apr. 1, 1961	Jan. 26, 1963	Mar. 30, 1963	Oct. 26, 1963	Jan. 25, 1964
Food Articles ..	116.9	124.4	123.5	138.8	138.6
Cereals ..	99.7	103.1	102.8	118.2	118.7
of which					
Rice ..	100.9	108.7	111.4	131.1	120.0
Wheat ..	90.0	88.6	86.0	94.6	113.0
Sugar ..	127.0	130.1	140.6	135.9	142.7
Gur ..	110.7	154.6	152.8	264.3	204.7
Industrial Raw Materials ..	155.5	133.6	135.3	136.9	141.3
Manufactures ..	128.1	128.4	129.5	131.0	131.9
All Commodities ..	126.2	126.5	127.3	135.9	136.8

The Working Class Consumer Price Index (1949=100) had remained steady around 130 in the first three months of 1963 in response to the seasonal decline in wholesale prices of foodgrains and other food articles which had occurred during the previous three months. After April 1963, however, the index showed a steady increase reaching 138 by October 1963. In November there was no further increase, but consumer prices were 4 per cent higher than a year ago.

To prevent speculative price increases in food grains, Government arranged for enlarged distribution of rice and wheat through fair price shops. The number of fair price shops was increased from about 50,000 to nearly 60,000 during 1963, the number in West Bengal going up from 11,074 to 11,474. The issues of rice from Central stocks to the State Governments were stepped up. West Bengal, for instance was given an additional allocation of one lakh tonnes of rice and four lakh tonnes of wheat, over and above what it received in 1962.

Steps are being taken to review and strengthen the machinery for procurement and distribution of food grains. The State Governments have been urged to take effective steps for increasing the procurement of rice during the current year and for tightening the regulatory measures. Government is pursuing a policy of encouraging the establishment of consumer co-operative societies to facilitate the distribution at fair prices both of food grains and other articles. Under the centrally sponsored scheme of consumer co-operatives, 143 wholesale stores and 2,341 primary stores/branches have been set up. As indicated elsewhere in the Survey, further steps were also taken to assure the farmer of reasonable minimum prices for food grains. Similarly, steps were taken both to increase the return on sugarcane cultivation and to enable the factories to obtain larger supplies of sugarcane. Fiscal incentives have been given to stimulate production of sugar, among other things by early and late crushing by the factories. From a longer-term point of view, the capacity of the sugar industry is also being increased.

Controls Removed

During the year, controls on prices and distribution of a number of manufactured products were reviewed in order to ensure that they were consistent with the need for expansion in priority fields and that distribution controls adequately serve the purpose for which they were imposed. The price controls on 16 commodities were removed during the year; these were rayon yarn, staple fibre, caustic soda, soda ash, hydrochloric acid, chlorine, calcium carbide, bleaching powder, chilean nitrate, muriate of potash, sulphate of potash, washing soap, tyres and tubes, sheet glass, paper board, and natural rubber.

As a result of the decontrol, prices of some of the commodities have moved up. The manufacturers have increased the prices of tyres and tubes by 6 per cent and washing soap prices charged by one of the manufacturers have also been increased by 6.5 per cent. No material increase in the prices of rayon yarn has occurred and sheet glass prices are reported to have declined. In the case of chemicals, the only significant increase has taken place in caustic soda, the producers' prices of which have been increased by 10 per cent. On the whole, the increase in producer prices has not had a commensurate effect on the final consumer prices and the expectation that following the decontrol a part of the margins accruing to traders would become available to the industry seems to have been realised. The incentive provided by the increase in producer prices is likely to result in a further expansion of output.

The problems of controls and pricing policy in respect of basic industries like coal and steel and of power generation required detailed examination. A committee examined price and distribution controls on steel, and its report is under consideration. The views of steel producers and others concerned are also being taken into account. Coal prices are under review particularly from the point of view of stimulating the production of selected grades. A committee which examined the rates charged by electricity undertakings considered progressive adjustment in tariffs to bring up the rate of return to these undertakings to 10 per cent of the capital employed. At a conference of Central and State Ministers in charge of power, this matter was discussed and a Committee with State Ministers has been set up to recommend a sound rate policy for electricity.

Balance of Payments

During 1962-63, the fall in the foreign exchange reserves was less than in the previous year in spite of the increased import requirements resulting from the Emergency. The fall in reserves was Rs. 2.3 crores over the year, as compared to Rs. 59.2 crores in 1960-61 and Rs. 6.3 crores in 1961-62. The drawal on the International Monetary Fund was also less at Rs. 11.9 crores in 1962-63 as against Rs. 58.4 crores (after allowing for repayments) in 1961-62. The smaller decline in reserves in 1962-63 was the result of an increase of Rs. 14.5 crores in export earnings as well as increased utilisation of external assistance. While imports rose by Rs. 87.8 crores, there was an improvement on the invisibles account partly as a result of more stringent restrictions on foreign travel, private remittances, etc.

In the first half of 1963-64, the foreign exchange reserves declined by Rs. 27.9 crores as against Rs. 11.1 crores and Rs. 51.6 crores in the same halves of 1961-62 and 1962-63, respectively. Between the first halves of 1962-63 and 1963-64, export earnings rose by Rs. 55.1 crores, while receipts from official donations increased by Rs. 11.1 crores, and net receipts from other invisible items by Rs. 13.3 crores and from official loans by Rs. 39.8 crores. There was a rise of Rs. 58 crores in total imports as Government imports increased by Rs. 70.2 crores and private imports fell by Rs. 12.2 crores. There was a marked rise in the imports of capital equipment both by the Government and the private sector reflecting increased investment. These larger imports facilitated the absorption of foreign assistance, which was, however, somewhat below expectations.

The increase of Rs. 70.2 crores in Government imports during the half year under review as compared to the same period of the preceding year was largely accounted for by a rise of Rs. 45.7 crores in imports of capital equipment for Government projects and of Rs. 18.4 crores in imports of foodgrains. The increase in imports of capital equipment was related to the step-up in investment in the public sector: at Rs. 1,654 crores Plan outlay budgeted for 1963-64 exceeds the preceding year's outlay (Revised Estimates) by Rs. 240 crores. At the same time, the outlay on industry, minerals, transport and communications taken together, which has a relatively high imported capital goods component, is expected to increase from Rs. 619 crores to Rs. Rs. 754 crores. The increase of Rs. 18.4 crores in imports of foodgrains was needed to relieve the shortfall resulting from lower domestic production.

Machinery Imports Rise

Although total private imports showed a fall of Rs. 12.2 crores, machinery imports rose by Rs. 10.3 crores. On the other hand, imports of non-ferrous metals declined by Rs. 1.4 crores, and of textile yarns by Rs. 1.2 crores, since there were larger availabilities of aluminium and art silk yarn from domestic production. There was also some decline in imports of raw cotton. According to the balance of payments statistics, exports amounted to Rs. 370.6 crores in the first half of 1963-64 as compared to Rs. 315.5 crores in the same half of 1962-63. However, according to the trade statistics compiled by the Directorate General of Commercial Intelligence and Statistics, exports were Rs. 367.9 crores in April-September 1963 and Rs. 331.8 crores in the same period of 1962.

As in the past year, the largest contribution to export earnings came from the exports of jute manufactures which amounted to Rs. 81.7 crores in April-September 1963 as compared to Rs. 71.2 crores in April-September 1962. This increase was the result of a 3 per cent rise in the unit value combined with an 11 per cent increase in the volume of exports. The latter increase was made possible by larger domestic production accompanied by fairly buoyant world demand. Despite keen competition from Pakistan, which continued to operate an export bonus scheme, India has been able to maintain her share in the United States market, which is the principal market for jute goods in the world, at around 85 per cent; ground was, however, lost to Pakistan in some other markets. The fixation of minimum prices for raw jute which has also stabilised the production of raw jute has made an important contribution toward maintaining the export prices of jute goods. Exports of carpet-backing jute cloth which have been going up in recent years are a relatively new product with strong foreign demand. Efforts are being made to instal more broadlooms for the manufacture of this product.

The aggregate production of tea in 1962-63 is estimated to have declined by 10,000 metric tons or by 2.8 per cent, the entire shortfall being concentrated in the North Indian crop. Exports of tea in April-September 1963 and 1962 amounted to Rs. 52.6 crores and Rs. 55.3 crores respectively, thus showing a fall of Rs. 2.7 crores. This was entirely due to a drop of 8 million kgs. in the volume of exports while the average unit value of exports actually showed an increase of Re. 0.22 per kg.

Exports of cotton textiles earned Rs. 22.6 crores in April-September 1963 as compared to Rs. 21.3 crores in the same period of 1962. This was due to an encouraging rise of Rs. 1.1 crores in handloom goods exports. Apart from the fact that world demand for fibres is shifting from cotton to man-made fibres and amongst cotton fabrics from the inferior varieties such as the grey and unbleached cloth which India traditionally exports to the superior varieties, there are two other factors which have tended to undermine the exports of cotton textiles: the setting up of cotton textile mills by most of the developing countries and greater competition from other sources.

Coffee Exports Increase

Exports of coffee showed a moderate increase from Rs. 4.1 crores to Rs. 4.6 crores during the same period, which was entirely due to an increase in the volume of exports. The International Coffee Agreement has allotted to India a quota of 21.6 million kgs. The Indian coffee crop this year is larger by about 16 per cent while the international coffee market is likely to rule firm on account of the destruction of a sizable proportion of the Brazilian crop because of unfavourable weather conditions. Exports of cashew kernels have also continued to do well and during the first half of 1963-64, amounted to Rs. 11.2 crores as against Rs. 9.2 crores in the same period of the last year. Tobacco exports amounted to Rs. 17.2 crores in the first half of 1963-64 as compared to Rs. 12.5 crores in the same period of 1962-63.

Exports of sugar have been substantial for the past two years. During the half year under review, sugar exports amounted to Rs. 17.9 crores as against Rs. 8.7 crores during the same half of 1962-63 and Rs. 17 crores in the whole of 1962-63.

At Rs. 14.8 crores in April-September 1963, exports of oil cakes showed an increase of Rs. 2.1 crores over April-September 1962, while those of vegetable oils, non-essential, amounting to Rs. 9 crores in April-September 1963 registered a rise of Rs. 3.8 crores. Exports of iron ore have shown an increase of Rs. 1.6 crores in the same period from Rs. 14.6 crores to Rs. 16.2 crores and of engineering goods from Rs. 4.1 crores to Rs. 5.9 crores. Exports of petroleum products also increased from Rs. 1.7 crores in the first half of 1962-63 to Rs. 2.9 crores in that of 1963-64.

A region-wise analysis shows that, although in absolute terms, there has been an increase in exports to Western Europe including the European Common Market from Rs. 111 crores in April-September 1962 to Rs. 113.5 crores in April-September 1963, in relative terms, the share of this region in India's exports has declined from 33.4 per cent to 30.7 per cent. Within Western Europe itself, the share of the UK has gone down, both in absolute and relative terms, from Rs. 76.2 crores (23 per cent) to Rs. 75.1 crores (20.4 per cent). Exports to the European Common Market increased marginally from Rs. 25.3

crores to Rs. 28.6 crores, though their relative share showed a small decline from 7.6 per cent to 7.2 per cent. Other regions whose shares have gone down somewhat are Africa and Oceania.

On the other hand, exports to the United States increased from Rs. 52.7 crores to Rs. 65.5 crores and the share of that country in total exports went up from 15.9 per cent to 17.8 per cent. The ECAFE region also increased its offtake from India from Rs. 55.9 crores in the first half of 1962-63 (or 16.9 per cent) to Rs. 66.2 crores (or 18 per cent). An encouraging increase, both in absolute and in relative terms, was also registered in exports to the East European countries, from Rs. 44.7 crores (or 13.5 per cent) in April-September 1962 to Rs. 55.8 crores (or 15.2 per cent) in April-September 1963.

Among the export promotion measures taken in 1963 was the removal of the ban on the exports of several commodities as well as the liberalisation of export quotas for others including raw cotton, oil cakes and handloom fabrics. A Marketing Development Fund was constituted for providing assistance for export publicity and promotion. Legislation was passed for ensuring compulsory quality control and pre-shipment inspection. A Minerals and Metals Trading Corporation was established to look after the growing volume of state trading in ores. New export promotion councils were set up for basic chemicals, pharmaceuticals and soap and finished leather and its manufactures. The Railways announced a general rebate of 25 per cent in the freight for sixty-five engineering industry products booked for export from any station to any port.

The net position on account of invisibles other than official donations improved further during the half year. There were net receipts of Rs. 11.8 crores in April-September 1963 as compared to a net payment of Rs. 1.5 crores in April-September 1962. Net receipts from transportation increased from Rs. 9 crores to 13 crores, largely reflecting the rapid growth of Indian shipping by 200,000 GRT in the first two years of the third Plan. Net receipts from private donations were also somewhat higher at Rs. 16.0 crores as against Rs. 13.8 crores while those from miscellaneous transactions were larger at Rs. 9.7 crores as compared to Rs. 1.1 crores. The improvement in receipts from private donations and miscellaneous transactions may have been the result of the intensified restrictions on foreign travel and private remittances, and of a reduction in the smuggling of gold and other items. However, receipts from private donations were still well below the 1956-57 level of Rs. 47.8 crores.

Downward Adjustment Needed

It may, however, be added that, from the foreign exchange point of view, the net surplus in the invisible account needs to be adjusted downward to eliminate the expenditure by the U.S. Embassy out of the portion retained by it from total accumulation of P.L. 480 rupee counterpart funds, since it is counterbalanced by increased capital payments of a book-keeping nature. The invisibles position (excluding official donations) thus adjusted shows net receipts of Rs. 8.2 crores in the first half of 1963-64 as against net payments of Rs. 9.1 crores in the first half of 1962-63.

With the depletion of the sterling balances, gross receipts from investment income have rapidly declined, while payments have risen with the growth of the country's external indebtedness. Gross receipts amounted to Rs. 5.8 crores and gross payments to Rs. 46.3 crores in April-September 1963, as compared to Rs. 9.4 crores and Rs. 43.4 crores, respectively in April-September 1962.

The net outflow of private capital both long-term and short-term was Rs. 6.2 crores in April-September 1963, as compared to Rs. 6.4 crores in April-September 1962. The figures of private capital movements recorded in the balance of payments, however, do not reflect the real trends since the balance of payments data exclude two important channels of inflow, namely, non-cash inflow of capital (which takes primarily the form of supply of equipment) and re-invested earnings of foreign companies. Nevertheless, the inflow of private foreign capital has been significantly less than was envisaged earlier.

In the half year under review, the net outflow of banking capital amounted to Rs. 19.6 crores as compared to Rs. 7.6 crores in the corresponding half of 1962-63. This was mainly in the nature of a reduction of the liabilities which were incurred in the latter half of the previous year when the lowering of the British bank rate to 4 per cent and the raising of the Indian bank rate to 4½ per cent had caused a significant inflow of funds. Repayments (net) of foreign loans amounted to Rs. 26.3 crores for April-September 1963 as compared to Rs. 22.4 crores in the first half of 1962-63.

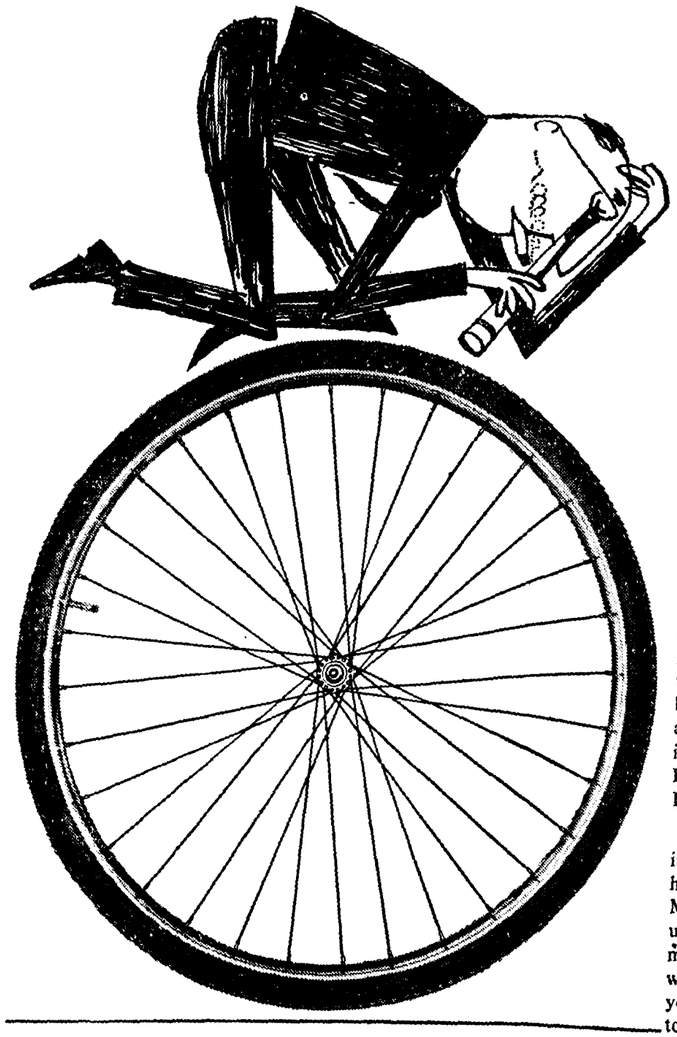
External Assistance

Payments against external assistance (other than under the American Surplus Disposals Programme) were estimated at Rs. 2,600 crores during the third Plan period. These would be covered partly by assistance amounting to Rs. 693 crores carried over from the second Plan period; on the other hand, part of the assistance promised during the third Plan will be disbursed in the fourth Plan period. The Aid India Consortium sponsored by the World Bank, which had pledged assistance amounting to Rs. 617 crores for 1961-62 and Rs. 510 crores for 1962-63, promised further assistance of Rs. 501 crores for 1963-64, making a total of Rs. 1,627 crores for the first three years of the third Plan. Detailed agreements were concluded till the end of December 1963 against these pledges for a total amount of Rs. 1,292 crores. Assistance promised upto the end of September 1963 outside the Consortium, mainly by the U.S.S.R. and other East European countries, and available for use during the third Plan amounted to a total of Rs. 396 crores, the bulk of which was authorised before the end of the second Plan period.

The above figures exclude assistance under the American Agricultural Surplus Disposals Programme, which has helped to maintain supplies both of foodgrains and of other commodities such as cotton. The value of such supplies available for import during the third Plan amounts to Rs. 630 crores, and the actual imports in the first 2½ years of the Plan amount to Rs. 294 crores.

In the second Plan and at the start of the third Plan, most aid was project-tied. In the case of such assistance, orders are placed after loan agreements are signed and the actual drawal of funds takes place as and when machinery is shipped. Increased imports of machinery against such project assistance have recently resulted in an improvement in utilisation. The availability of a larger share of external assistance in non-project form has also resulted in speedier drawals. While in 1961-62, the amount drawn against external assistance was Rs. 250 crores, there was an improvement to Rs. 321 crores in 1962-63. In the first half of 1963-64 the sum drawn was Rs. 180 crores and in the second half of the year, receipts are likely to be higher. A further significant improvement is expected in 1964-65.

The servicing of external debt is a growing burden on the balance of payments. Debt repayments had amounted to Rs. 60 crores in 1961-62 and Rs. 53 crores in 1962-63. Repayments against loans signed upto the end of 1963 are estimated to rise to a peak of Rs. 116 crores in 1968-69. Over the fourth Plan period, repayments against these loans will amount to Rs. 553 crores and interest charges to Rs. 273 crores. In addition, debts contracted in 1964 and later will have to be serviced. It is thus important that further borrowing should be on softer terms. Loans from the International Development Association and the U.S.A.I.D. have been repayable over 40 to 50 years, with long grace periods and nominal service charges; and there is a need for wider acceptance of this pattern.



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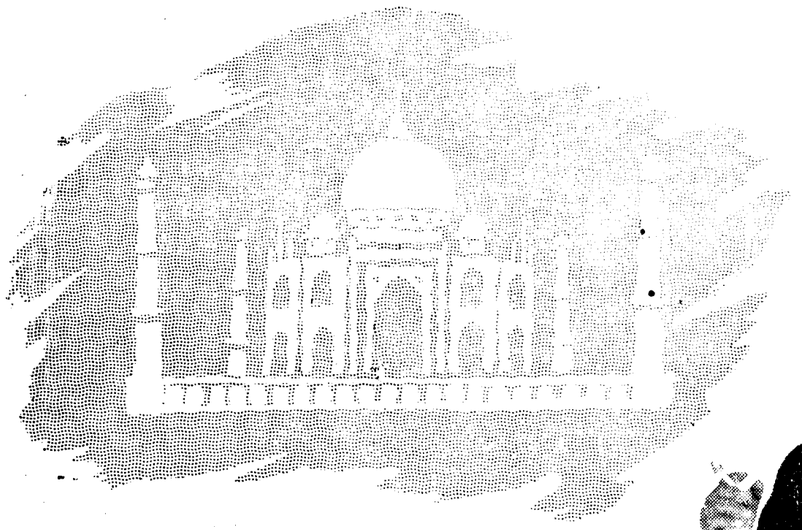
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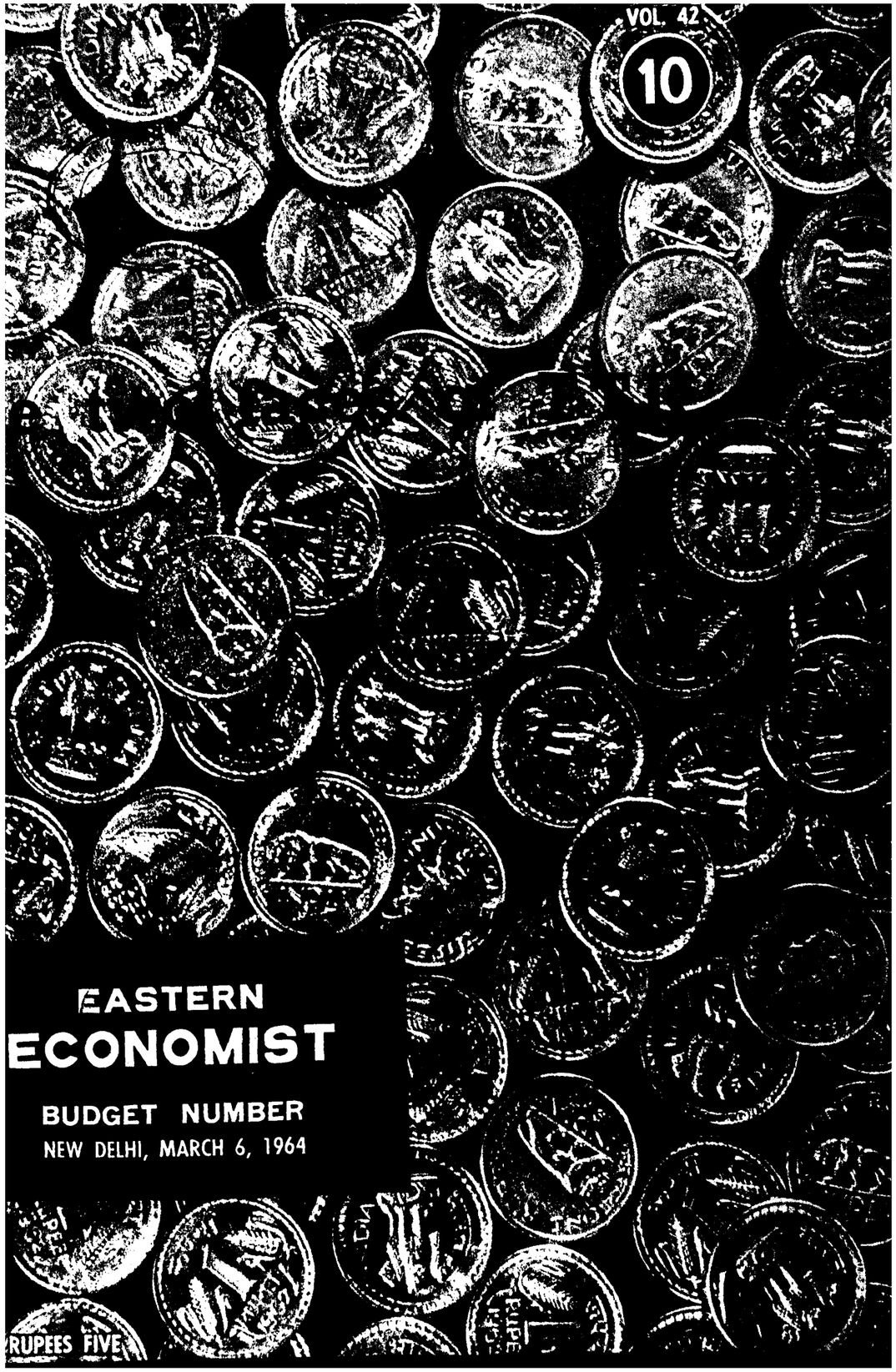
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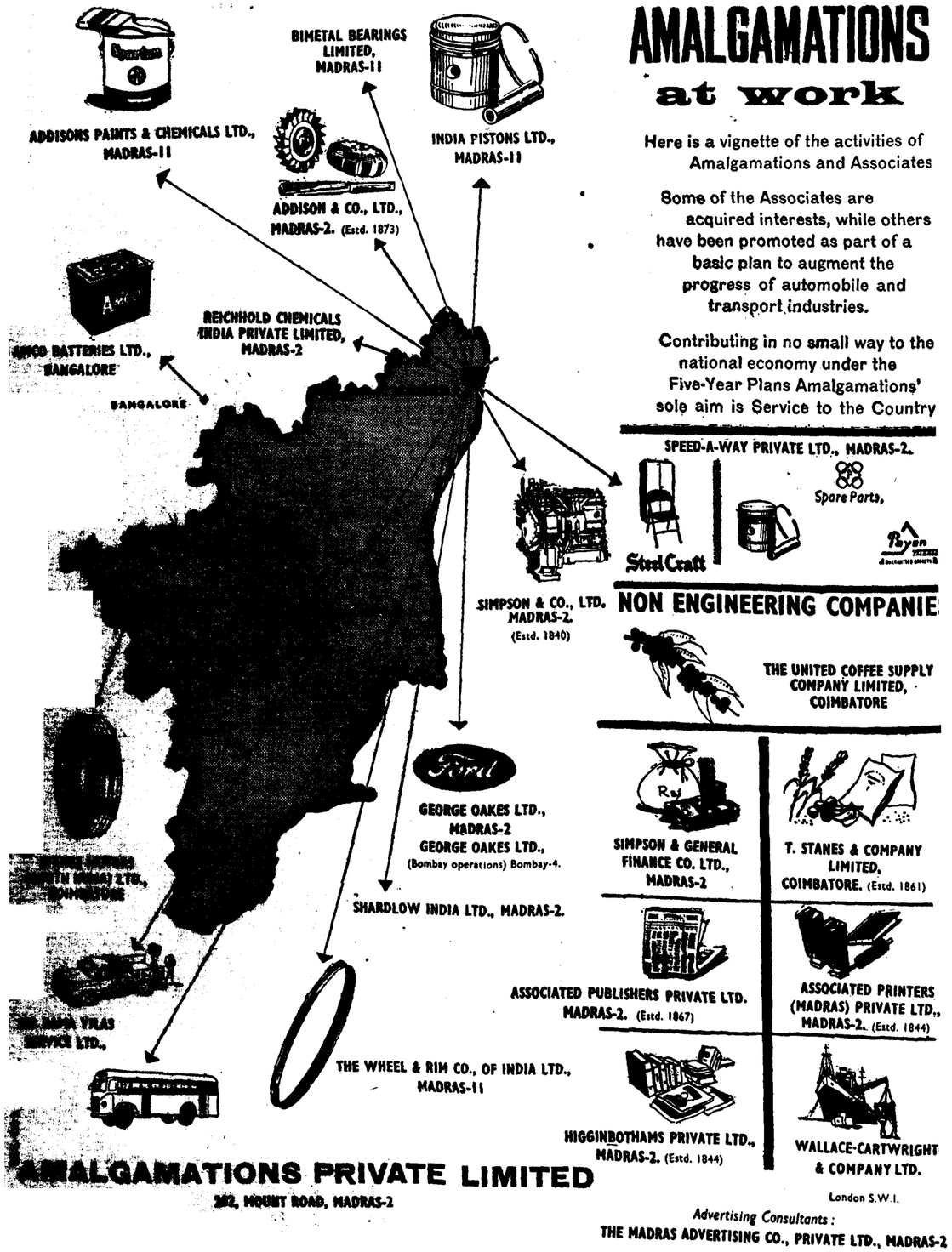
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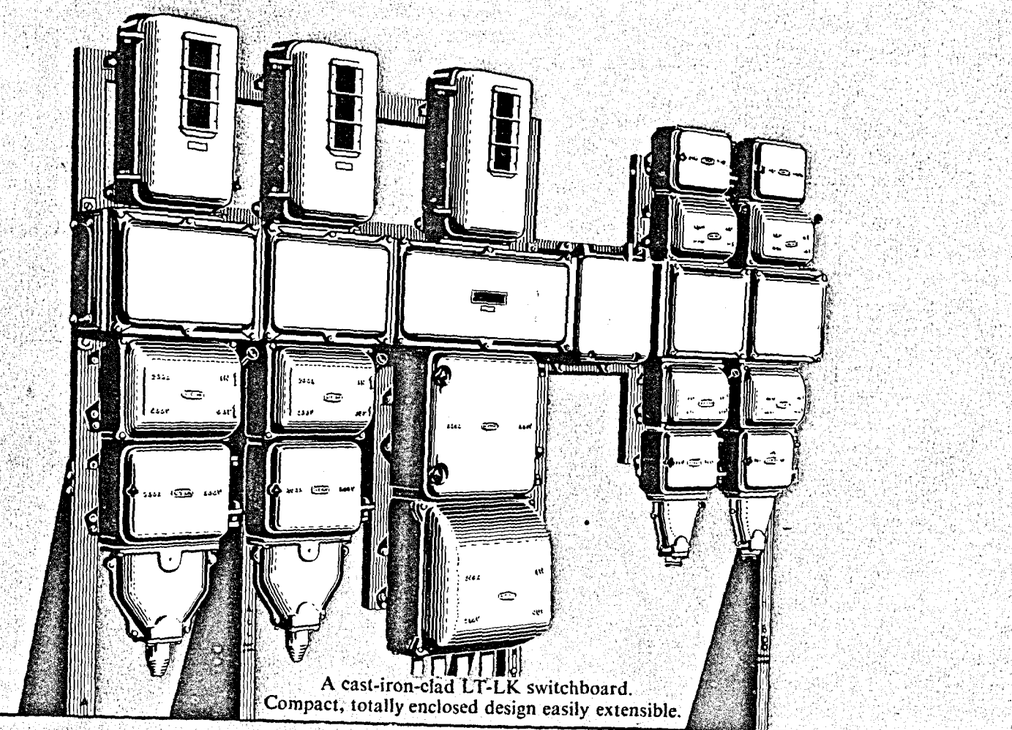
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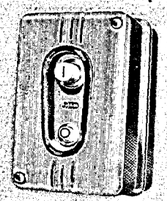
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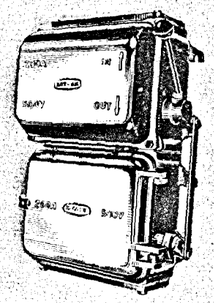
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EASTERN ECONOMIST

BUDGET NUMBER

NEW DELHI: MARCH 6, 1964

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The Two Faces of TTK

IN A WITTY string of verses arguing that "cancer can be fun", published in a recent issue of *New Statesman,* Mr. J. B. S. Haldane, the eminent biologist, who is now convalescing from surgery for cancer of the rectum, points out that among the gods of many mythologies the Roman god Janus must look slightly ridiculous. With his two faces turned in opposite directions, front and behind, poor god Janus is in the unenviable situation of having to contemplate eternally a view of his posterior. The Central budget for the coming year, though two-faced like Janus, is however not a matter for ridicule or resentment. It is a budget which has to be criticized more in sorrow than in anger, for here is the sad case of an abortion of good intentions, of political courage failing intellectual conviction.

That Mr. T. T. Krishnamachari firmly believes in a positive fiscal policy for stimulating the corporate sector and enabling it to secure more resources from its own earnings as well as from new investments out of personal savings in the community cannot, indeed, be denied. Not only in Part 'A' of his budget speech, but in many earlier pronouncements, he has been pleading for a comprehensive economic programme which would break through the stagnation in savings and investment and thereby push the economy towards higher levels of economic activity. In the fiscal proposals of the budget itself he has put forward a set of measures which share a common logic that the corporate sector should be enabled on the whole to retain more of its earnings for ploughing back into business instead of being made to pay more in the form of various taxes. Again, in his pattern of concessions and incentives to foreign private capital, he has attempted to remove some of the existing grievances and thereby improve the inflow of foreign equity capital and know-how. But it should surely not have been impossible for the Finance Minister to appreciate that these improvements in fiscal attitudes and measures, however valuable in themselves, could lead only to a half-way house.

Retained earnings are, no doubt, of major importance in the growth of industry. But even under the most favourable circumstances they can only meet a part of the additional finances required for substantial industrial growth. It is true that, by reducing the aggregate incidence of taxation on corporate earnings and encouraging inter-corporate investment by abolishing super-tax on inter-corporate dividends, the Finance Minister has sought to promote a certain extent of diversification of industries through existing companies. But surely this flexibility is not enough in a situation where hundreds and thousands of new industries will have to come in a steadily growing stream if the industrialisation of the nation is to be rapid enough and substantial enough. Industrial expansion on this scale cannot take place on the strength of the internal finances of the corporate sector alone. Those finances will have to be augmented by a large and sustained inflow of new investments from current personal savings in the community. The Finance Minister's budget proposals, however, have ignored the essentiality of the induction of personal savings into industry. He seems to have proceeded on the assumption that the bulk, if not very nearly all, of personal savings should be directed into public exchequer from which finance could be subsequently made available to industry through government or semi-government financial institutions. Whatever may be the virtues of this approach, it can certainly

not be claimed that it is the kind of fiscal or larger economic policy which would liven up or invigorate the capital market. The proposed dividend tax, extension of capital gains tax to bonus shares and the mobilization for Government purposes of the bulk of the investible savings of the upper middle classes through the annuity deposit scheme must surely reduce the ability and willingness of more and more people to invest more and more in shares generally and new issues in particular.

Added to this are the sudden large demands made specially on the income and wealth of the rich. The re-introduction of the expenditure tax is claimed to be designed to penalize conspicuous consumption or ostentatious living. Assuming that a tax of this kind could have an effect of that kind, the Finance Minister ought surely to have asked himself whether the other socio-economic conditions needed for the expenditure tax succeeding in its purpose are present. It is surely unrealistic to expect rich people to deny themselves the pleasure of current consumption when there are other features in the Government's fiscal and economic policies which must discourage rich men from earning more or saving more or investing more or accumulating wealth for the benefit of their progeny. Here we cannot overemphasize the importance of fiscal policy not being self-contradictory. If the aim is to restrain consumption among the well-to-do, it surely becomes important to make saving and investment more attractive. But if the earning and building of wealth is penalized it is surely unsound to expect restraint on consumption to be practised. On the contrary, the psychological attitude prompted in the rich would be one of living for the day. In such circumstances, the expenditure tax would become just another levy on income and capital of the well-to-do.

It is possible that the Finance Minister has revived the expenditure tax not because of his partiality for a pet notion of his but because he has found in it an easy way of implementing Bhubaneswar socialism. That the sudden and large increases in the estate duty and rigorous tightening up of the gift tax are tributes which New Delhi is paying to Bhubaneswar is of course only too obvious. It is true that death duties have been recognised in all progressive communities as a legitimate means of moderating disparities in wealth arising out of inheritance. Had the Finance Minister been content with a moderate accentuation of the rates of the estate duty it would have been easier to appreciate his approach. As it is, he has chosen to step up this duty to expropriatory limits, clearly indicating thereby that the purpose is to disperse not only big concentrations of personal wealth but even moderate fortunes within a period of one or two generations. This certainly is levelling down with a vengeance, for while the structure and grades of personal taxation taken as a whole will certainly operate to prevent people from accumulating new fortunes of even a few lakhs of rupees, the estate duty taken with the gift tax, must lead to the liquidation of industrial investments by the wealthy in order that their estates may be able to meet their tax liabilities. Thus while it is being made more and more difficult for new entrepreneurs to accumulate enough capital to make a start as industrialists, conditions are also being created for the dissolution of established business interests. It should, indeed, be extremely unlikely that this state of affairs can help in the industrialization of the country which would necessarily involve greater exertions on the part of existing business leaders as well as a steady emergence of new entrepreneurs.

It is possible that, having acted in a political hurry, the Finance Minister was not wholly aware of the larger and deeper implications of some of his budget proposals. It seems certainly to be the case that he has been led into exaggerating the extent of the relief given to companies through the replacement of the super profits tax by the surtax. It is possible that he is also mistaken in his assessment of the effects of other proposals in the budget. The behaviour of the stock exchanges since February 29, however, should by now have convinced him that the budget proposals have mis-judged the situation. Mr. Krishnamachari has not been able even to generate moderate enthusiasm in the capital market. If this passivity continues the prospects for economic expansion would be bleak indeed. The development of the national economy must at all times be a joint endeavour of the Government, foreign collaboration and domestic capital and enterprise. The two faces of Mr. Krishnamachari have been turned to the first two. It is a pity that there has not been a third face which could have been turned towards the third side of this equilateral triangle.

Eastern Economist 20 Years Ago

MARCH 3, 1944

The proposal to increase the corporation super tax to 3 annas in the rupee cannot be defended, if the object is not to impose additional handicaps on industry. But the decision to grant a rebate of one anna in the rupee on such of a company's total income as is not distributed in dividends except at fixed rates of dividends is a welcome recognition of the principle that profits ploughed back into industry should be differentially treated from profits distributed as dividends. We have more than once pressed for the adoption of this enlightened view of taxation and welcome this tardy and halting recognition of a principle which deserves extensive application in the interest of further industrial investment. Similarly, the limitation of the rates payable by insurance business to 63 pies, with retrospective effect to the provision for 1943-44 is good so far as it goes, though it is not adequate, compared to what obtains in the United Kingdom.

'D' is for Disincentives

IF THE super profits tax had destroyed Mr. Morarji Desai's standing as a Finance Minister, the surtax proposed by his successor is unlikely to add to the reputation of the latter. Mr Krishnamachari claims that his purpose is to generate confidence in the capital market and the corporate sector. He has had an excellent opportunity, but some cruel god had willed him to let it pass. Through a simple withdrawal of the SPT, the present Finance Minister could have brought about a revolution in business psychology and the investment climate. He has, indeed, withdrawn the SPT, but by an unhappy error of judgment, he has chosen to cancel much of the good effect of that surrender by proposing a substitute in the form of a surtax on companies' profits. We may assume perhaps that, at the last moment, he had found himself lacking in the political courage needed to revert to a normal pattern of company taxation. The evil that men do lives after them and the surtax is the stubborn remnant of the Desai legacy.

Fewer Excuses

In fairness to Mr Desai, however, it must be pointed out that his successor has fewer excuses for fiscal folly. This time last year the public exchequer had come steadily under enormous pressure to raise resources anyhow. In the resulting excitement, the then Finance Minister and his advisers, whether within the Finance Ministry or outside, seem to have lost their heads. Mr. Krishnamachari has had time and opportunity for retrospective wisdom. In the circumstances, it is indeed most unfortunate that he should have chosen to continue an inherently unsound scheme of company taxation, even if it be with modifications. It is no doubt true that the proposed surtax is less amateurish or crude than the SPT to the extent that it has exempted a higher rate of return over a far wider capital base. The SPT applies after a six per cent return on a rather rigorously defined capital base, whereas the proposed surtax would be attracted after a 10 per cent return on a more liberally construed capital base. Another difference to the advantage of the new tax is that it would be on a flat rate of 40 per cent on chargeable profits, whereas the SPT operates on a two-tier rate structure of 50 per cent on the first slab and 60 per cent on the next. The net effect of these differences would no doubt be to reduce the total burden of extra taxation of company earnings. The actual incidence will vary from company to company, but preliminary calculations show that for a large number of companies and over the corporate sector as a whole, the relief resulting from the substitution of the SPT with the surtax might be less substantial than is apparently assumed by the Finance Minister. This explains why the stock exchanges have not shown any great enthusiasm. By the same token, the Finance Minister's belief that his budget would stimulate industrial and business activity may not be borne out. Incidentally, in one vital respect, the surtax seems to be more onerous than the SPT. This is the absence of any provision for the carry forward of losses. It is possible that the Finance Minister may correct this lapse. That would no doubt be a considerable improvement, but it would still be an improvement in detail which will not alter the basic position.

The main objections to the SPT are that it is a tax on efficiency and that it seeks to apply, in an absolutely indefensible manner, the principle of progression to the taxation of corporate profits, thereby discriminating against the more efficient enterprises, besides being regressive in its ultimate incidence on shareholders. These objections will continue to apply to the surtax. All that Mr. Krishnamachari may claim is that by replacing the SPT by the surtax he would be mitigating the unevenness of the incidence of the additional taxation of company profits. That would still leave unanswered the question whether it is at all necessary to have this kind of extra taxation of corporate finances. Surely such additional taxation is inconsistent with the Finance Minister's own recognition of the need for strengthening the resources of the corporate sector. The best (because it would be the most direct and the most simple) way of doing this would therefore have been merely to have dropped the SPT and stopped with that. The Government's ways and means position would not have seriously come in the way of such a move and it is consequently most deplorable that the Finance Minister has failed to act in that manner. It is quite clear that the surtax is simply a creation of political expediency to which economic wisdom has been sacrificed.

Equally inappropriate to what professes to be an "incentives" budget is the proposed tax of 7½ per cent on all amounts distributed as dividend on equity capital. Roughly this would mean a direct addition of 2½ per cent to the total of 50 per cent of income tax and super tax payable by companies. If the purpose of this tax is merely to raise revenue, it would have been better had the Finance Minister merely raised the basic total of corporation tax to 52½ per cent. Had he done so and had he, at the same time, abolished the SPT without replacing it by any other levy, he could have served the interests of the exchequer without creating a feeling of onerous new burdens on the corporate sector. In that case, the reaction of the capital market would certainly have been much more constructive and Mr. Krishnamachari's claim that he had framed his budget with a view to stimulating the economy would have been easier to sustain.

For the Sake of It

Unfortunately, the Finance Minister has once again succumbed to the temptation of levying a new tax for the sake of levying a new tax. His argument that the dividend tax is needed to prevent "dissipation" through higher dividends of additional resources resulting from the substitution of the surtax for the SPT is altogether unconvincing. In the first place, the possible additional resources, as we have pointed out earlier, are likely to be much smaller than the Finance Minister supposes. Mr. Krishnamachari, we are afraid, is unduly impressed with his own generosity in replacing the SPT with the surtax. The generosity, we allow, may be in his intentions, but it is not likely that there will be much of it in the consequences of his actual proposals. This apart, the use of the word "dissipation" in the context in which the Finance Minister has used it betrays an uncharacteristically old-maidenish approach to the matter of dividends. Money distributed on dividends is certainly not dissipated either from the point of view of the corporate sector or from the point of view of the community at large. It is an elementary text-book maxim that dividend incomes carry a very high potential of saving and re-investment. It is generally the case that no significant part of dividend incomes is utilized in consumption expenditure. More important still, an increase in dividend levels is probably the best stimulant for the investor's interest in the corporate sector. The Finance Minister surely knows that people do not put more money in equities merely because of a brilliant Part "A" budget speech in which it has been argued with devout earnestness that the Government believes in promoting (and is determined to promote) a good climate for investment in the corporate sector. In the psychology of the investor, there is hardly any substitute for the powerful appeal which an attractive level of dividends in the corporate sector could make. The dividend tax, like the surtax, is entirely misplaced in what purports to be an "incentives" budget.

Passing on to the details of the dividend tax, it is cer

tainly odd that no exemption limit has been provided. The Finance Minister says that he wants to restrain higher dividends. We have said already that it is undesirable to restrain dividends. But even assuming for the moment that an increase in dividends is to be prevented, it is incomprehensible that the Finance Minister should have thought in terms of a general and absolute penalty on dividends as such, irrespective of whether there has been an increase or not. Indeed, the tax in its present form is so anomalous that even a company which is actually distributing a reduced amount in dividends will still have to pay it. Surely this could not have been the Finance Minister's intention. The principle that a floor should be provided is therefore hard to resist and, assuming that this tax is to stay, the least that the Finance Minister might do would be to apply the tax only to such amounts as are in excess of the highest amounts (corresponding to the equity base) which have been distributed in dividends in any of the previous three accounting years.

Powerful Disincentives

The surtax and the dividend tax are certainly two very powerful, and wholly incongruous, disincentives in a budget which is claimed to have been dedicated to the task of stimulating the economy. There are other afflictions as well. The proposal to bring the bonus element in bonus shares under the purview of the capital gains tax, for instance, is an avoidable deterrent to shareholding. The Finance Minister's contention that bonus shares are as much an accretion to capital assets as any other accretion which currently attracts the capital gains tax overlooks the fact that there is already a special tax of 12½ per cent on bonus shares. It is true, of course, that this tax is paid by companies, but the money, nevertheless, comes out of the pocket of the shareholder for all practical purposes. The real situation therefore, is that the shareholder has already been taxed on the capital gains in the bonus shares. To tax him again through the capital gains tax is certainly inequitable. This additional discouragement to shareholding must necessarily make nonsense of the Finance Minister's claim that he has been at pains to frame a budget which would create a healthy climate in the capital market. To put it differently, bonus shares should certainly not be subjected to a special tax in the hands of companies as well as a capital gains tax subsequently in the hands of the shareholders. If Mr. Krishnamachari is so anxious to extend the capital gains tax to bonus shares, he should surely see the reasonableness of abolishing the special tax on such issues.

We are not suggesting here that the budget proposals relating to the corporate sector are entirely devoid of small mercies. The proposal to provide to companies which engage in certain specified industries a rebate of super tax of the equivalent of the 10 per cent of income tax and super tax, which would be normally payable by them has rightly been widely appreciated. The industries chosen for this favoured treatment are those which occupy an important place in our economy and the development of which the Government considers necessary to encourage through special measures. In the Finance Bill, 14 such industries or industrial categories have been mentioned and power has been taken to notify additions to this list from time to time. It is possible that this rebate could offset a good deal of the increased tax liabilities which the favoured enterprises would be incurring on account of surtax. Their position in this respect is further improved by another concession that this rebate will also be applicable to them in respect of surtax to the extent of 20 per cent of tax assessed. It is perhaps not uncharitable to draw the inference that these rebates are essentially in the nature of conscience money and that the Finance Minister, having decided for reasons of political expediency to make amends for the repeal of the SPT by imposing a surtax, has let his bettter judgment prevail to the extent of mitigating the severity of the resultant tax burden at least in respect of enterprises engaged in high priority industries. While his motives could be sympathized with, it is not unfair to make it clear that the rebates in their context cannot really be regarded as positive incentives. An incentive would be positive only where the general burden of taxation is reasonable and the concession is a genuine one. Where the general burden of taxation has been increased by extraordinary fiscal measures, such concessions as may be given are to be considered strictly as reliefs merely and not as incentives.

The position is similar with regard to the concession given to new companies in the matter of the dividend tax. The Finance Minister has proposed to exempt them to the extent of a dividend of 10 per cent on equity capital for a period of five years from the first declaration of dividend by such a company. We had already argued that a dividend tax which is intended to discourage an increase in dividends, should even normally carry an exemption limit. To restrict this basic and legitimate provision to the particular case of new companies is to be viewed not so much as a favour shown to such companies as a penalty imposed on the rest of the corporate sector. Incidentally, it is indeed outrageous logic that it should be thought a wrong thing for established companies which, through enterprise or prudent management, have come to occupy a sound and strong financial position, to seek to share the monetary benefits of their success or prosperity with the shareholders who own it. Let us make it clear that we are not objecting to the concession proposed for new companies. Our point is that the very fact that the Finance Minister has found himself compelled to make this distinction has exposed the absurdity of the general scheme of the dividend tax with the absence from it of a provision for a normal exemption limit.

A tax concession to which we could extend unreserved approval is the proposal to exempt all inter-corporate dividends from super tax. Here is welcome recognition of the vital role which inter-corporate investments could make in quickening the pace of industrial expansion and promoting the diversification of industries with great economy of financial, managerial and other resources. This is a fine example



of the pragmatism which, fortunately, is not totally absent from the budget proposals, despite the overcrowding pressures of political expediency.

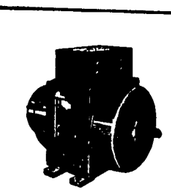
The group of companies which are generally referred to as Section 23-A companies (and which are now governed by Section 104 of Income Tax Act, 1961) has been the 'bete noire' of successive Finance Ministers. It is, therefore, wholly pleasing that the attention that this group has received in the budget is not wholly to its disadvantage. It is true that the rate of super tax applicable has been increased from 25 per cent to 35 per cent in this case, but these companies, where they are engaged in the specified industries eligible for the proposed rebate of super tax equivalent to 10 per cent of the income tax and super tax payable by them, have been allowed this general concession. This apart, in consonance with his desire to encourage the ploughing back of profits, the Finance Minister has freed this group from the existing requirement of compulsory distribution of dividend. For such other companies as are also subject to the requirement of compulsory distribution of dividend, the Central Board of Direct Taxes is to be empowered to exempt such portion of profits which it considers necessary to be retained to meet the development needs of the company concerned, subject to the limit of 20 per cent of the income required to be distributed.

While on the subject of concessions and reliefs it is perhaps permissible to bring to the attention of the Finance Minister an instance where it is certainly desirable to reverse yet another of the decisions of his predecessor. We are referring to the discontinuance in the budget for 1962-63 of the five-year exemption from wealth tax of shares held in new companies. This exemption, while it existed, was certainly a considerable encouragement to investment in the corporate sector and its withdrawal was equally clearly a discouragement. Since the Finance Minister is on the whole inclined to promote such investment, it is hoped that he will consider the restoration of this concession.

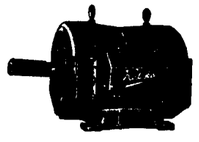
Misapprehensions

Finally, the Finance Minister's loud thinking on the future of the development rebate has naturally aroused certain misapprehensions. While there is appreciation of the fact that he has not abruptly made any changes in the existing position but has preferred to serve notice that modifications were to be expected after an interval, it is pointed out that there is still bound to result a climate of uncertainty about how and to what extent the Government proposes to modify the development rebate. It is being suggested in responsible quarters that in order to allay doubts and fears and to make possible the continuous and/or advance planning of new industrial projects, the Government might do well to make a policy declaration indicating the industries which might be affected and also the extent to which they may be affected by such changes as it is proposed to make in the scheme of the development rebate. While the changes themselves might be put into effect at a later date as proposed by the Finance Minister, an advance account of their nature might profitably be given now so that entrepreneurs and investors would be enabled to take into account probable trends in tax liabilities. This is a plea which is worth considering because, as circumstances are at present the development rebate, along with the "tax holiday", has come to occupy a position of overwhelming importance to the investment climate for industrial expansion.

The Finance Minister himself, in the interview he gave recently to 'The Economist', London, thought fit to make special mention of the development rebate as one of the in-built advantages of the tax structure in this country. It is, of course, not true that the development rebate is a positive benefit in itself. Its importance arises from the fact that but for it the totality of the fiscal burdens laid on the industrialization of the country would have been truly intolerable and virtually crippling of industrial activity. It is clear that such a strategic element in the tax structure should be treated at all times with the greatest circumspection. While the Finance Minister's desire to use the development rebate to further his strategy of selective encouragement of industrial expansion on the basis of national priorities is indeed legitimate up to a point, it would certainly be unwise to curtail unduly the scope of the development rebate because, as we have pointed out, it is really in the nature of a safety valve in the tax structure. If the basic system of taxation were reasonable, constructive and oriented towards economic expansion and dynamic industrialization, there would have been no need for gadgets like the development rebate. It is precisely because of the fiscal tyranny built into our tax structure that there is need for such extensive safety provisions. Mr. Krishnamachari, whatever his intentions or professions may be, has not by any means employed his present budget for the purpose of civilizing the tax structure to the extent needed. On the contrary, while pulling out a tooth here or trimming a claw there, he has also put in new fangs on his own. It would, therefore, be altogether imprudent to be in a hurry to tamper with the mitigatory aspect of the tax structure.


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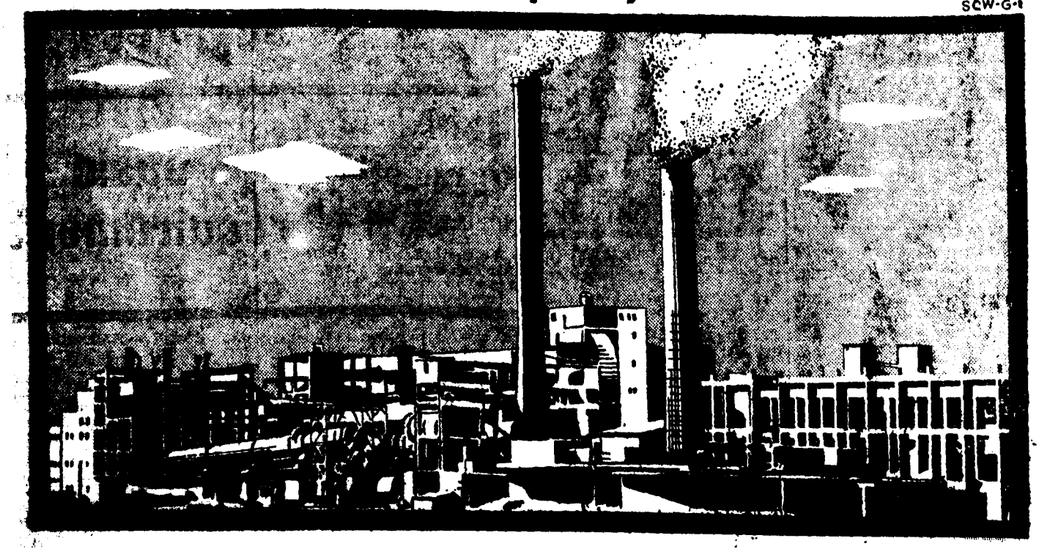
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The Budget and the Price Line

ONE OF the more agreeable features of Mr. T. T. Krishnamachari's stewardship of the Government's economic policies in the months since he took over from Mr. Morarji Desai as Finance Minister is the concern he has been showing for defending the welfare of ordinary men and women. While recognising the stern realities of the circumstances in which a poor country has to find the massive means of financing its economic development as well as the defence outlays essential to its security, the Finance Minister has, at the same time, taken the humane and enlightened view that the vulnerable sections of the community should neither be expected to bear more of the burden of such financing than may be strictly necessary nor be denied current benefits in terms of welfare services or social security as is at all possible for the Government to provide.

In framing his budget proposals Mr. Krishnamachari has clearly endeavoured to be guided by these considerations. From this point of view the most significant feature of his budget is that, while attempting higher levels of Plan and defence outlays, it is striving hard to contain and control their inflationary potential. Although, even at the existing level of taxation, the Finance Minister could anticipate a surplus of Rs. 54 crores on revenue account, he has nevertheless decided to resort to further means of securing revenue so that the overall budgetary gap may be kept to the minimum. As a result, as against the overall deficit of Rs. 135 crores in the revised estimates for the current year, the corresponding gap in the budget year has been reduced to Rs. 86 crores. This is certainly creditable performance considering that more money is to be spent on the budget year on development as well as defence. It is gratifying to find that the resort to deficit financing is thus being substantially reduced. As a matter of fact, unless there are unforeseen adverse developments on the expenditure side, the quantum of deficit financing which is likely to be called for in the budget year ought to be marginal. The importance of this point should not be under-estimated when, as is the case now, prices have been steadily rising for some time on a wide front.

Restraining Consumption

In his budget speech the Finance Minister has emphasized the need for fiscal policy seeking to restrain consumption in the present circumstances. Up to a point this argument is certainly a respectable one and Mr. Krishnamachari has attempted to give practical shape to it in various ways. In the first place, the target for small savings has been fixed at Rs. 125 crores as against the record collections of Rs. 115 crores secured in the current year. Again, although the compulsory deposit scheme is now to be wholly withdrawn, the Finance Minister has proposed in its place an annuity deposit scheme on a graduated scale for income tax assessees at the income level above Rs. 15,000 per annum. We shall presently consider some of the drawbacks of the scheme, but here it must be acknowledged that so far as the limited purpose of restraining consumption as a part of an anti-inflationary programme is concerned, the scheme is certainly not without value.

Again, although the Finance Minister has not given any relief to the community from prevailing high level of excise taxation, he has at least refrained from adding to that burden. Although he has made changes in indirect taxes through which he expects to secure about Rs. 26 crores of net additional revenue, it is broadly true that none of the adjustments he has proposed is of a nature which would impose any additional burden on the community through higher prices. This is not an inconsiderable achievement.

There are a few more fiscal changes which again would have some healthy influence on the price level. For instance, the proposal to allow a rebate of super tax on contributions to recognised provident funds, deposits in the 10- and 15-year accounts of the post office cumulative time deposit scheme and premiums on life insurance should be an encouragement to voluntary savings and should have a moderating influence on the price level. In the changes proposed with regard to the capital gains tax, the Finance Minister seeks to apply a higher rate of taxation to house and landed property, the purpose being to restrain unhealthy speculation resulting in the boosting of the value of such property.

Against the background of these proposals, it could certainly be argued that the budget is bound to have a restraining effect on the price level. To what extent it is actually successful in this respect will be determined, however, not only by the negative consideration of the discouragement of consumption but also by the positive effect of any contribution which the budget as a whole could make to the stimulation of production. In the course of his budget speech, Mr. Krishnamachari has repeatedly avowed that an important part of his budget strategy is to seek to promote both current production and investment for future production. To the extent that the budget as a whole, and particularly those parts of it which relate to direct taxes, could in fact produce a favourable climate for investment and business activity, an important contribution to the management of the price situation would certainly have been made by the Finance Minister. On this score, however, judgment must wait. While Mr. Krishnamachari's purpose, undoubtedly, is to stimulate the economy, and while it certainly cannot be denied that many of his proposals relative to the corporate sector could be useful in this manner, there are also quite a few substantial disincentives in the proposals which he made with regard to direct taxation, the consequences of which may be inconsistent with a policy of stimulating the economy.

The Finance Minister has confessed to a healthy scepticism of price and other controls and has clearly affirmed that increased production, assisted by fiscal restraints on consump-



tion in the short period, is the only true answer to the problem of high prices and the shortage of goods and services. This certainly is true but even those who would most readily agree with Mr. Krishnamachari on this score would still feel constrained to point out that, so far as the creation of a favourable climate for investment goes, the totality of the Finance Minister's budgetary decisions may not succeed in giving that clear and forceful positive direction to the economy which is so urgently needed at the present time. Meanwhile, by withdrawing the compulsory deposit scheme completely and releasing income-tax payers from its scope, the Finance Minister has not only done a popular act but has also given appreciable relief to income-tax payers with incomes below the level of Rs. 15,000 to whom the annuity deposit scheme is not applicable. While it is true, that the Finance Minister's marginal adjustments have resulted in the lowering of the income tax liabilities at some points of the lower income brackets, it has been said that the Finance Minister has not given any substantial relief to the mass of the people either through substantial reductions in indirect taxes on consumption goods or through a substantial lowering of income tax rates throughout the lower brackets of incomes. This criticism ignores the fact that, given the high and rising levels of development and defence outlay, no net surrender of revenue on a mass scale is feasible. Where a budget manages to provide more for defence, development and social services without imposing an additional taxation on mass consumption or on the lower levels of income, as the present budget certainly has done, it must be reckoned a considerable achievement for its author. In this sense the present budget may reasonably be regarded as a welfare-oriented budget and the size of the solid contribution that it may make to the community's well-being would certainly be great if, despite some disincentives to capital formation and investment, the economy is still helped by the other favourable provisions in the budget to pick up and move forward towards higher production and investment levels.

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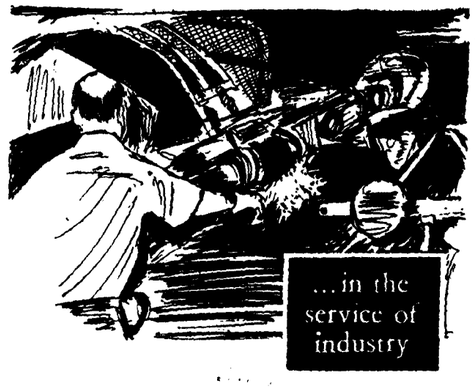
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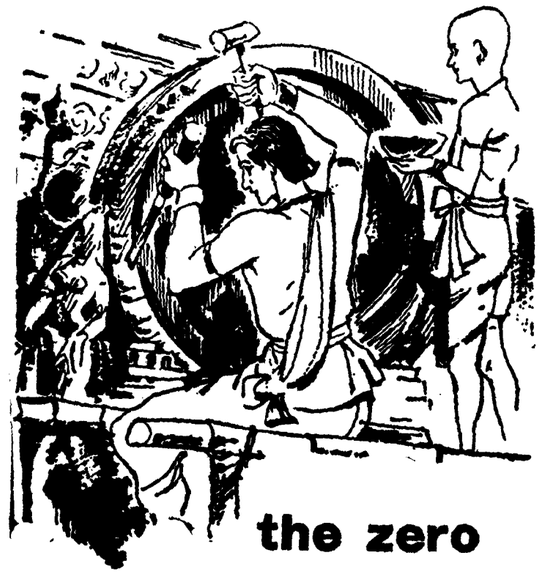
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The Growth in Taxes: 1950-51 —1964-65

THE BUDGET for 1964-65 has raised the total revenue of the Union Government to a new peak at Rs. 2,135.39 crores. There has been a steady rise in the size of the budget year after year, though it is not generally known that the present level is nearly five times the level in 1950-51, the base year for the first Plan. The total revenue of the Central Government in 1950-51 was Rs. 405.86 crores, after excluding the share of the States in the different taxes. It took more than ten years to double itself to Rs. 877.40 crores in 1960-61. The rise has been very steep in the last two years, the increase being Rs. 550.10 crores which is more than the total revenue in 1950-51 by one-third.

Table I below shows the manner in which the tax revenue and the non-tax revenue of the Union Government have increased since 1950-51. From the level of Rs. 357 crores in 1950-51, the tax revenue rose to Rs. 1,449.08 crores in 1964-65 (Budget). If the share of the States in the various taxes were included, the figure would rise to Rs. 1,706.12 crores. The tax revenue doubled itself in the decade 1950-51 to 1960-61; the same feat was once again accomplished in the four years between 1960-61 and 1964-65. A sharp jump during the last two years, especially in the wake of the emergency, was primarily responsible for taking the total tax figure to a new dizzy height. But for the emergency, the shocks of these new taxes would not have been absorbed in so orderly a manner.

Tax Incidence Increases

A study made by the "Tax Research Unit" of the Department of Economic Affairs had indicated in 1961 that the incidence of indirect taxation till 1958-59 was 5.7 per cent of consumer expenditure on all households, 9.3 per cent of consumer expenditure in urban households and 6.9 per cent of the consumer expenditure of rural households. If the same study were extended upto 1964-65, it would be found that the incidence had increased by more than hundred per cent. In the case of the income-tax paying urban households particularly, the effect of indirect taxation will be found to have increased from 13.8 per cent of the consumer expenditure to not less than 30 per cent.

It is customary for all Finance Ministers to compare their total tax revenue with national income, though Mr. T. T. Krishnamachari has made no such attempt. Usually, it is intended to prove that the percentage of taxation to national income in this country is not excessive and that there is ample room for further taxation. In one of his speeches last year, Mr. Morarji Desai had put the percentage at 11. The failure of the agricultural sector has kept the national income figure pegged down which at current prices may not exceed Rs. 17,000 crores in 1964-65. Since the Union taxes total upto Rs. 1,705.63 crores, the percentage works out to not more than 10. This manner of computation, however, is fallacious. In the total tax burden of the country must be included the taxes levied at the State level and by the local bodies. Again, the rural areas and the non-monetised sections of the population should be studied separately from the urban areas and the monetised sections. In an article entitled "Taxation and National Income" in 'Eastern Economist' dated June 14, 1963, it was shown that the incidence of taxation in urban and monetised areas as a percentage of income was much higher than the 10 to 11 per cent as given out by the official spokesmen. The allocation of the taxes between the rural and the urban sectors or between the monetised and the non-monetised sectors, after including the taxes levied at the State level and also at the level of local authorities, indicated that the urban and the monetised sectors of population had to pay more than 30 per cent of their income by way of taxes.

Even though the total additional taxation proposed in the latest budget is not more than Rs. 43.61 crores, in view of the steep rise in taxation in the budget for 1963-64, there was an expectation of some relief in taxation which, however, has not materialized. The budget proposals for 1964-65 include an increase of Rs. 19.54 crores by way of new changes in excise duties, a rise of Rs. 11.00 crores due to the variations introduced in the Corporation tax and a further sum of Rs. 6.37 crores from additional customs duties. The additional yields from estate duty, gift tax, expenditure tax and wealth tax flowing from the changes introduced are estimated to be Rs. 3.00 crores, Rs. 2.00 crores, Rs. 1.50 crores and Rs. 20 lakhs respectively.

Union Excise Up

The budgets of the Union Government have come to rely more and more on the Union excise duties for revenue than on customs. This fact is illustrated in Table II. In 1950-51, the customs revenue was Rs. 161.43 crores, 40.17 per cent of the tax revenue. In 1964-65, it rose to Rs. 336.37 crores but formed only 19.97 per cent of the total tax revenue, showing that the customs have steadily declined in importance as earners of tax revenue for the Union Government. The incidence of Union excise duties, on the other hand, has increased at a fast rate. Again, coming back to 1950-51, it is seen that the revenue from excises at Rs. 67.54 crores was 16.81 per cent of the gross tax revenue, but it now stands at Rs. 769.54 crores (for 1964-65) and forms 45.69 per cent of the tax revenue. The increases from excise duties are ascribed to three factors. With increase in industrial production, the volume of excise revenue has followed an upward course. The increase in the rates of duty on the various products is the second important reason. Thirdly, the list of articles under the purview of the excises has also been expanding. Till 1952-53, for example, a larger number of articles such as artificial silk, cement, footwear, woollen fabrics, electric fans etc. did not bear any of the Union excise duties. It is the combined effect of all these three different factors which has steadily increased the revenue of the Government from excise duties.

The philosophy of indirect taxation has been enunciated

TABLE I

(Rs. crores)

	Tax Revenue (excluding States' share)	Non-tax Revenue	Total Revenue
1950-51 ..	357.00	48.86	405.86
1955-56 ..	411.47	69.72	481.19
1960-61 ..	730.14	147.32	877.46
1961-62 ..	875.37	161.42	1036.79
1962-63 ..	1060.98	371.90*	1432.88
1963-64 (Revised) ..	1310.05	453.51*	1763.56
1964-65 (Budget) ..	1449.08	530.93*	1980.01

* Receipts from forests, opium, currency and mint are shown on a gross basis for the years 1962-63 to 1964-65.

by the Finance Minister in these words: "One of the essential conditions to be fulfilled by indirect taxes is that the revenue from items on which such taxes are imposed is sizable and secondly, that the incidence of these taxes should be identifiable". This rational approach is welcome as it will not only provide relief to a large number of small manufacturers but will also lessen the burden on the tax-gathering machinery. In the case of many products, the game of tax collection is not worth pursuing because the yield is not commensurate with the effort involved. On this basis, the Finance Minister has eliminated duty on a number of items. They include gramaphone records, all gases other than carbon dioxide used for the manufacture of aerated waters, low voltage electric meters and all acids other than sulphuric acid. Again, the excise duty on soap manufactured without the aid of power is proposed to be withdrawn, thus freeing a large number of soap manufacturers from the purview of excise control. The Finance Minister has also brought about some changes in excise duties by regrouping items under paper in order to simplify the schedule of rates and classification. In order to encourage the use of bagasse in the manufacture of paper, he has reduced the excise duty by 5 nP. per kilogram in the case of paper manufactured with more than 50 per cent bagasse. The special excise duty in respect of synthetic dyes, glassware, chinaware, porcelainware, cellophane and

TABLE II

THE GROWTH IN MAJOR UNION TAXES

(1950-51 — 1964-65)

(Rs. crores)

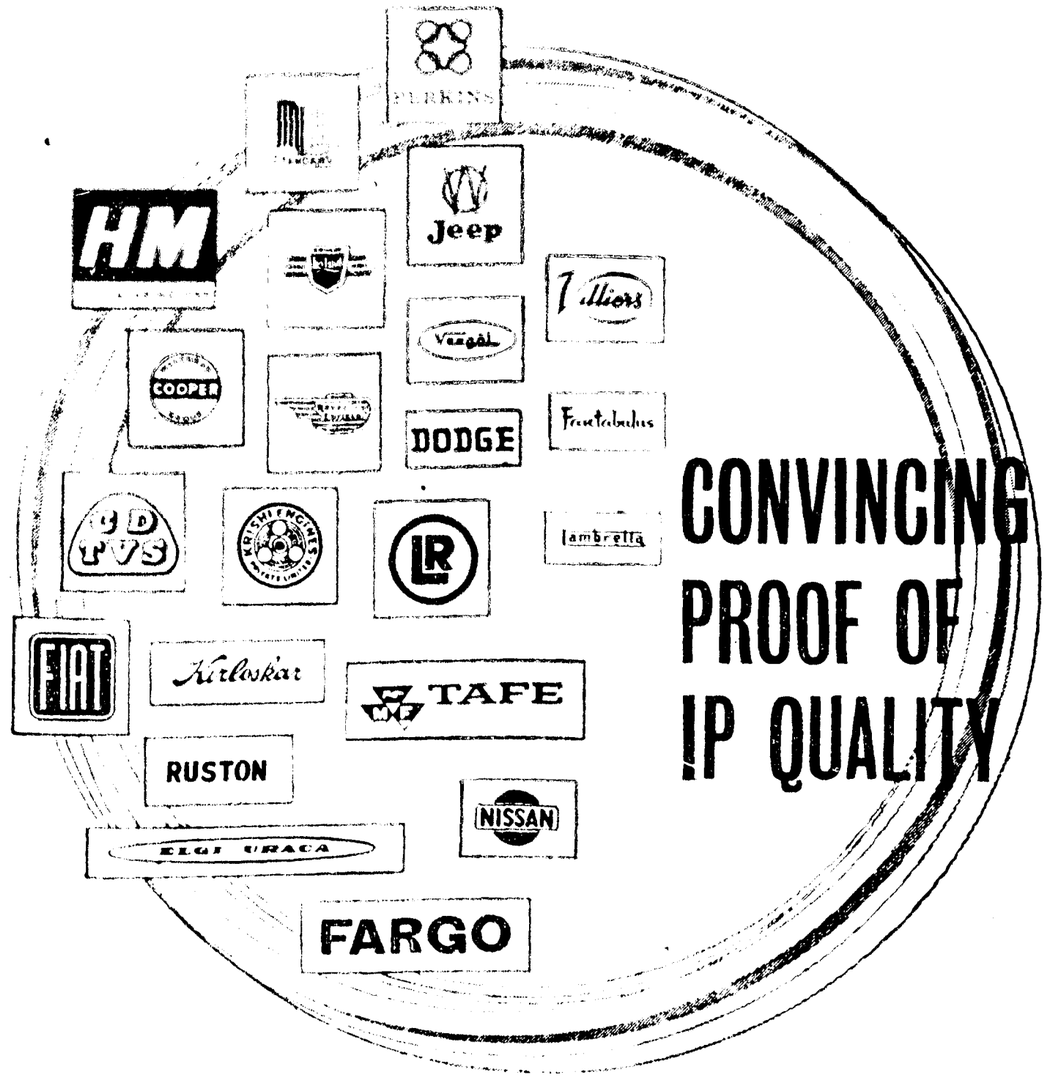
Year	Customs	Union Excise Duties	Corporation Tax	Taxes on Income	Estate Duty, Wealth Tax, Expenditure Tax
1950-51 ..	161.43	67.54	40.49	132.37	..
	(100.00)	(100.00)	(100.00)	(100.00)	..
1955-56 ..	166.70	145.25	37.04	131.36	1.81
	(103.26)	(215.06)	(91.48)	(99.24)	(100.00)
1960-61 ..	170.03	416.35	111.05	167.38	13.03
	(105.32)	(616.45)	(274.27)	(126.45)	(719.9)
1962-63 ..	245.96	598.83	221.50	185.96	14.65
	(152.36)	(886.63)	(547.05)	(140.49)	(809.4)
1963-63 (Revised) ..	320.00	703.47	275.00	235.00	15.62
	(198.23)	(1041.56)	(679.18)	(177.53)	(862.98)
1964-65 (Budget) ..	336.37	769.54	306.00	250.00	22.25
	(208.37)	(1139.38)	(755.84)	(188.86)	(229.3)

Note: Figures in bracket are percentages.

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certain types of writing and printing paper and electric bulbs is proposed to be abolished. There is to be some reduction on initial slabs on tyres as well. The schedule of duty on cigarettes is also being revised while in the case of one group, the duty is to be lowered, it will go up in the case of the other. Complete details regarding these alterations will be found elsewhere in this issue.

Taxes on incomes have shown, comparatively speaking, a slow rise during the last fourteen years from Rs. 132.37 crores in 1950-51 to Rs. 250.00 crores in 1964-65 — a rise of 89 per cent only. The yield from income-tax in future will show a sizable improvement only if the income tax paying classes are able to earn more. Also, if a major share of the increase in national income gets distributed among income groups below the exemption limits, the chances of a rise in revenue are bleak. A historical study of income-tax statistics, however, shows that the number of assessees has been slowly but steadily rising from year to year. More individuals are piercing through the exemption limit and joining income-tax paying groups every year. This is apparent from the following analysis regarding income-tax assessees for 1953-54 and 1961-62. We have to rest content for a comparison between these two years because comparable figures are not available for 1950-51 and 1964-65.

Table III sets out the number of assessees, pre-tax income and post-tax income, for all individuals including salary earners and non-salary earners in these two years. The number of assessees nearly doubled from 2,92,357 in 1953-54 to 5,73,132 in 1961-62. The non-salary earners increased at a faster rate than the salary earners. The number of non-salary

TABLE IV

DISTRIBUTION OF INCOME

(Income-tax assessees only)

(Percentages)

Proportion of Assessees	Pre-tax			Post-tax		
	1953-54	1961-62	Change	1953-54	1961-62	Change
1. All individuals						
Lower 70 per cent	37.0	41.0	+4.0	44.0	46.0	+2.0
Middle 20 per cent	23.5	24.5	+1.0	26.0	28.0	+2.0
Upper 10 per cent	39.5	34.5	—5.0	30.0	26.0	—4.0
A. Salary Earners						
Lower 70 per cent	41.6	42.0	+0.4	46.6	47.1	+0.5
Middle 20 per cent	24.2	24.3	+0.1	25.9	26.1	+0.2
Upper 10 per cent	34.2	33.7	—0.5	27.5	26.8	—0.7
B. Non-Salary Earners						
Lower 70 per cent	34.5	40.0	+5.5	42.0	46.0	+4.0
Middle 20 per cent	23.5	25.0	+1.5	27.5	27.0	—0.5
Upper 10 per cent	42.0	35.0	—7.0	30.5	27.0	—3.5

TABLE III

CLASSIFICATION OF INCOME-TAX ASSESSEES BY CATEGORIES AND GRADES: 1953-54—1961-62

Grades of Gross Income	1953-54					1961-62				
	Number of Assessees	Pre-Tax Income		Post-Tax Income		Number of Assessees	Pre-Tax Income		Post-Tax Income	
		Total (Rs. lakhs)	Average per Assessee Rs.	Total (Rs. lakhs)	Average per Assessee Rs.		Total (Rs. lakhs)	Average per Assessee Rs.	Total (Rs. lakhs)	Average per Assessee Rs.
1. All Individuals	**2,92,357**	**4,10,94**	**14,056**	**3,36,99**	**11,527**	**5,73,132**	**7,40,92**	**12,928**	**6,29,69**	**10,987**
Rs.										
5,001 — 10,000	1,77,615	1,23,52	6,954	1,19,21	6,711	3,49,003	2,40,96	6,904	2,34,32	6,714
10,001 — 15,000	50,901	61,93	12,166	58,06	11,406	1,04,324	1,27,32	12,204	1,19,94	11,497
15,001 — 25,000	34,765	66,30	19,070	59,68	17,168	70,029	1,33,28	19,032	1,19,74	17,099
25,001 — 40,000	16,436	50,87	30,945	41,43	25,208	29,700	92,28	31,071	73,93	24,892
40,001 — 70,000	8,290	42,28	51,001	29,52	35,602	14,163	71,81	50,703	48,57	34,294
70,001 — 1,00,000	2,126	17,49	82,270	10,17	47,849	31,264	26,85	82,261	14,76	45,221
1,00,000 — & above	2,224	48,55	2,18,330	18,92	85,077	2,649	48,42	1,82,772	18,43	69,573
(a) **Salary Earners**	**1,45,694**	**1,74,46**	**11,974**	**1,51,01**	**10,365**	**2,60,742**	**3,10,25**	**11,903**	**2,68,42**	**10,295**
Rs.										
5,001 — 10,000	97,783	67,66	6,919	65,49	6,697	1,72,078	1,17,66	6,838	1,14,41	6,649
10,001 — 15,000	23,437	28,48	12,126	26,81	11,415	45,148	55,21	12,229	52,11	11,542
15,001 — 25,000	13,796	26,26	19,035	23,86	17,295	24,827	47,05	18,951	42,56	17,143
25,001 — 40,000	6,372	19,78	31,042	16,30	25,581	10,759	33,69	31,313	27,24	25,318
40,001 — 70,000	3,038	15,14	49,835	10,69	35,188	5,645	28,70	50,841	19,48	34,508
70,001 — 1,00,000	636	5,25	82,547	3,06	48,113	1,303	10,78	82,732	5,99	45,971
1,00,001 — & above	582	11,89	2,04,296	4,80	82,474	982	17,26	1,75,764	6,63	67,515
(b) **Non-Salary Earners**	**1,46,663**	**2,36,48**	**16,124**	**1,85,98**	**12,681**	**3,12,390**	**4,30,57**	**13,783**	**3,61,26**	**11,564**
Rs.										
5,001 — 10,000	79,332	55,86	6,997	53,71	6,728	1,76,925	1,23,30	6,969	1,19,90	6,777
10,001 — 15,000	27,414	33,45	12,202	31,24	11,397	59,176	72,12	12,187	67,83	11,462
15,001 — 25,000	20,969	40,04	19,094	35,83	17,086	45,202	86,23	19,077	77,18	17,074
25,001 — 40,000	10,064	31,09	30,896	25,13	24,969	18,941	58,59	30,933	46,70	24,656
40,000 — 70,000	5,252	27,14	51,668	18,83	35,856	8,518	43,11	50,610	29,09	34,151
70,001 — 1,00,000	1,490	12,24	82,187	7,12	47,745	1,961	16,07	81,948	8,76	44,671
1,00,001 — & above	1,642	36,66	2,33,264	14,12	36,006	1,667	31,15	1,86,863	11,80	70,786

earners increased from 1,46,663 to 3,12,390, while the number of earners rose from 1,45,694 to 2,60,742. The pre-tax total income of all individuals increased from Rs. 410.94 crores to Rs. 740.92 crores. On the average, the pre-tax income per assessee fell from Rs. 14,056 to Rs. 12,928 primarily because of the faster increase of assessees in the lower income brackets and a relatively lower rise in the number of the assessees in the upper income brackets. In the income brackets Rs. 5,000 to Rs. 10,000, the number of assessees doubled from 177,615 to 349,003. At the other end of the scale, in the income bracket above Rs. 1 lakh, there was only a small increase from 2,224 to 2,649. It means that under the stimulus of increasing incomes, a larger number of individuals who were below the exemption limit in 1953-54 joined the ranks of income-tax paying class. The number of assessees in the higher income brackets is definitely rising but at a slow pace

Middle Classes Benefit

The new incomes which are being generated are, however, being shared to a large extent by the lower and the middle classes amongst the income-tax paying groups. As Table IV (P. 439) shows, the pre-tax income of the lower 70 per cent of the assessees commanded 37 per cent of the income in 1953-54, but its share rose to 41 per cent in 1961-62. Similarly, the middle 20 per cent which commanded a share of 23.5 per cent in the pre-tax income in 1953-54 recorded an improvement of one per cent to 24.5 per cent in 1961-62. The upper 10 per cent recorded a drop, indicating that the lower and the middle income brackets steadily gained at the expense of the upper 10 per cent. This swing was sharper in the case of the non-salary earners than in the case of salary earners. The relative percentage of the lower, the middle and the upper classes amongst the salary earners showed stability. The lower 70 per cent amongst the salary earners improved its share of pre-tax income from 41.6 per cent to 42 per cent only, the middle 20 per cent improved from 24.2 to 24.3 per cent only while the drop in the case of the upper 10 per cent was from 34.2 per cent to 33.7 per cent. In the case of non-salary earners, the lower 70 per cent gained sharply from 34.5 per cent of the income to 49 per cent, while the upper 10 per cent lost by 7 per cent.

It is, thus clear that the number of assessees continued to rise from year to year during the eight years under study. Similar was the case with the pre-tax as well as the post-tax incomes, with obvious inference that the increase to be expected in future in the lower brackets will be higher than in the upper income brackets.

Next to the Union excises, corporation tax is the fastest moving component of the Centre's tax structure. From Rs. 40.49 crores in 1950-51 to Rs. 306.00 crores in 1964-65 (Budget) is an impressive rise, though a part of it is due to the recent re-classification of the income-tax. The corporate sector has come under abruptly augmented fiscal pressure during the last two years as is indicated by the fact that receipts under this head have increased by Rs. 84.50 crores from Rs. 221.50 crores in 1962 is to Rs. 306.00 crores in 1964-65. While the growth of this source of revenue is partly the result of the steady investment in industry in the last 15 years, the tendency in successive budgets to resort to newer forms of taxation of corporate finances has also been largely responsible.

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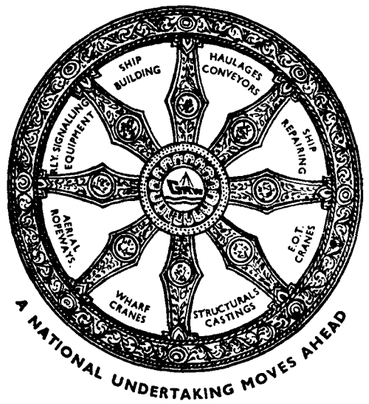
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IF THE primary objective before the Finance Minister, in the context of the corporate tax structure, was to correct its myopic elements and revive confidence in the corporate sector, he has completely failed to do so. The net effect of his reform measures has been the shift of burden from one set of companies to another with the overall result of giving to the exchequer an additional revenue of Rs. 11 crores. An effort has been made here to analyse, with the help of a few company balance sheets, the incidence of some of the new corporate tax measures which, quite against the wishes of the Finance Minister, are likely to dampen the investment climate.

The most significant change in the corporation tax structure has been the abolition of super profits tax and its replacement by the surtax on profits. The SPT was levied at the rate of 50 per cent on residue profits after tax, from six to 10 per cent of the capital base and at the rate of 60 per cent on residue profits in excess of 10 per cent of the capital base which in the case of SPT was capital plus reserves but not the long-term borrowings. It was a very severe imposition that crippled the growth element in the companies but its replacement by the surtax is not going to be a source of much relief to the corporate sector. New surtax under the Companies (Profits) Surtax Bill 1964, is quite like the SPT in many respects. Briefly, surtax is to be levied at a uniform rate of 40 per cent on that part of profits after tax which is more than 10 per cent of the capital base on Rs. 2 lakhs, whichever is higher. Capital base for the surtax includes equity and preference capital, reserves, debentures and long-term loans used for creating capital assets. It is true that the surtax will be applicable to a much smaller number of companies than the SPT, but from whatever precise evidence that is available at the moment, it appears that some of the companies that are likely to come under its purview may be hit nearly as hard as they were by the SPT. In a few cases, the burden may be even higher. An analysis of profits and taxes of 25 large companies in Table I below shows that the total incidence of the SPT on these companies was around Rs. 330.32 lakhs corresponding to a total corporation tax of Rs. 2,168.65 lakhs. The surtax now imposed will imply an imposition of Rs. 157.68 lakhs. Broadly speaking, the incidence of surtax on these 25 companies put together will be nearly half as compared to the SPT. It may be added that these 25 companies do not represent the corporate sector as a whole, as they do not form a fair sample of all the public limited companies. But this summary of profits and taxes of 25 companies does show the effect of this new compost on larger companies. Table II in which the surtax and SPT have been calculated separately for 51 biggest companies also confirms this trend. In these companies the SPT payable was Rs. 756.3 lakhs and the surtax on these very companies would have added up to Rs. 238.80 lakhs which comes to nearly 31.5 per cent of the SPT.

It may be noted that out of the 25 companies (Table I) only five were exempted from the SPT. But so far as surtax is concerned, as many as 12 of these companies are likely to claim exemption. Similarly out of 51 companies analysed in

TABLE I.

IMPACT OF TAXATION ON 25 COMPANIES

(Rs. in lakhs)

	Chargeable Profit	Corporation Tax 50%	SPT	Total Tax	% of 4 to 1	Corporation Tax	Surtax	Dividend Tax	Total Tax	% of 9 to 1
	(1)	(2)	(3)	(4) (2+3)	(5)	(6)	(7)	(8)	(9) (6+7+8)	(10)
A.C.C	566.95	283.47	4.28	287.75	50.75	255.13	..	17.17	272.30	48.03
Atul Products	92.35	46.17	4.18	50.35	54.52	46.17	—	2.48	48.65	52.68
Bombay Dyeing	67.19	33.60	—	33.60	50.01	33.60	—	1.88	35.48	52.81
Century	218.86	109.43	35.51	144.94	66.29	109.43	12.64	5.74	127.81	58.39
D.C.M.	229.58	114.79	27.60	142.39	62.02	114.79	—	3.73	118.52	51.62
Duncan Bros.	35.64	17.82	—	17.82	50.00	17.82	—	0.94	18.76	52.61
Indian Iron	634.64	317.32	52.27	369.59	58.24	285.59	—	14.92	300.51	47.35
Voltas	178.87	89.44	18.04	107.48	60.09	89.44	14.16	2.68	106.28	59.41
W.H. Brady	18.87	9.44	—	9.44	50.03	9.44	—	0.70	10.14	53.74
Kohinoor	45.53	22.77	5.74	28.51	62.62	22.77	0.02	1.35	24.14	53.02
National Rayon	96.62	48.31	—	48.31	50.00	48.31	—	2.89	51.20	52.99
Shaw Wallace	70.20	35.10	4.54	39.64	56.47	35.10	5.98	0.42	41.50	59.12
Godfrey Phillips	50.00	25.00	9.41	34.41	68.82	25.00	5.91	0.90	31.81	63.62
Tata Oil	54.32	27.16	2.23	29.39	54.11	27.16	0.48	1.33	28.97	53.33
Wimco	157.67	78.83	8.45	87.28	55.35	78.83	11.56	3.30	93.69	59.42
Hindustan Lever	481.38	240.69	60.13	300.82	62.49	240.69	51.10	7.42	299.21	62.16
Phillips India	120.21	60.11	4.15	64.26	53.45	60.11	13.68	2.14	75.93	63.16
Greaves Cotton	54.56	27.28	2.86	30.14	55.24	27.28	—	1.21	28.49	52.22
Balmer Lowrie	54.15	27.08	2.75	29.83	55.08	27.08	2.89	1.50	31.47	58.12
Telco	361.62	180.81	29.03	209.84	58.03	162.73	—	0.87	163.60	45.24
Arvind	66.92	33.48	—	33.48	50.03	33.48	—	2.25	35.73	53.39
Ahm. Calico	51.95	25.98	0.87	26.85	51.68	25.98	—	4.08	30.06	57.86
New Shorrock	117.94	58.97	10.32	69.29	58.75	58.97	10.02	2.65	71.64	60.74
Hindustan Motors	358.39	179.19	31.74	210.93	58.85	179.19	25.98	6.97	212.14	59.19
Jessop	152.82	76.41	16.22	92.63	60.61	68.77	3.26	1.31	73.34	47.99

Table II, only 12 were exempted from Super Profits Tax whereas as many as 29 are likely to be exempted from the imposition of surtax. The extension of the base for estimating liability which includes equity capital, preference capital, reserves including dividend reserves, debentures and loans from financial institutions and banks and foreign loans will definitely result in the exemption of various companies which came under the purview of Super Profits Tax where the capital base was limited. The impression given by the Finance Minister, however, was that surtax would result in a more equitable burden over the companies besides reducing the burden as a whole. This is only partly held out by the above mentioned facts. It is true that surtax in the case of these 25 companies would have been nearly half of what was paid by way of Super Profits Tax and would have been nearly 31.5 per cent of the Super Profits Tax in the case of 51 companies. But it has to be kept in mind that the burden of this incidence will fall on much fewer companies thereby making the total load lesser and yet comparatively less equitable. Moreover, the new surtax will benefit those companies which rely more upon long-term borrowings, as these loans will be included in the capital base. The companies that may earn higher rate of return with lesser long-term borrowings will, therefore, be at a comparative disadvantage. It may be added that the pattern of investment in certain industries is determined by the nature of manufacturing process and not determined by the will of the shareholders or the directors. The production processes of some industries have to have a heavier capital base. Similarly, there are a number of other companies wherein the production and distribution processes imply the maintenance of a high level costly superstructure for their efficient running while they do not need a heavy capital base. The capital base is, therefore, not a very dependable criterion to determine the ability to pay for such a heavy imposition as outlined in surtax. It appears that Hindustan Lever, Voltas, Dunlop Rubber, Century, Tata Chemicals, Hindustan Construction may be among the companies that might pay the highest amount of surtax. Other companies like Burmah-Shell, ESSO, Telco, Bird & Co., Union Carbide may be among those who had to pay the heaviest Super Profits Tax and they may have to pay comparatively lesser surtax. The transfer of burden from one group of companies to another is hardly a process of equalisation in the present context.

Dividend Tax

Another significant imposition in this budget is the dividend tax at the rate of 7.5 per cent on the total amount of dividend distributed on equity capital but excluding dividend on preference capital. Table II also shows clearly that this additional tax on dividend paid on equity share capital will mean collectively as much as Rs. 233.0 lakhs for 51 biggest units. Collectively, the incidence of this fresh dividend tax appears to be nearly as much as that of surtax, at least for these 51 companies.

The following table shows the impact of the latest taxation proposals on 25 companies drawn from different industries on the basis of their working results for 1962-63. The table also shows super-profits tax for that year and surtax and dividend tax which they would have paid had they been in force for that year.

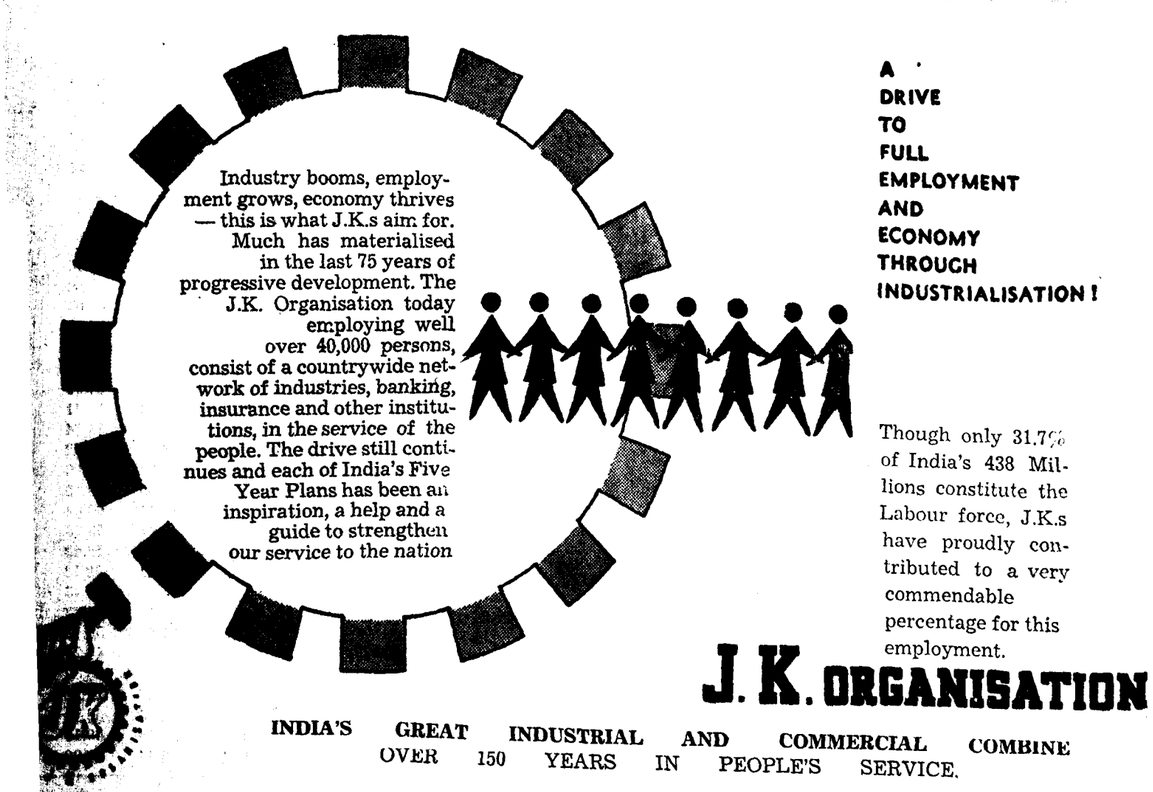


TABLE II.

ADDITIONAL TAXES PAYABLE BY 51 INDUSTRIAL GIANTS ACCORDING TO NEW BUDGET PROPOSALS

(Rs. in lakhs)

Name of Company	Additional Taxes Payable			Tax Relief			Net Additional (+) Net Relief (—)
	Surtax	Dividend Tax		Industry Relief			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)-(4)—(7)
Tata Iron & Steel	—	30.4	30.4	—	8.0	8.0	+ 22.4
Indian Iron & Steel	—	14.9	14.9	6.0	35.0	41.0	— 26.1
Associated Cement	—	17.2	17.2	2.0	28.0	30.0	— 12.8
Tata Engineering & Locomotive	3.2	8.7	11.9	23.0	—	23.0	— 11.1
Scindia Steam	—	4.2	4.2	—	—	—	+ 4.2
Burmah-Shell	—	27.2	27.2	134.0	—	134.0	—106.8
Delhi Cloth Mills	—	3.8	3.8	—	—	—	+ 3.8
Imperial Tobacco	—	9.1	9.1	20.0	—	20.0	— 10.9
ESSO	1.9	0.8	2.7	39.0	—	39.0	— 36.3
Tata Power (p)	—	3.1	3.1	—	2.7	2.7	+ 0.4
Indian Aluminium	11.2	5.6	16.8	42.0(a)	5.9	47.9	— 31.1
Dunlop Rubber	17.6	5.0	22.6	63.0	—	63.0	— 40.4
Premier Automobiles	—	—	—	—	—	—	—
India Steamship	—	—	—	—	—	—	—
Voltas	18.7	2.7	21.4	28.0	—	28.0	— 1.6
Ahmedabad Electric (p)	—	5.3	5.3	—	0.5	0.5	+ 4.8
Caltex	—	—	—	—	—	—	—
Hindustan Lever	45.0	7.4	52.4	70.0	—	70.0	— 17.6
Guest, Keen, Williams	—	4.2	4.2	1.0	—	1.0	+ 3.2
Gwalior Rayon	—	4.7	4.7	(3.0(a)	—	3.0	+ 1.7
Hindustan Motors	15.6	7.0	22.6	32.0	—	32.0	— 9.4
Rohtas Industries	—	3.4	3.4	—	5.6	5.6	— 2.2
Century Spinning	21.3	5.7	27.0	37.0(a)	—	37.0	— 10.0
Calico Mills	—	4.9	4.9	—	—	—	+ 4.9
National Rayon	—	2.9	2.9	3.0	—	3.0	— 0.1
New Central Jute	—	2.9	2.9	—	—	—	+ 2.9
Burn & Co.	—	1.6	1.6	26.0	—	26.0	— 24.4
Kesoram Industries	—	2.0	2.0	18.0(a)	—	18.0	— 16.0
Bombay Dyeing	—	2.6	2.6	—	—	—	+ 2.6
Indian Tube (1953)	11.9	5.7	17.6	19.0	—	19.0	— 1.4
Swadeshi Cotton	—	—	—	—	—	—	—
Jiyajeerao Cotton	—	2.1	2.1	—	—	—	+ 2.1
Texmaco	7.8	1.4	9.2	21.0(a)	4.5	25.5	— 16.3
Great Eastern Shipping	—	—	—	—	—	—	—
Orient Paper	1.5	2.9	4.4	5.0(a)	6.5	11.5	— 7.1
Jay Engineering	—	1.1	1.1	—	1.7	1.7	+ 0.6
Madura Mills	—	2.0	2.0	—	—	—	+ 2.0
Union Carbide	10.9	2.6	13.5	36.0	—	36.0	— 22.5
Jessop & Co.	10.6	1.4	12.0	27.0(a)	7.4	34.4	— 22.4
Andhra Valley (p)	—	1.8	1.8	—	—	—	+ 1.8
Indian Oxygen	2.5	3.3	5.8	9.0	6.7	15.7	— 9.9
British India Corpn.	—	2.3	2.3	9.0(a)	—	9.0	— 6.7
Birla Jute	3.6	1.8	5.4	5.0(a)	5.5	10.5	— 5.1
Atul Products	5.6	2.5	8.1	10.0(a)	3.0	13.0	— 4.9
Alkali & Chemical Corpn.	1.0	3.5	4.5	1.0(a)	3.2	4.2	+ 0.3
Tata Chemicals	13.0	2.3	15.3	13.3(a)	1.0	14.3	+ 1.0
Titaghur Paper	—	0.8	0.8	—	—	—	+ 0.8
Indian Cable	6.7	4.2	10.9	16.0	7.7	23.7	— 12.8
Ballarpur Paper	3.0	1.5	4.5	6.0	2.2	8.2	— 3.7
Hindustan Construction	18.5	1.1	19.6	21.0	—	21.0	— 1.4
Mahindra & Mahindra	7.7	1.4	9.1	11.0	—	11.0	— 1.9

NOTE: (a) Estimate, (p) Figures relate to the year ended March 31, 1962.

Source: Economic Times.

Relief in Personal Taxation?

IN HIS BUDGET speech, the Finance Minister, Mr. T. T. Krishnamachari, said: "The personal income-tax structure is being re-graded. This will mean a reduction of tax at all levels. With this change, the burden of income-tax in the lower brackets will be substantially lower than what it is now". A comparison of the new tax rates (without the Annuity Deposit Scheme) with last year's rates (without the Compulsory Deposit Scheme) shows that the Finance Minister's statement regarding the reduction of tax rates at all levels was not correct.

In the case of wholly earned incomes by salary for married persons with more than one child, the incidence has increased instead of decreasing at levels of income of Rs. 10,000 to Rs. 15,000. Table I (p. 449) shows that a relief of Rs. 9 has been provided in this category for annual income of Rs. 5,000; but in the case of an income of Rs. 10,000, there has been an increase by Rs. 29 from Rs. 680 to Rs. 709. Similar is the case at the income level of Rs. 15,000 where the increase is of the order of Rs. 40 from Rs. 1,544 to Rs. 1,584. Beyond this level there has been a steady relief in all income-tax brackets. The incidence in some of the lower income brackets is also higher according to the new rates for unmarried persons. Even at the net income level of Rs. 3,600 for unmarried persons, the increase is as heavy as Rs. 41 and it goes on increasing up to Rs. 5,000.

Table II shows that whereas income-tax incidence beyond the annual income of Rs. 15,000 tends to decrease, the Annuity Deposit, however, increases at a steep rate. The net consequence of the Annuity Deposit Scheme and the new tax rates is to increase the out-of-pocket money at all income levels beyond Rs. 15,000. The annuity deposits have been made compulsory for all Indian citizens. They will be deducted while computing the income for income-tax purposes in the year they are deposited. Deposits will be repaid in ten equated instalments of principal and interest after one year of the assessment. The deposits, when they are repaid, will be once again included in the income for income-tax purposes. This inclusion of the equated instalments of principal and interest for computing income-tax is not justified because it makes a farce of the initial deduction. It is strongly urged that the Annuity Deposit Scheme should be altered so as to exempt repayments of deposits from income-tax assessment. The scheme has provided that authors, artists, and actors etc. can make additional deposits over and above the rate prescribed under the scheme. It is also proposed that gratuity payments, which are liable to tax, can also be deposited upto half the amount under the scheme.

Annuity Deposit Scheme

The incomes of assessees who are covered by the Annuity Deposit Scheme, are not likely to remain stationary, but will continue to rise. If the repayments of the "equated instalments of principal and interest" under the scheme were included in the increased incomes of the assessees, when they would be called upon to pay higher rates of income-tax, because of increased incomes, it is certain that the benefit of the scheme would be completely nullified. It is, therefore, necessary that the future repayments of the instalments under the scheme should be exempted from personal taxes.

The Finance Bill has proposed a rebate in super tax in addition to the existing available rebate of income-tax on insurance premia and contributions to Provident Funds etc. which are provided under Section 87 of the Indian Income-Tax Act. The amount of rebate of income-tax and super-tax which is admissible to an assessee is subject to a ceiling of 50 per cent of the total amount which may qualify for such relief. While this change is welcome, it needs to be stressed that the incidence of the annuity deposits is so heavy that it is not likely to leave any margin for increasing contribution to life insurance or provident fund.

According to the existing provisions of the Income-Tax Act capital gains made by assessees in relation to assets held by them for more than one year are subject to the average income-tax rate applicable with the ceiling at 25 per cent. The Finance Bill seeks to increase the rates of capital gains tax. The Bill has introduced differentials between the rates applicable to capital gains in real estate as compared with gains on other assets. Capital gains resulting from lands or buildings or rights in building will be taxed at not less than 75 per cent of the average rate of income-tax and super-tax to their total income. In regard to the long-term capital gains and other assets, the Bill states that they will be taxed at 50 per cent of the average rate of income-tax and super-tax which is applicable to the total income of the assessees. Since the maximum rate of tax is up to 78 per cent of the total income, these new changes will make capital gains a much heavier penalty than hitherto.

Expenditure Tax

The Expenditure Tax which had been introduced for the first time by Mr. T. T. Krishnamachari in his 1957-58 budget and had been suspended by Mr. Morarji Desai, has again been introduced. Experience had indicated that the expenditure tax was cumbersome and it caused more harassment to the assessees and created more work for the Income-Tax Department than the revenue which flowed from this tax. The Finance Minister has stated that the Expenditure Tax has failed because of the large number of exemptions and high rates of taxes. He has, therefore, removed many of the exemptions and also reduced the rates. Amongst the exemptions abolished are: the expenditure incurred by an individual on the maintenance of his parents up to Rs. 4,000, medical expenses — either his own or his dependent's or parents' — and expenditure incurred on the education of the dependents. It may be stated that the total collections under the expenditure tax will be Rs. 1.55 crores in 1964-65 — the highest which has even been collected under this tax in any previous year.

It has not been noticed in the heat of the budget discussions that there has been a drastic reduction in the new Expenditure Tax rates as against the old. As the table below shows,

EXPENDITURE TAX

(Over and above the exemption limit of Rs. 36,000)

Old		New	
Expenditure	Rate	Expenditure	Rate
Upto 10,000	10%	Upto 12,000	5%
10,000 — 20,000	20%	12,000 — 24,000	7.5%
20,000 — 30,000	40%	24,000 — 36,000	10%
30,000 — 40,000	60%	36,000 — 48,000	15%
40,000 — 50,000	80%	Above 48,000	20%
Above 50,000	100%		

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over and above the exemption limit of Rs. 36,000, the old rates imposed an Expenditure Tax of 10 per cent up to an additional expenditure of Rs. 10,000. In the new rates, the slab has been widened to Rs. 12,000 and the rate has been reduced to 5 per cent of the additional expenditure only. Again, in the next slab, which again was of Rs. 10,000 in the old rates but is of Rs. 12,000 in the new rates, the expenditure tax has been reduced from 20 per cent to 7½ per cent. At the highest slab of more than Rs. 50,000 expenditure, the Expenditure Tax was 100 per cent but in the new rates it has been reduced to one-fifth the level at 20 per cent. It will, thus, be seen that the Expenditure Tax as now proposed is in a much milder form, though the element of harassment will still remain.

Wealth Tax

The Wealth Tax has undergone some changes in the Finance Bill which makes it applicable to a very large number of assessees who had escaped its clutches in the past. The exemption limit hitherto had been up to Rs. two lakhs. But now the exemption limit has been reduced to Rs. 1,00,000 only. This change will no doubt bring within its purview thousands of middle class families. The rate of Wealth Tax has been reduced for net wealth up to Rs. 4 lakhs in excess of the exemption limit from one per cent to half per cent, while there is no change in other slabs. The lowering of the exemption limit will cause hardship to a large number of assessees who have built houses in the urban areas through their savings. A welcome feature of the Wealth Tax, however, is if an assessee lives in a house owned by him, it is to be exempted from the tax, but this exemption will be up to Rs. 1 lakh only if his house is situated in a town with a population more than 10,000.

The Gift Tax has also undergone some changes in such a way as to discourage giving of gifts in future.The exemption limit for gifts by an individual to his or her spouse has been reduced from Rs 1 lakh to Rs 50,000. Again, gifts made to the same person over a period of subsequent four years are proposed to be aggregated with the value of other taxable gifts made by the assessee in the particular year. This clubbing together of gifts with the earlier years will sharpen the impact. The new rates of Gift Tax are higher than the old ones. On the first Rs. 5,000 of value of all taxable gifts, the tax will be 4 per cent. On the next 15,000 of the value of taxable gifts, it will be 8 per cent. The subsequent Rs. 25,000 of gifts will attract tax at 15 per cent followed by a rate of tax of 25 per cent for the subsequent gift of a lakh of rupees. Beyond the level of Rs 3,00,000, the gift tax is as high as 50 per cent.

TABLE I

INCOME-TAX ON SALARIED EARNED INCOME

(Rs.)

Annual Income	Married with more than one child			Unmarried		
	1963-64 (excl. CDS)	1964-65 (excl. ADS)	Difference (2—1)	1963-64 (excl. CDS)	1964-65 (excl. ADS)	Difference (5—4)
	(1)	(2)	(3)	(4)	(5)	(6)
3,200	—	—	—	99	100	+1
3,600	—	—	—	115	156	+14
4,200	60	36	—24	139	192	+53
5,000	93	84	—9	172	240	+68
10,000	680	709	+29	756	865	+109
15,000	1544	1584	+40	1620	1740	+120
16800	1976	1776	—200	2049	1932	—117
18,000	2293	2004	+289	2363	2160	+208
20,000	2855	2384	+471	2930	2540	—390

Similar is the case with the Estate Duty, the rates of which have been increased steeply. The first Rs. 50,000 of the estate are exempted. It remains unchanged at 4 per cent for estates valued from Rs. 50,001 to Rs. 1,00,000. Beyond that there is a steep rise, resulting in doubling the Estate Duty in the slab of Rs. 20 lakhs. It has been raised to 85 per cent above Rs. 20 lakhs. The impact of such confiscatory Estate Duty will be to level down the rich within two generations.

TABLE II

INCOME FROM SALARIES ONLY

(Rs.)

Annual Income	1963-64 Tax Rates: Total Tax Payable including additional surcharge	Deductions under CDS	Net Tax	1964-65 Tax Rates	Taxes plus Annuity Deposits
24,000	4,909	466	4,443	3,510	5,310
30,000	7,728	535	7,193	5,590	7,840
42,000	14,222	655	13,567	10,890	14,890
60,000	26,159	789	25,370	20,290	26,290
72,000	35,120	855	34,265	27,290	35,290
90,000	48,937	948	47,989	38,052	49,302
1,00,000	56,625	999	55,626	44,615	57,115
5,00,000	3,90,250	2,474	3,87,776	3,32,427	3,94,927
10,00,000	8,07,281	4,318	8,02,963	6,93,365	8,18,365
20,00,000	16,41,343	8,005	16,33,338	14,15,240	16,65,240
30,00,000	24,75,406	11,693	24,63,713	21,37,115	25,12,115

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Impact of Indirect Tax Changes

AFTER THE massive dose of indirect taxation administered by Mr. Morarji Desai last year and in view of the tax revenues showing buoyancy despite the slackened pace of economic development during 1963-64, Mr. T. T. Krishnamahari this year could hardly have proposed additional customs and excise burdens. In fact, against the backdrop of inflationary pressures generated by indirect taxation over the past few years, especially by the last year's levies, expectations had come to be entertained that some relief in customs and excise duties would be given at least in respect of articles of mass consumption. While these hopes have been belied, it would still be uncharitable to deny the Union Finance Minister credit for moderation and restraint.

Under customs, tax burden in the financial year 1964-65 is proposed to be increased on dry fruits, copra, caustic soda and high carbon or spring steel wire. In the case of the first three items, however, it is to be no more than what it was before September 1, 1963, when tariff values of these commodities were lowered, thus reducing the incidence of duties on them. Customs levy on high carbon or spring steel wire is proposed to be stepped up for putting the indigenous product on a competitive basis with the imported one.

The incidence of excise duties is proposed to be raised in the case of some iron and steel products (particularly flat categories), superior varieties of cotton and woollen textiles, man-made fabrics, cigarettes valued at Rs. 7.50 to Rs. 15.00 per thousand; soaps manufactured with the aid of power, certain types of dispersed organic pigments which are replacing the use of other organic dyestuffs in textile printing, aluminium extrusions, footwear and rubber products such as latex foam sponge, tread rubber, cushion compound, cushion gum and crepe gum. The additional burden on all these commodities will be marginal, except in the case of flat steel, superior cotton and woollen textiles and man-made fabrics, particularly of non-cellulosic origin, viz. nylon and terylene.

Reliefs in Customs

As against these enhanced burdens, reliefs in customs duties have been proposed in the case of motor cars (including taxi cabs) imported in completely assembled state and raw jute. The levy on motor car imports is to be scaled down from 150 per cent to 60 per cent, presumably, in the interest of tourism and foreign technicians working in India. Export duty on raw jute is to be completely abolished as an export incentive measure. Excise duty concessions are proposed in the case of cigarettes valued at Rs. 15 to Rs. 25 per thousand, soaps manufactured without the aid of power (excise duties on these soaps are to be removed, but a levy on sodium silicate used in their manufacture is to be imposed. There will however, be a net relief to the tune of Rs. 8 lakhs per annum) and paper containing not less than 50 per cent bagasse pulp. Concessional rates of excise duty will also apply to paper manufacture from new units and from expansion of the existing ones for three years, the concession amounting to 25 per cent of the duty in the first year, 20 per cent in the second year and 15 per cent in the third. Some adjustments have as well been proposed in the excise duties on matches, paints and varnishes and wireless receiving sets. These will provide marginal relief in the case of certain categories of these items and small producers.

More significant reliefs from the burdens of excise duties, however, will accrue to the consumers of synthetic dyes, glassware, chinaware, porcelainware, cellophane and certain types of writing and printing paper and electric bulbs, from which items special excise levies are to be removed, and those of gramaphone records, gases other than carbon dioxide used in the manufacture of aerated waters, low-voltage electric motors and acids other than sulphuric acid, from which excises are being completely removed.

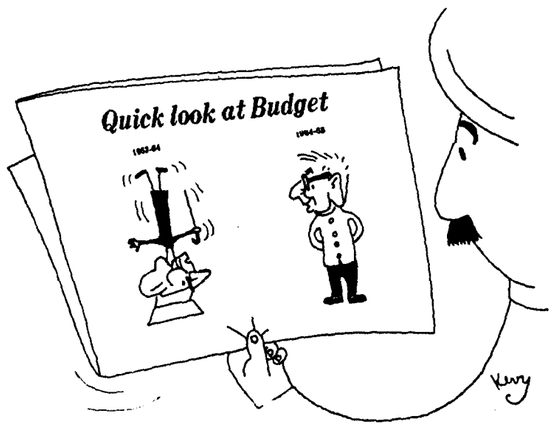
The net additional burden of indirect taxation proposed by Mr. Krishnamachari has been estimated by him at Rs. 25.9 crores. This should stand reduced to around Rs. 15 crores if note is taken of the fact that the increased excise levies on iron and steel contain in them an element of the hitherto accretions to the Iron and Steel Equalization Fund in the form of surcharges. This compares with the Rs. 182.20 crores additional burden proposed by Mr. Morarji Desai under customs and excises last year.

Effect on Industrial Costs

By itself, the Rs. 15 crores of new customs and excise burden can hardly provide a fillip to the inflationary tendencies in the economy. Two other recent decisions of the Union Government, however, should exert upward pressures on the price level in combination with the inflationary potential of the Rs. 333 crores step-up in Plan outlay,. Rs. 46 crores growth in defence expenditure, Rs. 191 crores increase in civil expenditure and accrual of some additional purchasing power in the hands of the income-tax payers up to Rs. 15,000 income per annum because of abolition of the Compulsory Deposit Scheme. These are the allowing of increases in steel and coal prices. They will adversely affect industrial costs.

Apart from the enhancement of the excise and countervailing import duties on steel, the controlled price of all the flat categories have been increased substantially — on an average by Rs. 30 per tonne. The prices of non-flat steel, which have been decontrolled, should also appreciate somewhat as the supply position of these items, though quite comfortable at present, may not remain easy with the steelworks rolling out the more difficult sections as a consequence of enlarged price differentials now provided.

An increase of Rs. 1.25 per tonne in the prices of the selected grades of non-coking coal supplied to industrial establishments, coupled with the enhanced freight proposed in the Railway Budget, however, should have greater impact on industrial costs, especially in areas distant from coal mines. The combined effect of the increase in coal prices and railway freight will be to raise fuel costs by Rs. 1.38 per tonne for the shortest distance to as much as Rs. 5.3 per tonne for distances 2,100 kms. and above. How for the increase in fuel costs will be mitigated by improvement in the quality of coal supplied to industrial establishments, it is difficult to say at present.





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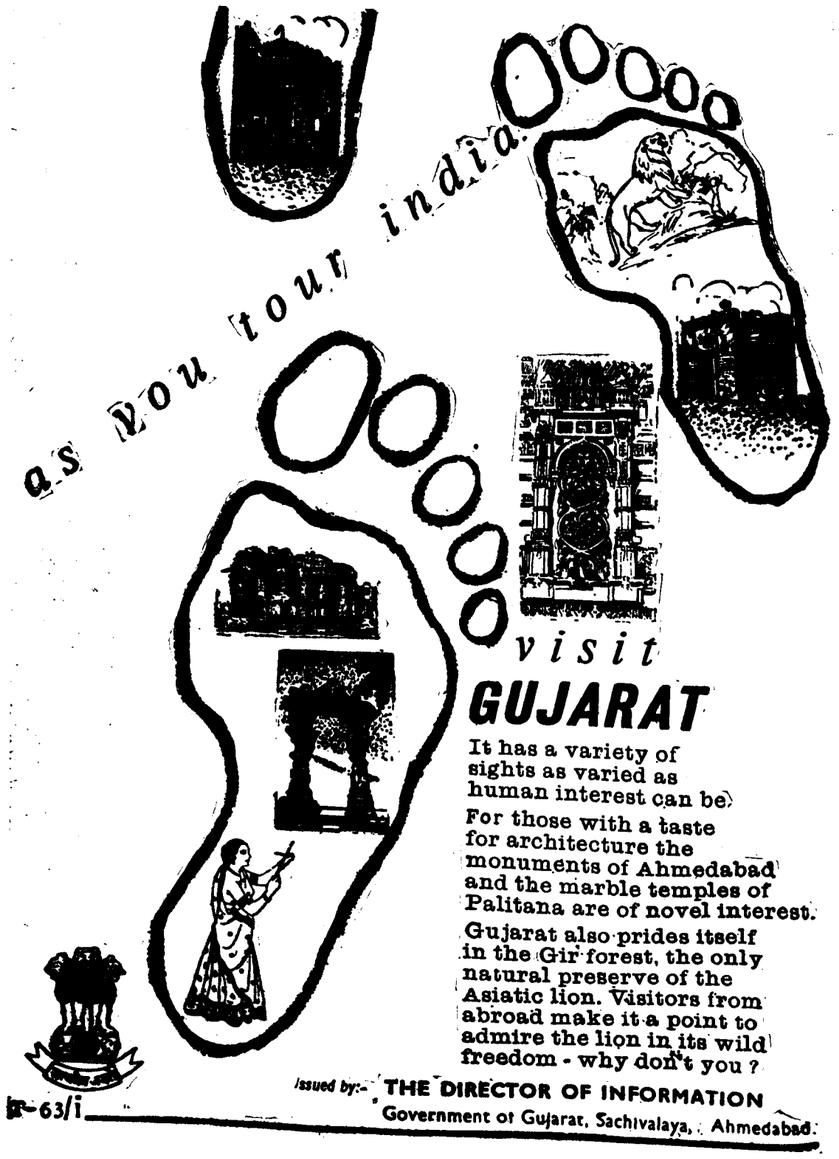
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The Carrot and the Stick

From Our Correspondent

BOMBAY :

THE UNION FINANCE MINISTER'S Budget for 1964-65 may not have achieved all the purposes — to encourage production, to restrain consumption, to ensure people the fruits of their labour, to induce savings and to prevent profiteering — that Mr. Krishnamachari wanted, but they certainly represent an earnest effort to achieve them. In the process, however, not all the sections of the public have benefited equally, nor have all the desired objectives been fulfilled, at any rate to the extent claimed. Not unnaturally, therefore, there is speculation that, in formulating his proposals, the Finance Minister must have been torn between the need to take a pragmatic approach dictated by the realities of the situation and the pressure of ideology as embodied in the Bhubaneswar thesis of democratic socialism. In the result, according to some, he has produced neither a significantly growth budget nor a substantially socialist budget. Meanwhile, the proposals are complicated enough, in all conscience, to keep the markets still guessing as to its precise implications. Practically every important business man who has voiced his reactions to the proposals has had to qualify them carefully and also weigh the advantages and the disadvantages of the new pattern of taxation. Nearly all of them feel that, while seeking to rationalise and integrate the taxation pattern, the Finance Minister has also made it somewhat complex. The general feeling has been ably summed up by Mr. K. R. P. Shroff, President of the Bombay Stock Exchange, in his reactions that "the budget proposals form a mixed bag" and that "the Finance Minister has made use of the carrot and stick". It remains to be seen how far Mr. Krishnamachari will succeed.

Sensible Rationalisation

The market reactions here are best examined under two heads: one, as they affect the corporate sector, and, two, as they affect the individual. Broadly speaking, the corporate sector has gained more by what has been done away with than what it has suffered by what has been imposed afresh. The abolition of the Super-profits Tax, for instance, is a sensible rationalisation so also the reduction in the percentage of tax deducted at source from dividends, the rebate on corporation tax up to 10 per cent for companies engaged in development industries and the abolition of super-tax on inter-corporate dividends. On the other hand, the imposition of a surtax on profits, even though its incidence may prove less onerous than that of the super-profits tax is only a partial acceptance of the established fact that the super-profits tax weighed unconscionably heavily on the capital market. The Union Finance Minister seems to be content with providing only psychological satisfaction by just changing the appellation of the tax. Of course, this is not to underestimate such redeemable features as the placing on a par of 23A companies engaged in manufacturing or processing goods with public companies carrying on similar activities. 23A companies falling under this category have the additional advantage too of ploughing back their profits not ordinarily permissible in their case. But it is anybody's guess whether the creation of two types of 23A companies by excluding from this privileged position 23A companies not engaged in manufacturing is a right and workable step.

The most disturbing proposal from the point of view of the share markets, however, has been the proposed 7½ per cent tax on ordinary dividends, payable by all companies (except, of course, 23A companies). To quote the President of the Indian Merchants' Chamber, Mr. Dhirajlal Maganlal, this is "certainly objectionable in principle and will not only not help to stimulate capital market but rather act as a deterrent." By imposing this levy and, at the same time, exempting insurance premiums and provident fund contributions from super-tax, with the compulsory annuity deposit scheme thrown in, the Finance Minister seems to have not only hindered the flow of investment from the upper middle income groups into the private sector but actively helped that flow into the public sector. Similarly, while, from the point of view of satisfying certain ideological ends, the readjustments in the capital taxes and the re-imposition of the expenditure tax may have been called for, it is feared, they will have, at the some time, the effect of discouraging savings and capital formation so essential for the economy at this juncture. The re-imposition of the expenditure tax, in particular, a tax that had been abandoned after experience had proved it to the hilt to be futile as a revenue-raiser and uneconomic as a tax, has not unnaturally evoked the comment that Kaldor has staged a come-back through the back door.

Indecent Haste

Again, it is difficult to reconcile Mr. Krishnamachari's effort to stimulate foreign participation by implementing some of the recent recommendations of the National Council of Applied Economic Research with the indecent haste with which he seems to want to do away with the development rebate, that is, after 1966. This is a worse deal than that of his predecessor who only reduced the rate from 25 per cent to 20 per cent. Actually, many expected Mr. Krishnamachari to restore this unwarranted cut. Surprisingly enough, he has chosen to act otherwise. The withdrawal of this incentive will especially affect new entreprencurs who, in fact, are the people that need such incentives, what with all the handicaps of higher land prices, higher costs of plant and machinery, higher raw material costs and higher wages that they have to contend with 'vis-a-vis' the established industries. Equally unwarranted is the proposed tax on bonus shares. It is ironical that at a time when there has been so much of criticism of double taxation, the Finance Minister should have thought of adding yet another striking example wherein the bonus amount is to be taxed once in the hands of the company and, again, in the hands of the shareholders on receipt of the bonus shares. What makes the position patently unfair is the fact that the tax on bonus shares in the hands of the shareholders is attracted in the year of receipt of the bonus share. Although it is stated that, if these bonus shares are sold within thirty days of their receipt, they will be only taxed as the 'income' of the assessee and not as his 'capital gain', the legal position would appear to pose some doubt as the wordings in the relevant tax laws stand today.

It is one of the known ironies of every budget that not all industries stand to benefit or suffer alike. But it seems to be the unfortunate lot of the cotton mill industry to suffer more than the others. Thus, while professing to extend the healthy process of transferring the excise duty from cotton fabrics to yarn and processed cloth by proposing a compounded levy, the processing surcharges have been raised steeply and the yarn compounded duty fixed at a level not at all commensurate with the yarn duty. This will be evident from the table on page 454 which gives the prevailing rates as compared with the proposed rates.

It is doubtful whether this extra burden can be borne by the mill industry, specially by the section engaged in producing medium varieties. There are already fears, being whispered in textile circles, that this seemingly innocuous proposal might

well lead to a repetition of the 1957-58 crisis in the industry.

Now, a few words about the effect of the budget proposals on individuals. In so far as the lower slabs of salaried income are concerned, the Finance Minister's claim that rates of personal taxation have been lowered holds good. But, when it comes to higher slabs of incomes, the effect of the reduction is more than offset by the proposed annuity deposit. Surely, Mr. Krishnamachari could not have been

Category	Prevailing (Rates) (nP.)	Proposed (nP.)
Superfine	2-67	8.4
Fine	2-67	7.2
Higher Medium ..	2-16	5.5
Lower Medium ..	2-16	4.4
Coarse	1-34	2.2

thinking of the income groups between Rs. 15,000 and Rs. 50,000 as being responsible for all speculation and conspicuous consumption that he is rightly out to root out.

As a matter of fact, it is this section of tax payers that really form the main source of investment in equities. There is genuine concern, therefore, that the flow of funds from this source to the private sector might slow down. This apart, in not having made it clear to the public that the compulsory deposits under the 1963-64 proposals need not be paid without attracting additional surcharge as per the 1963 Finance Act, the Finance Minister does not appear to have implemented his own offer in the latest budget speech, namely, "to make a retrospective amendment to the relevant provisions of the Finance Act, 1963 to secure appropriate marginal relief in the additional surcharge." The provisions exempting provident fund contributions and insurance premium from super-tax within prescribed limits are also certainly welcome, but the upper limit prevents many that could possibly take advantage of the concession and benefit thereby. Similarly, the removal of the distinction between Indian and foreign employees in respect of their monthly income is a long overdue reform. However, there is still discrimination between a foreigner and an Indian in the matter of expenses on children's education in foreign countries, and this should be removed too as early as practicable.

Reference has already been made to readjustments of capital taxes. The upward revisions in the rates of the Gifts Tax and the Estate Duty are too stiff even for the first dose of democratic socialism that is sought to be administered. Without going into details, one cannot help feeling that this stiff dose would actually defeat the objectives of the Finance Minister himself. Considering the overall small net gain to the exchequer as a result of all these proposals, it may be asked whether the Finance Minister could not have abstained from any further imposts in 1964-65. This is why, perhaps, his elaborate essay at revisions and rationalisations of both direct and indirect taxes has been described by certain circles as "financial wizardry raher than financial wisdom."

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FROM BAMBOO TO FINE FABRICS

The spectacular prominence which man-made fibres have acquired in recent years in the global picture of the textile industry is among the more exciting romances of modern science and technology. These fibres form more than one fourth of the world production of apparel fibres. In our own country the growth of the man-made fibre industry has played an invaluable part in satisfying the developing desire of people at all levels of income for elegance and variety in clothing at economic prices. As is natural and necessary with a new and developing industry, technological advance is still quite rapid in this industry. One of these significant developments in technology, it may happily be recorded, has been achieved in our country which has been comparatively a new-comer in the field.

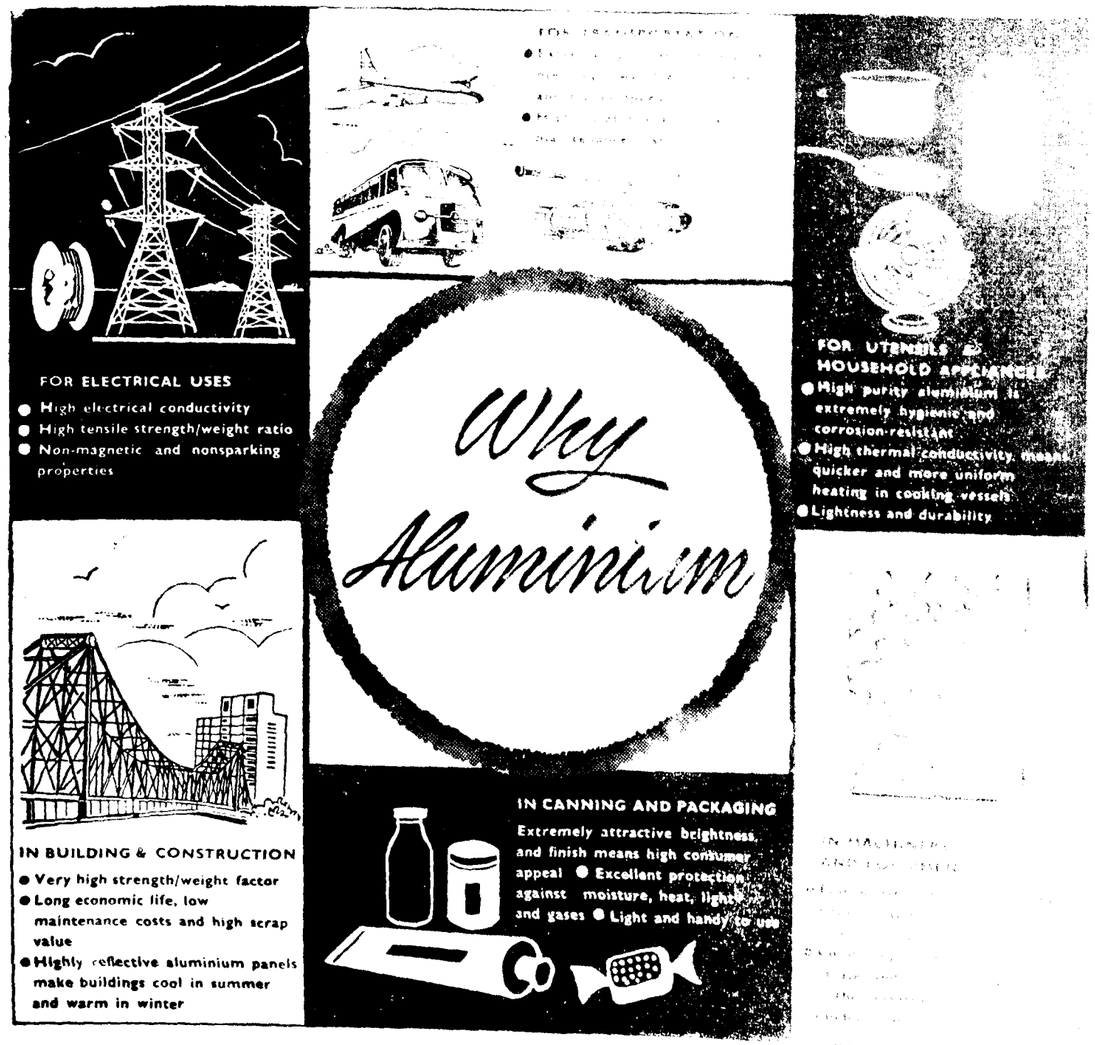
As is well-known, the manufacture of man-made cotton (staple fibre) is based on the extraction of pure cellulose from forest products, notably soft woods such as beach, birch and spruce. Soft woods, however, are grown on higher altitudes and in the temparate zones of the world. In India they cannot be grown anywhere except in the sub-montane regions of the Himalayas. Gwalior Rayon have therefore, been investigating the possibilities of extracting pure cellulose or rayon-grade pulp from a raw material which is easily and abundantly available in this country. For this purpose they have been experimenting with bamboo from which pulp is already produced for the paper industry. But the special problem here is to produce pulp of a particular grade which is suitable for the manufacture of staple fibre. After four years of research in the pilot plant in their factory at Nagda, Gwalior Rayon have succeeded in establishing a suitable process by which it has now become possible to extract from bamboo a quality of pulp which could be used in the place of imported soft wood pulp in the manufacture of staple fibre.

It is worth noting that India is the first country in the world to have succeeded in using bamboo as a source of rayon-grade pulp. As a result, this important technological achievement of Gwalior Rayon has attracted world-wide attention and is being studied with keen interest in all those countries where there is a considerable synthetic fibre industry. It is also worth recording that not only has the technical process for using bamboo for the manufacture of rayon-grade pulp been established and developed in this country by indigenous talent and enterprise, but a factory which would use this process on a commercial scale has also been designed and erected and is now being entirely operated by Indian technicians.

This pulp factory of Gwalior Rayon which has been set up at Birlakootam, near Calicut, in Kerala State, is thus a pioneer venture in one of the most modern and fast-expanding fields of industrial technology. This factory started working last year and is now producing 100 tons per day of rayon-grade pulp. About four tons of bamboo are required to produce one ton of pulp and the cultivation and conservation of bamboo supplies to feed the factory is, therefore, a related part of this project. The pulp from this plant is at present being used by Gwalior Rayon's staple fibre factory at Nagda, but it will shortly be made available to other rayon factories also. On the basis of an output of 100 tons of rayon-grade pulp there will be a saving of foreign exchange to the extent of about Rs. 3.50 crores annually. When the target of 150 tons is reached, the foreign exchange saving will increase to over Rs. 5 crores per year. The saving in the use of imported pulp not only results in economy in foreign exchange but is also otherwise significant in that the dependence of an important consumer goods industry on foreign sources for its main raw material has been considerably reduced. It is interesting to note that the manufacture of pulp from bamboo involves very little expenditure of foreign exchange, since, apart from bamboo, caustic soda and sulphuric acid which are the other two main requirements of this industry, are also produced in this country. Incidentally, the establishment of this technologically highly advanced industry in the State of Kerala has not only added a major industrial enterpise to the economy of that State but has also created profitable employment opportunities in a region where more jobs for educated or skilled personnel is an urgent social necessity.

A brief note on the manufacture of rayon-grade pulp from bamboo may perhaps be of some interest. Traditionally, cotton grown in the fields, wool from animals and silk from cocoons, have been the natural materials for clothing. With the advance of science and technology, the laboratories have been put on the job and fibres based on the chemical processing of forest products have come into their own. There are two broad stages in the manufacture of such fibres. First is the extraction of pure cellulose from forest products. The wood or bamboo is cut into small pieces which are cooked in sulphuric acid and subsequently in caustic soda solution to make them soft and pulpy. The resultant product is cleaned, washed, bleached and pressed into sheets. The second stage is to dissolve the cellulose with the help of caustic soda and carbon bisulphide and then regenerate it into fibre. This fibre is very much like the best quality of cotton and is called staple fibre. Staple fibre is normally produced in a bleached state but can also be dyed in various colours, the dyes being injected in the process of manufacture. The fibre is then spun into yarn-just like cotton-either pure or mixed with cotton or wool, and then woven into various fabrics. Since the manufacture of staple fibre is based on forest products, it has the double advantage of releasing cultivable land for priority purposes such as the growing of food and reducing the cost of clothing through the use of less expensive raw materials.

—Gwalior Rayon Silk Manufacturing (Wvg.) Co., Ltd.



The Budget and the Stock Markets

From Our Correspondent

MADRAS:

IF IT had been hoped that Mr. T. T. Krishnamachari's Budget for 1964-65 would have a revitalising effect on the industrial economy and maintain buoyancy in the stock and capital markets, while at the same time pursuing the objectives laid down at the recent Bhubaneswar Session of Congress, these hopes have been belied. The Union Finance Minister had no doubt to do a good deal of tight-rope walking as he had to bear in mind the criticism that might be provoked from Members of Congress Party belonging to two sides on account of some proposals which might appear to favour unduly industries and investors and as a result of other proposals which did not appear to serve the full purpose of soaking further the heavily rich. In spite of the complicated task, it was confidently felt that the industrial corporate sector and the smaller investors particularly would be afforded tangible relief and new industries, which were experiencing special difficulties, would be tangibly benefited. There was also a case for encouraging productive investment of new savings in industrial securities, for taking out additional insurance or for making contributions to recognised forms of saving by offering significant rebates in Income-tax or by exempting fresh investment in the initial capital of new approved industrial undertakings.

Justified Expectation

There was justification for this expectation from those in charge of many essential industries and middle-class investors as the Finance Minister was consistent in his public utterances after he made his broadcast speech to the nation emphasising the need for stimulating industrial and agricultural production and helping the economy to get out of its stagnant phase. The measures that followed in the last quarter of 1963 did not cost the Exchequer to any extent as the liberalisation of credit policies was done in an imaginative manner while large sums were made available to the Statutory Financial Corporations for extending underwriting operations, subscribing on a large scale to new issues and for granting liberal loans. On account of the belief that there would be a positive approach in the Central Budget, a bullish feeling was noticeable in the stock markets in the fortnight before the actual announcement of the Budget proposals even though there were some sceptics who held the view that the Budget bag might contain unexpected tricks and the new proposals would be complicated in character. It is rather unfortunate that these hopes which had solid justification have gone wrong.

Even when the Budget Estimates for 1964-65, on the basis of existing taxation, were presented there was a firm belief that the Finance Minister would not take any drastic steps to collect additional revenues. In fact, it was even argued that there was scope for affording considerable tax relief especially as budget receipts for 1963-64 had been grossly underestimated. In spite of a considerable higher level of expenditure there was a surplus of Rs. 54 crores on revenue account and the overall deficit was expected to be only Rs. 176 crores. For the revised estimates for 1963-64 the overall deficit declined to Rs. 136 crores from Rs. 181 crores while there was a big revenue surplus of Rs. 87 crores against an estimated deficit of Rs. 16 crores. Under these circumstances, the effort to gather Rs. 40 crores by way of additional taxation and another Rs. 50 crores on capital account under the annuity scheme has come as a great surprise. What is more, if the pluses and minuses are taken into account on the taxation side the heavy impact of the higher excise duties on superfine cotton fabrics and rayon yarn and the additional surcharge on customs duties will become evident. These will bear heavily on industries as well as consumers. The proposals to levy estate duty at the high level of 85 per cent on estates having a value of over Rs. 70 lakhs and correspondingly, heavier rates of Gift Tax have had a demoralising effect even though it was generally expected that there would be a significant increase in the rates under these heads. The Capital Gains Tax too has been made stiff while the relief offered to the public limited companies are considered meagre.

Immediately after the Finance Minister started giving out details regarding the estimates for 1964-65 there was a sharp rise in prices in Dalal Street and Lyons Range. In Madras, there was no special Budget session. The impression given by the earlier rise in prices for such scrips like Tata Steel to Rs. 153.50, Indian Iron to Rs. 26.20, Telco to Rs. 319 and Hindustan Motors to Rs. 20.60 was misleading as it persisted even after an announcement regarding changes in direct taxes which was made after those relating to indirect taxes. A section of the market was inclined to be still buoyant as the Super Profits Tax had been abolished and replaced by a more liberal surtax on profits. There was also a rebate of 10 per cent in respect of income-tax and super tax and 20 per cent surtax for industries belonging to a specified group. But the dividend tax of 7½ per cent was completely unexpected, while it had even been hoped that a higher development rebate might be accruing to specific industries. Instead, a note of warning has been given that industrialists should not proceed on the assumption that the development rebate would continue to be available in the same form for all industries after March 31, 1966. The heavier taxes on personal incomes and wealth had of course an upsetting effect but Dalal Street took a bearish view because it was decided to levy excise duties on superfine fabrics, rayon and staple fabrics.

Omnibus Dividend Tax

As the duties were already higher on the cotton textile industry and the rayon industry had not benefited to any great extent on account of decontrol, it may happen ultimately that the incidence of heavier excise duties would be passed on to consumers. A decision to this effect has actually been taken by the two industries. It is, however, feared that even efficient companies would be affected and that the benefit accruing from the new surtax on profits would be offset in great measure by the omnibus dividend tax on the amount distributed on equity capital. It was only known later that the Capital Gains Tax would be paid on the notional gains accruing on the issue of bonus shares by companies. The average rate of tax on capital gains will be heavy as it will henceforth be payable on the basis of half the average rate which is applicable to the individual. While hitherto the maximum was confined to 25 per cent, it is apprehended that this heavy incidence will have a retarding effect on fresh investment and the activities of the bigger class of investors. The taxation of gain accruing on bonus shares has, however, shattered the morale of the market as it will be determined on the basis of gain accruing to the individual taking into consideration the market value on the 31st day after the issue of shares. There are different interpretations regarding the manner in which the capital gains would be determined. But like the Super Profits Tax the determination of notional gains might create unintended and unexpected difficulties even in the investment portfolios of middle income groups.

It is not known whether the market value as a whole would be taken into consideration for ascertaining capital

gains on bonus shares or whether the average cost will be taken into consideration. The former procedure will be meangingless while the latter will penalise heavily conservative investors who have stuck on to their holdings not with a view to secure capital gains but with a view to keep them in their portfolio for income purposes. As the capital gains will not really relate to the benefit secured by investors on receipt of bonus shares, the incidence will be grossly inequitous especially as the rates have been revised drastically. The realisation that the net benefit derived by the industrial Corporate Sector would not be appreciable and that it would henceforth be impossible for the bigger investors particularly to extend large support to the stock markets has been responsible for the downward trend at prices noticeable in the past few days. It may be argued that, in the case of steel, engineering and some other groups of shares the decline in prices is not very pronounced and that only textile and rayon shares have been unduly affected. But it must be borne in mind that the announcement of partial decontrol over prices and distribution of certain categories of steel has had no effect on market sentiment and for industries to be in a position to attract fresh funds. A certain amount of optimism in future outlook is necessary.

Damaging Effect

The new budget will therefore, be determined by the criterion whether the above objectives have been achieved. In the absence of any great enthusiasm on the part of Indian interests even the fresh concessions announced to stimulate the inflow of foreign capital might not yield the desired results. It is perhaps a little early to pass the final verdict on the budget proposals. It cannot, however, be denied that they have had a damaging effect on general sentiment and for the fifth day in succession, prices have been fluctuating in a two-sided manner with the undertone extremely weak. The Life Insurance Corporation and the Unit Trust of India might probably try to prop up the market. But what is actually required is the creation of a climate which would encourage the employment of accummulated and fresh savings to a large extent in industrial securities. Even for the Life Insurance Corporation and the Unit Trust to be able to operate in a big way there should be savings available for taking up new policies or purchasing units if the lower income groups have been soaked by the clandestine reorganisation of the tax rates on a permanent basis and middle. The higher income groups have been affected by the annuity scheme. Savings, therefore, do not exist for other forms of activity. The concessions in respect of excise duty to some industries are no doubt welcome but even here it has been complained that they have not gone far enough. If, therefore, a budget which has tried to have new checks in balances has not succeeded in creating the desired climate for further industrial development, it can only be emphasised that, without sacrificing any of the Bhubaneswar objectives, the Finance Minister would be gracious enough to make such changes as would not liquidate the entrepreneurial class in a short period and leave a vacuum until such time as a mass of new investors would be prepared to take over or the Government succeeds in providing bulk of financial resources and enlisting the support of talented workers to promote and manage large new industrial units. It stands to reason that the tax on personal incomes and wealth should be reduced to realistic proportions and the drastic rates of estate duty particularly apply only in respect of estates which have been inherited after two or three generations. The capital gains tax should be less severe while the corporate sector must be in a position to plough back larger sums out of current earnings. This can be done only if the dividend tax is dropped and the method of determining the capital base for purposes of surtax on profits is also suitably modified.

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The Budget and Investors

From Our Correspondent

CALCUTTA:

ALTHOUGH the Union budget proposals for 1964-65 are a considerable improvement over those of last year inasmuch as they do not add to the burdens on industry and trade, they have failed to fulfil the optimistic expectations which the market had started entertaining after Mr. T. Krishnamachari took over the Union Finance portfolio in August last and the series of statements he made as Finance Minister. These statements had left no doubt about the official admission of the stagnation creeping into the country's economy in the last two years or so and, therefore, implied official recognition of the need to take remedial measures. Against the background of the urgency to increase savings and investments, the budget is a disappointment. No doubt, the proposals are designed to increase the savings of individuals as well as of the corporate sector, but such increased savings are not channelled to private industry to strengthen its growth and enable its diversification. The price movements on the Calcutta Stock Exchange and the extreme caution displayed by both operators and investors are explained by the dose of disappointment which the new taxation proposals have administered.

The private sector is often assailed by Government spokesmen as lacking in adequate entrepreneurship and in failing to utilize opportunities afforded to it under the Industrial Policy Resolution of 1956. On behalf of industry, it has been urged, as often as the indictment, that conditions should be created to enable it to plough back as much of profits as required for expansion and new entrepreneurship. However, it is unfortunate that the Government considers that it only has the right to the fruits of the private sector. It is no wonder that capital formation is very low as compared to requirements. It is also doubtful that the budget proposals will create conditions much different from those of the last two years.

Tax on Efficiency

It had been thought that the industry had made a strong case for the total abrogation of the super-profits tax, which had been rightly called a tax on efficiency and entrepreneurship. Although this tax is being given up, its replacement by a surtax on profits has alone caused the deepest sense of disappointment. It is realized that the latter tax will be less burdensome than the former. But all the same, the market thinks that it is a tax, like the former, on efficiency, and as such the more efficient firms would continue to be at a disadvantage.

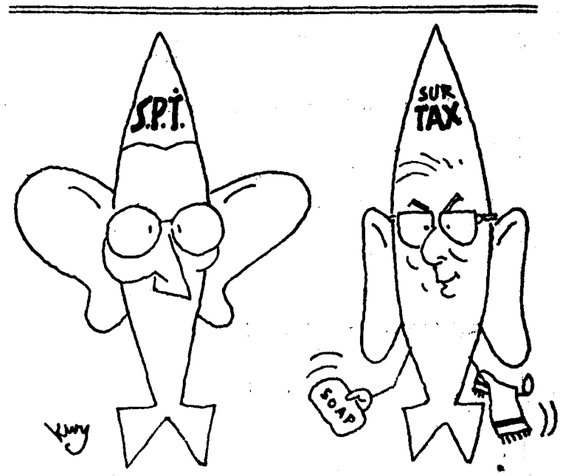
A close examination of the budget proposals shows that these are a continuation of Mr. Krishnamachari's attempts in 1957 to achieve an integrated tax structure, having regard to the recommendations of Prof. Nicholas Kaldor. The expenditure tax, which had proved uneconomic in the Smithian sense, has come back to the Statute and Estate duties have been revised, vertically rather than even steeply — the exchequer hopes to collect more revenue from the capital gains tax, gift tax and the wealth tax.

Investors, small and big alike, have been affected in a number of ways. Companies will be forced to limit dividends inasmuch as they are to pay a tax at the rate of 7.5 per cent on the dividends they declare. This measure, perhaps, aims at making good the revenue loss to the Government as a result of the reduction of tax on dividends at source from 30 per cent to 20 per cent. Another restraining influence on investors is the proposal to treat bonus shares as a capital gain. It is easy to see that this proposal would discourage the issue of bonus shares.

For the salaried investor, the withdrawal of the much-hated Compulsory Deposit Scheme is not much relief. Although, as a result of the revised income-tax rates, an assessee will pay a lower sum as tax as compared to the existing tax plus the C.D.S., he will be paying a higher tax to the Government if note is taken of the returnable nature of the C.D.S. For the higher income groups, i.e. above Rs. 15,000 per head per annum, the abolition of C.D.S. would not only mean increased tax, but a part of their earnings will also be blocked in annuity deposits with the Government. The flow of funds to the capital market from the salaried group of investors, thus, should stand reduced further.

The tea industry has been disappointed by the budget proposals, for its earnest plea for excise duty relief has not been accepted by the Finance Minister. Although the last year's total Indian tea crop was lower — the heavy fall in the North Indian crop was made good only partly by a better crop in South India —, tea exports rose impressively as a result of withdrawal of the export duty in the 1963-64 budget. The revenue loss as a result of this measure was made good by the Government by effecting a steep rise in excise duty rates. The industry had represented that Indian tea was often being priced out of world markets as a result of price-cutting by other producing countries, notably Africa, Ceylon and Indonesia. There has been evidence that India has not been able to secure a fair share in the increased world consumption of tea in the recent years. The industry had, therefore, pleaded for tax relief so that it could plough back as much of profits as possible for expansion and development, and also attract new capital. The fall in Jutlibaris on the Calcutta Stock Exchange to Rs. 27.87 following the budget from Rs. 31.50 previously is illustrative of the disappointment caused to investors in tea shares. The Tea Association of India, which has expressed concern at the continuance of the heavy excise duty on tea, however, has thanked the Finance Minister for his gesture to allow rebate on income-tax, super-tax and surtax.

The raw jute trade has expressed happiness at the withdrawal of the export duty on raw jute. Domestic production of raw jute in the 1963-64 season has left an unmanageable surplus of the inferior varieties, and, although the Government had long ago fixed an export quota, the attempts by the trade as well as the State Trading Corporation to export such of the inferior fibres as are not wanted by mills in India,



THE CLEAN BOMB

have not proved an unqualified success. This has been done due to the fact that overseas buyers are able to get as much jute as they want at lower prices from Pakistan. Also, the quality of the Pakistani product is better. Mills in India have in their godowns fibre sufficient to meet their consumption for six months, or say up to the time the new crop comes in the market. As such, if it is only possible to find an export outlet for such quantities of the inferior fibre as still are held by cultivators as well as stockists, this will be a relief to mills. It is hoped, that the abolition of export duty on raw jute will help in stepping up fibre exports.

The jute mill industry and the domestic consumers of jute goods have been disappointed because excise duty on jute manufactures for internal consumption has been maintained. This levy was introduced for the first time in the 1963-64 budget and it had been represented since then, very often, that it had led to restriction of internal consumption at a time when mills looked forward to more markets for their heavy goods in the production of which lower grades of raw jute could be used in a higher proportion than either in hessian or specialities.

Speculative Indian Irons closed at Rs. 25.94 before the budget. In the special budget session of the Calcutta Stock Exchange, held on the evening of February 29, they rose to Rs. 26.28 before receding to Rs. 25.60 at the end of this session. Since then, the fluctuations in their price have been narrow with a pull towards a downward tendency. The partial decontrol of steel and the raising of the retension prices of the still controlled categories of steel on an average by Rs. 30 a tonne have been welcomed. But it is noted that steel producers are not entirely free to price the items taken off the control list. These prices are now to be fixed by a Joint Plant Committee which will be presided over by the Iron and Steel Controller and on which representatives of Government consumers such as the Railways may be in the majority. At the same time, excise duty on several steel items has been revised upward to add to costs, if the increase cannot be shifted either in part or in full.

It is noted that the budget accords a significant encouragement to foreign capital. This is as it should be. The industry has also lost no time in welcoming this very encouraging feature of the budget. Against the background of the success achieved by many Indian entreprenuers in the recent years in their attempts to enter into collaboration agreements with foreign manufacturers, the Finance Minister's charge, as reported in the overseas press, that "the biggest enemy of foreign capital in India is vested interests who do not want it to come in" is hardly proper. The proposals particularly noted in this respect are: (i) reduction in tax on engineering services; (ii) exemption to be provided to foreign investors from tax on income derived by them from loans granted by them to Indian companies on Government's approval and (iii) exemption from tax to be given to foreigners on their income from subscriptions in approved Indian securities, including private securities.

Appreciating the Finance Minister's difficulties to grant tax reliefs on a significant scale, Mr. A. D. Ogilvie, the President of the Associated Chambers of Commerce, has welcomed the reduction in inter-corporate taxation. He has, however, regretted the replacement of super-profits tax by other forms of corporate taxation.

The Indian Chamber of Commerce, Calcutta, pointing out to the anti-inflationary nature of the budget and the tax relief given to priority industries, has declared that the proposals for additional taxation are not in consonance with the objectives to accelerate the rate of economic growth. The President of the Calcutta Stock Exchange, Mr. C. L. Jhunjhunwala does not think that the budget proposals are designed to give incentives either to investors or to industrial production.

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A View of the Budget

This script by V. Balasubramanian was broadcast in the "Matters of Moment" programme of the All India Radio on March 8, and is published here by courtesy of the AIR.

THE BUDGET proposals of the Central Government for the year 1964-65, presented to Parliament by the Finance Minister last week, attempt new directions in economic policy, although not perhaps a new economic policy itself. To agreed principles a firmer shape has been given, while to accepted obligations a greater sense of urgency has been imparted. It has long been recognised that the rapid economic development of the nation is largely dependent upon a progressive increase in saving and investment. In the five-year Plans and the policies and programmes framed from time to time to implement those Plans an attempt, no doubt, is being made to step up savings and investments. The particular merit of the present budget is that it brings to its task a clearer and a more comprehensive approach than has prevailed hitherto.

The first loyalty of the Central budget naturally is to development and defence. Consequently, it has taken care to provide for larger resources for either purpose. Outlay on the development programmes in the fourth year of the third Plan has been stepped up to Rs. 1,984 crores at the Centre and the States together. This represents an increase of Rs. 333 crores over the corresponding budget provision for the current year. Similarly, in the case of the expenditure on defence, the budget provision has been stepped up from Rs. 808 in the revised estimates for the current year to nearly Rs. 854 crores.

These higher allocations would naturally call for larger resources from the economy. Fortunately, a part of this demand would be met by the natural growth in tax revenues at the existing levels of taxation. Nevertheless, there would still be a problem of finding further resources. The Finance Minister has attempted to do it through various means for increasing savings in the community. An agreeable aspect of his effort in this direction is his decision to resort as little as possible to deficit financing. In view of the tendency of the price level to go up, this is certainly a sensible resolve.

Uncovered Gap

The revised estimates for the current year have indicated a total uncovered budgetary gap of Rs. 135 crores. As against this, the overall deficit in the budget year is expected to be only Rs. 86 crores. This, as has been mentioned a little while ago, has been due partly to the natural growth in tax revenue and partly to measures taken in the budget. Among the latter are the Finance Minister's proposals to borrow more from the public. The target for market loans has been stepped up. Emphasis on small savings has been similarly increased.

Now a word is useful on the economic significance of the reliance on loans and small savings. Loans and small savings, to the extent that they represent voluntary contributions for the purposes of the State in contrast with taxation which is a compulsory payment, always have an important place in the economy of a democratic community. In the context of rising prices they also have an additional economic significance because they represent a withdrawal of purchasing power from the community. This withdrawal assists in reducing the excess of money supply over the volume of goods and services and thereby serves a useful anti-inflationary purpose in restraining any upward movement of the price level.

The Central budget has also resorted to new taxation for finding part of the resources needed for the higher outlays on development and defence. This additional taxation, however, is of relatively modest dimensions. The actual tax element, in fact, is only of the extent of Rs. 44 crores, while the Finance Minister has sought to raise another Rs. 50 crores through the introduction of an Annuity Deposit Scheme. This scheme follows the decision in the budget to exempt income-tax payers also from the Compulsory Deposit Scheme, thereby completing the withdrawal of that scheme. The new scheme of annuity deposits is primarily a mechanism for securing a part of the savings of the relatively well-to-do classes of the community to the purposes of the public exchequer. It applies at income levels of Rs. 15,000 a year and beyond. Thus its incidence is on those sections of the community which may be presumed to have both the ability and the willingness to save.

Reference has been made earlier to the emphasis given to savings in the Central budget. The annuity deposit scheme is an important illustration of this emphasis. There are many others too, such as rebates on super-tax for recognised forms of savings for old age or family security.

Stimulating Savings

The Central budget thus attempts to stimulate savings in the community and direct those savings into nationally urgent and socially useful purposes. While one of the purposes of the budget certainly is to divert or direct a good proportion of the community's savings into the channels feeding the Government's own expenditure on development, defence, the social services and general administration, it has also taken pains to create conditions favourable for more saving and investment in the private sector of the economy as well.

Following the mid-term appraisal of the third Plan which was presented to Parliament towards the end of the last year, there has been some concern in the country at the slackening of the pace of increase in agricultural and industrial production. The need for measures to stimulate the economy so that there may be more rapid economic growth has been accepted on all hands. The Finance Minister on behalf of the Government has declared on many occasions that measures would be taken to remove the slack in the economy and impart greater vigour to it.

Consistent with this declaration the Central budget has proposed various fiscal measures for infusing confidence in the capital market, providing stimulus to the development of our basic industries and promoting and building up reserves in industry in general. In line with this purpose, the super profits tax levied in the budget for the current year has been discontinued and replaced by a new tax described in the budget as surtax on the excess profits of companies. The general incidence of the surtax on the corporate sector is likely to be much less heavy, and the draft made by it on the earnings of companies consequently much smaller.

Mr. Krishnamachari has also given additional reliefs to selected industries which are essential to the growth of the economy and the development of which it is, therefore, considered desirable to encourage through special measures. A list of these industries has been drawn up and it covers 14 categories including iron and steel, aluminium, industrial

machinery, coal, cement, fertilizers, paper and pulp, tea, coffee, and rubber. It is the intention of the Government to add to this list from time to time and the claims of other industries, perhaps not less important to the national economy, will no doubt be considered in due course. To summarise the purport of these and other allied reliefs granted to the corporate sector, their effect will be to strengthen the internal finances of industry in general and of those industries in particular which fall within the list of national priorities in development.

The budget thus seeks to encourage personal savings and direct a large part of them into investments in Government securities or towards providing for family security. It also seeks to reduce the Government's tax demand on company earnings so that more funds may be available especially for investment in industries of special importance to the national economy. A third object which has been pursued in the budget with similar enthusiasm is that of creating a favourable climate for foreign investments.

The Finance Minister has acknowledged that the quickening of the growth of the economy generally and of the development of basic industries in particular could be considerably assisted by a larger inflow of foreign capital and know-how. He has pointed out that in view of the nation's rapidly mounting repayment obligations on foreign loans, there is a large advantage in encouraging the inflow of foreign equity capital which does not involve the country in short-term liabilities of repayment. The budget, therefore, seeks to remove some of the obstructions and disincentives to foreign investments and has made a considerable advance in the direction of creating a positive climate in favour of foreign investment.

Importance of Corporate Sector

Mr. Krishnamachari's intentions are thus clear. He has recognised the important role which the corporate sector has to play in the development of the national economy. He has also appreciated the need for fiscal policy making it possible for the corporate sector to retain a high proportion of its earnings for furhter development besides attracting outside savings for expansion, especially through new enterprises. Within this larger comprehension, he has also shown understanding of favourable tax treatment of industries of particular national importance, and, secondly, foreign equity investments and know-how. He has framed the proposals in such a way that not only will there be more corporate investment but there will also be more investment of this kind in the directions considered necessary and desirable by the Government.

The re-imposition of the expenditure tax and the proposals for increasing the gift tax and the estate duty have in their totality been described in some quarters as an assault on property and wealth. He has made it clear that they are a part of the socio-economic strategy of the Government which is aimed at ending glaring economic disparities, reducing concentrations of wealth, restraining ostentatious consumption and curtailing the advantages of inherited wealth. The issue is thus one of social purpose.

Peaceful Document

For the rest, the Central Budget this year is a peaceful and benevolent document. Although it has not reduced the excise taxes on consumption goods, it certainly has the very considerable negative virtue of not having imposed any appreciable additional taxation on goods of mass consumption. It also has the virtue, as was pointed out at the outset, of dis-inflationary strategy for raising resources. In terms of helping to restrain the price level, this general policy is perhaps worth very much more than any specific relief in indirect taxes which the Finance Minister could have given. As it happens, the Finance Minister has given some relief to the low-income groups and this he has done in the case of income tax

Meanwhile, it is pleasant to see that the budget has not been a stern and serious document throughout and that it has been tied with some bits and pieces of gay ribbon. Thus the Finance Minister has tried to provide special tax relief to artistes, actors, and authors whose incomes are apt to be uncertain or widely fluctuating. He has given them the option of making a higher deposit under the annuity deposit scheme and thereby thinking out their tax liability.

Again, the income tax exemption, applicable to foreign technicians has also been extended to professors and teachers of foreign nationalities subject to the approval of the contract of their services by the Central Government. These are fine gestures indicating that the Government's budget need not be concerned only with the market place and that it could spare a kindly thought — and what is perhaps more to the point — a handful of cash to the arts and graces of life.

1864 — 1964
HEARTIEST CENTENARY GREETINGS
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Budget Snippets

FOREIGN CAPITAL

SPEAKING AT a conference of the Indian Economic Association in Bombay, about two months before the presentation of the budget, Mr. T. T. Krishnamachari had foreshadowed a distinct shift in official thinking by stating that past inhibitions about foreign capital had no longer any justification when the public sector had established its 'vigilant presence' in most of the vital sectors of the economy, and that a stage had come when we would be justified in opening the doors even wider to private foreign investment as long as the burden that such investment might put on our balance of payments in future was not disproportionate to its contribution to our economic growth. Adding to this his view of the growing burden of foreign debt repayment in the coming years, and the requirement of a large volume of foreign exchange for the fourth Plan, the Finance Minister, in his budget for 1964-65, has proposed a few tax concessions to foreign investors. These concessions include the abolition of Super-Tax on inter-corporate dividends. The foreign companies' tax liability would now be at a flat rate of 25 per cent instead of a variable figure ranging from 25 per cent to 50 per cent. Fees for engineering services would now be taxed at the rate of 50 per cent instead of 63 per cent. New companies would not attract tax on dividends in the first year and four subsequent years if their dividends do not exceed 10 per cent.

The Government is also taking powers to give partial exemption from tax to loans raised abroad. In the past, the Government had powers for granting total exemption, but not partial exemption. The arrangement on the whole worked well, but there were some difficulties. Where the rate of interest was high, exemption was not granted because the Government was anxious to ensure reasonable rates of interest. Moreover, because of double taxation relief agreements, what the Government of India gave out often benefited not the foreign lender but the foreign Government.

The Government has also assumed powers to grant exemption from tax to foreign investments in approved securities as notified by the Government.

Profits made by foreign firms, with offices in India, out of exports from this country, are also being exempted. In the past, if a foreign company opened an office in India for making purchases, profits made abroad were liable to taxation under the principle of business connection. In practice, an assurance had been given that it would not be done so, but still many foreign firms were discouraged from setting up buying offices in India. The new provision has been made to give more trading flexibility.

As far as personal taxation is concerned, some relief has been given to foreigners by way of an educational allowance for children (Rs. 2,000 per child under 21 years, up to two children, or 25 per cent of income, whichever is less). The foreigners have also been exempted from the Annuity Deposit Scheme in this budget, whereas the 1963-64 budget did not grant any exemption to foreigners from the Compulsory Deposit Scheme.

The Finance Minister has, however, proposed an increase in the rate of tax from 63 per cent to 65 per cent on branch companies which have head offices abroad and to which all profits are remitted.

The incentives which the Finance Minister has extended to the foreign capital and know-how will naturally have to be assessed in the larger context of the general investment climate his budget may generate. Here it is possible to argue that he has isolated the case of foreign capital seeking investment in India from domestic capital to a degree not warranted by the prevailing circumstances — domestic capital being shy and short. There cannot be a more effective magnet for attracting foreign private capital than a flourishing domestic private sector, and this pre-supposes equally attractive terms for domestic investments. Therefore, the first step towards attracting more foreign capital is to create such conditions as will ensure a faster rate of capital formation and economic growth within the country. In this context, we find that while the proposed surtax on profits may be less burdensome than the SPT, it would still impose a very substantial additional burden on company earnings. Any attraction accruing to foreign capital must, therefore, necessarily flow from readjustment of the general corporate and personal tax structures and in this, the present budget has failed seriously.

PUBLIC LOANS

The Budget of the Central Government for 1964-65 assumes a credit of Rs. 295 crores from the new market loans. This does not include any amount to be raised on behalf of the States as it has been decided to allow the States to resume the former procedure of floating separate loans. Last year the arrangement of centralised borrowings has obviously not worked satisfactorily. The current budget assumed a credit of Rs. 393 crores from market loans including Rs. 100 crores to be raised on behalf of the States. On the basis of the loans actually floated during the year and after taking into account the conversion of ad hoc treasury bills of the value of Rs. 75 crores into dated securities, the revised estimates are placed at Rs. 441.70 crores. The amount actually raised was Rs. 366.70 crores against the target of Rs. 368 crores through five open market loans while 4½ per cent National Defence Bonds fetched an additional amount of Rs. 1.72 crores. Cash subscription accounted for Rs. 208.75 crores and conversion of maturing loans Rs. 157.95 crores. Ad hoc treasury bills were converted in January this year into further issues of 4½ per cent loan, 1973 (Rs. 50 crores) and 4½ per cent, 1986 (Rs. 25 crores).

Against the background of the current year's difficult experience, it cannot but be emphasized that the loan programme for the budget year is pitched high. There can be no doubt that there will be increasing quantum of subscriptions from the Life Insurance Corporation and the provident funds, but it seems that the banks perhaps may not be able to purchase securities in any large amount in 1964-65. The growth of bank deposits has not kept pace with the growth in advances and there has been an all time record increase in bank credit in the current season. The credit deposit ratio went up from 74 per cent in February, 1963 to 77 per cent in February, 1964. And then there is no likelihood of any significant seasonal decline of bank credit in the coming slack season. Hence all the available evidence suggests that banks will be in a tight position and surplus cash may not be available with banks for investment in government securities. It is true that higher liquidity ratio would become effective from September 1964 and to comply with the new statutory liquidity requirements some banks which at present are not having investments of about 25 per cent may be forced to purchase government securities, but it is doubtful whether the purchase of government securities by a few banks under compulsion will make any significant increase in the commercial banks

holding of government securities. Under the law, banks will be required to maintain a liqudity ratio of 28 per cent of aggregate deposits. The liquidity ratio will consist of 3 per cent statutory minimum cash ratio and the balance of 25 per cent in bill cash or approved securities which mainly consist of government securities.

At present government securities are the main liquid assets for seasonal adjustment of cash flows. In case of cash requirements the banks can either dispose of the securities or use it as a collateral for borrowing it from the Reserve Bank of India. Here it needs to be pointed out that banks have an alternative to borrow under the Bill Market Scheme. Instead of borrowing from the Reserve Bank of India against government securities and thus reducing their unencumbered liquid assets, the banks can borrow from the Reserve Bank against the bills created under the Bill Market Scheme. Since these bills are not included in the list of liquid assets for computation of the liquidity ratio borrowing against bills will not reduce the amount of liquid assets with the commercial banks. For many banks a shift in borrowings against government securities to borrowings against bills will release sufficient government securities to comply with the new liquidity requirements. To some extent the banks preference depends on the rate of interest charged on borrowing under the different heads. Considering the pressure of rising demand for bank credit, which may be generated further in the next year, it would be an error to expect strong bank support to loan issues.

SMALL SAVINGS

It is evident from the Budget speech of the Finance Minister that the small savings campaign is to be geared to greater effort. It may be noted that Rs. 241 crores were collected in the first Plan and Rs. 400 crores in the second Plan against a target of Rs. 225 crores and Rs. 500 crores respectively. In the first Plan the target was exceeded. A target of Rs. 600 crores has been fixed in the third Plan. In the current year the collections amount to Rs. 115 crores and it is expected that Rs. 125 crores would be collected next year through various small savings schemes. The collections during the first two years of the third Plan amounted to an average amount of Rs. 85 crores. Although the collections in the last few years have been much short of the target, progress realised every year is encouraging in the sense that it is difficult to build up a psychology of savings in an era of rising prices when alternative investments such as investments in commodities, goods, gold shares, property, etc. are apt to be more profitable.

The various small savings schemes at present in operation are post office savings bank, cumulative time deposits, national defence certificates, defence deposit certificates, 15 year annuity certificates etc. 15-year annuity certificates have an appeal for a particular class of investors and as such have limited potentialities as a device to collect small savings. The amount of net collections through the various schemes is as given in the table opposite.

The main factor in boosting the collections is the buoyant receipts from the National Defence Certificates and Defence Deposit Certificates, introduced in November 1962. Coming in the wake of the emergency in replacement of National Plan Savings Certificates and Treasury Savings Deposit Certificates, these new series have become popular with the investing public and have brought in large amounts during the current year. The increased collections under National Defence Certificates may partly be attributed to greater choice of denominations introduced in the new series which are now availble in denominations of Rs. 5, 10, 50, 100, 500, 5000 and 25,000. Even more important perhaps is the step up in the interest rates by ½ per cent on these certificates which now yield 6.25 per cent simple or 4.75 per cent compound rate of inferest free of income-tax. Defence Deposit Certificates are issued in denominations of Rs. 50 and multiples thereof and carry 4.50 per cent per annum interest, free of income-tax. Another factor accounting for higher collections is the increase in the limit of maximum holdings from Rs. 25,000 to Rs. 35,000 in the case of individuals and from Rs. 50,000 to Rs. 70,000 in the case of joint accounts.

Among the steps taken to promote the savings movement mention may also be made of the increase in the rate of interest on post office Savings Bank, Defence Deposit Certificates, introduction of a new 15-year account under the cumulative time deposit scheme, increase in the limits of holdings in the National Defence Certificates and the Defence Deposit Certificates by individuals, increase in the number of post offices doing savings bank work, increase in the rate of commission payable to authorised agents and better and wider co-operation with commercial and public utility concerns. Without belittling the progress of the Government, it needs to be pointed out that the third Plan target will not be attained, as has been pointed out by the Finance Minister himself. Nevertheless, if the tempo of collections witnessed during the year 1963-64 is maintained and steadily improved upon, the performance of small savings over the third Plan period would be good indeed.

STATE UNDERTAKINGS

In the scheme of financial resources for the third five-year Plan, it is laid down that Rs. 450 crores will accrue from public sector enterprises. But keeping in view the performance of the public sector in the year 1962-63, it is wondered if large surpluses would be available from these undertakings. Among the public undertakings, a statistical account of which is given in the Explanatory Memorandum on the Budget for 1964-65, the running concerns such as Nahan Foundry Ltd., National Building Construction Ltd. show clean losses. Praga Tools Corporation Ltd. and Hindustan Shipyards Ltd. do not show any profits, and in the case of Travancore Minerals Ltd.,

SMALL SAVINGS

(In crores of rupees)

	Actuals 1962-63	Revised 1963-64	Budget 1964-65
1. Post Office Savings Bank	4.66	33.00	33.50
2. Cumulative Time Deposit	5.35	9.00	12.00
3. National Defence Certificates	53.58	100.40	102.00
4. Defence Deposit Certificates	9.77	22.00	22.48
5. 15-Year Annuity Certificates	.019	10 (Lakhs)	10 (Lakhs)
6. Treasury Savings Deposit Certificates	22.85 (Lakhs)	— 5.40	— 5.15
7. National Plan Savings Certificates	19.59	—25.20	—23.50
8. National Plan Certificates	—1.00	— 1.00	— 1.20
9. Cash Certificates	18.75 (Lakhs)	—15.00 (Lakhs)	—15.00 (Lakhs)
10. Defence Certificates	—72,000 (In Rs.)	— 2.00 (Lakhs)	— 1.00 (Lakhs)
11. National Savings Certificates	—18.08	—17.73	—15.07
TOTAL	74.11	.115.00	125.00

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1964

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1853 — First railway and telegraph
1864 — Sam Bird started business in Allahabad
1869 — The birth of Mahatma Gandhi
1870 — Bird & Co. moved to Calcutta
1878 — Bird's first managing agency — Burrakur Coal Co.
1881 — First Indian Factory Act
1885 — Indian National Congress formed
1904 — Universities Act
1905 — Lord Cable became Senior Partner of Bird & Co.
1907 — TISCO founded by Jamshedji Tata

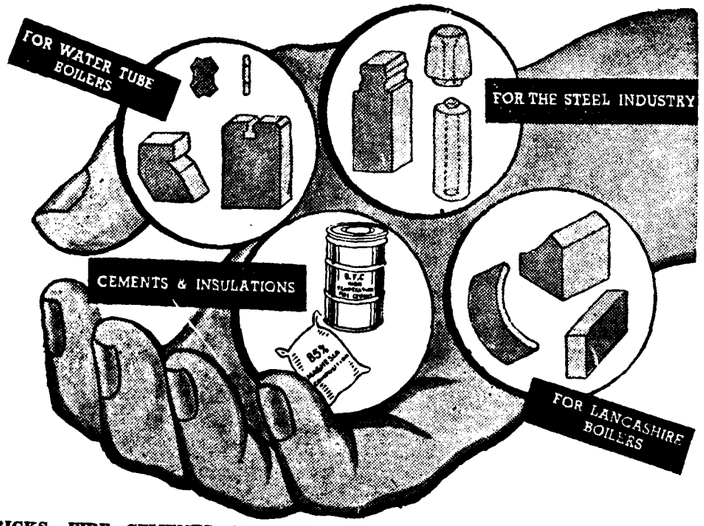
HISTORY IN THE MAKING

1909 — Morley-Minto Reforms
1917 — F. W. Heilgers & Co. bought by Lord Cable
1918 — Montague, Chelmsford Report
1923 — Workmens' Compensation Act
1929 — Trade Dispute Act
1932 — Sir E. C. Benthall became Senior Partner
1935 — Government of India Act
1939-1945 — Second World War
1947 — Independence
1947 — Bird & Co. registered in India
1951-1956 — First Five Year Plan
1956-1961 — Second Five Year Plan
1961-1966 — Third Five Year Plan

BIRD & CO. (PRIVATE) LIMITED • F. W. HEILGERS & CO. (PRIVATE) LIMITED
Chartered Bank Buildings, Calcutta-1

B2/BAD-10A

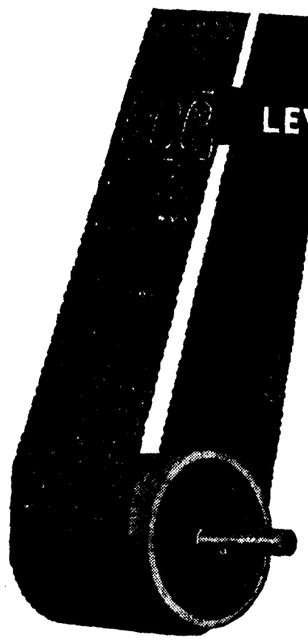
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- Lantee Brand Rubber Hoses of all types.
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Hindustan Housing Factory Ltd., National Instruments Ltd., Hindustan Salt Ltd., Mazagon Docks Ltd. etc. the profits are only nominal. In all the profits of 30 running concerns are quite meagre as compared to the magnitude of capital investment. A profit of Rs. 14.77 crores on an investment of Rs. 196.01 crores means a yield of 7.5 per cent. The dividend in these 30 running concerns totals up to only Rs. 2.22 crores which works out to 1.2 per cent on the total paid-up capital. Even if the net profit is broadly taken as a return on capital, it may be seen that it is much below normal return recorded by private sector undertakings. The table below relating to returns on capital in 30 undertakings in 1962-63 is self-explanatory:

TABLE I.
RETURNS ON CAPITAL IN 30 RUNNING UNDERTAKINGS IN 1962 - 63

(Rs. in Crores)

1.	Investment in Share Capital	196.01
2.	Net profit earned during 1962-63	14.77
3.	Dividend	2.22
4.	General and other Reserve Funds	5.88
5.	Development Rebate	4.93

A maximum profit of Rs. 2.16 crores was recorded by Hindustan Machine Tools Ltd., Fertilizer Corporation of India, State Trading Corporation of India and National Coal Development Corporation showed profits of Rs. 1.51 crores, Rs. 1.41 crores and Rs. 1.26 crores respectively. If we take out these four concerns, the performance of the remaining 26 concerns has nothing much to commend itself.

It will be observed that out of the 54 concerns, the results of which have been compiled in the Explanatory Memorandum, 30 are running concerns, 14 are under construction and nine are of promotional and developmental nature. Hindustan Steel stands as a class apart and shows a loss of Rs. 23.91 crores. To this Rourkela contributed Rs. 10.7 crores, Durgapur Rs. 8.4 crores, Bhilai Rs. 4.5 crores and Coal Washeries Rs. 25.3 lakhs. The table below outlines the pattern of investment in all these undertakings.

TABLE II.
INVESTMENT PATTERN OF GOVERNMENT UNDERTAKINGS

(Rs. in crores)

	No. of undertakings	Investment in share capital 1962-63	Capital investment Revised Estimates 1963-64	Capital investment Budget Estimates 1964-65
Undertaking under construction	14	201.24	58.67	38.10
Hindustan Steel Ltd.	1	367.00	81.00	100.00
Running Concerns	30	196.01	22.20	14.06
Promotional & Developmental undertakings	9	42.22	29.91	34.02
TOTAL	54	806.47	191.78	186.18

In nine promotional and developmental undertakings investment is comparatively small and is of the tune of Rs. 42.22 crores out of a total investment of Rs. 806.47 crores. Undertakings under construction show an investment of Rs. 201.24 crores. A further investment of Rs. 58.69 crores was added in 1963-64 and is envisaged to be increased further by Rs. 38.10 crores in 1964-65. Apart from the year 1962-63, the budget estimates for 1963-64 and 1964-65 also do not expect much by way of profits from these public sector undertakings.

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(Subsidiary of the State Bank of India)
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Any Customer having a personal account with the Bank will be enabled to use any office of the Bank for transfer of money paid in cash for credit of his account to the extent of Rs. 1,000/- in any one instance FREE OF CHARGE.

R. P. NANDA,
GENERAL MANAGER

Direct and Indirect Taxation

THE INDIRECT taxes in the Union Budget take precedence over the direct taxes. This fact is illustrated in the summary of final estimates published on page 493 of this Special Number. A commodity-wise distribution of the tax yield for 1962-63, (Accounts), 1963-64 (Budget and Revised) and 1964-65 (Budget) is set out below :

SEA CUSTOMS — IMPORTS

(In lakhs of Rs.)

	Accts., 1962-63	Budget, 1963-64	Revised, 1963-64	Budget, 1964-65
I. — Revenue Duties				
Spirits and liquors	1,19	1,10	1,16	1,26
Spices	1,60	1,76	45	39
Tobacco	2,38	2,58	2,25	2,10
Kerosene oil	19,94	38,09	26,00	26,00
Motor spirit	3,99	5,64	5,00	5,00
Batching, lubricating and other Mineral Oils	2,71	3,38	4,90	4,50
High Speed Diesel Oil and Vaporising Oil	24,14	25,62	30,00	30,50
Industrial Fuel Oil	2,55	3,09	1,60	1,60
Motor cars, cycles, scooters, omnibuses, chassis, vans, lorries and parts thereof	3,48	2,89	1,80	1,80
Electric lighting bulbs	28	33	13	11
Wireless reception instruments and apparatus	1,47	1,66	1,50	1,25
Coal-tal dyes and coal-tar derivatives	3,20	4,30	3,00	2,60
Machinery	39,34	54,57	64.00	70.50
Iron and steel	14,84	19,59	28,00	25,00
Metals, other than iron and steel and silver	2,11	3,15	2,71	2,70
Railway plant and rolling stock	2,49	99	1,00	1,05
Wood-pulp, paper and stationery	4,86	4,94	4,15	4,40
Artificial silk yarn and thread	11,81	13,45	11,50	11,50
Cotton yarn and other textile fabrics	16	10	7	6
Cinematograph films	74	1,17	1,00	95
Pneumatic rubber tyres and tubes	42	44	40	35
Betelnuts	2,62	2,20	80	1,00
Heavy Chemicals	57	61	60	55
Chemicals, drug and medicines	8,40	7,72	10,00	10,00
Artificial silk fabrics	4	—	7	1
Raw Cotton	9	2,20	1,50	1,70
All other articles	62,46	69,65	90,00	99,00
TOTAL — Revenue Duties	**2,17,88**	**2,71,22**	**2,93,59**	**3,05,88**
II. — Protective Duties				
Heavy Chemicals	2,67	2,70	2,20	2,00
Iron and Steel	3	3	1	1
Metals other than iron and steel	2,76	3,80	2,25	2,30
Raw silk	29	32	40	38
Machinery other than Sewing Machines	2,16	2,75	2,62	2,52
Cycles (other than motor cycles) and parts thereof	15	11	6	5
Dyes derived from coal-tar and coal-tar derivatives	47	61	46	41
Motor vehicle parts	11,19	16,43	16,50	15,00
All other articles	82	94	73	72
Total — Protective Duties	**20,54**	**27,69**	**25,23**	**23,39**
Total — Imports	**2,38,42**	**2,98,91**	**3,18,82**	**3,29,27**

SEA CUSTOMS — EXPORTS

(In lakhs of Rs.)

	Accounts, 1962-63	Budget, 1963-64	Revised, 1963-64	Budget, 1964-65
Raw jute	10	7	16	16
Raw Cotton	66	60	67	73
Cotton Waste	68	70	33	21
Tea	6,60	1,12	84	84
Other agricultural products	67	60	66	66
Mica	26	27	25	25
Coffee	10	12	13	13
Coir	8	7	8	8
Lac	39	40	34	5
All other Articles	5	—	—	—
Total — Exports	**9,60**	**3,95**	**3,46**	**3,11**
Land Customs	31	54	32	37
Air Customs	3,81	3,60	3,10	3,20
Miscellaneous	3,38	2,70	3,00	2,75
Total — Gross Revenue	**2,55,52**	**3,09,70**	**3,28,70**	**3,38,70**
Deduct — Refunds	**—9,56**	**—8,50**	**—8,70**	**—8,70**
Net Revenue	**2,45,96**	**3,01,20**	**3,20,00**	**3,30,00**

TAXES ON INCOME INCLUDING CORPORATION TAX

(In lakhs of Rs.)

	Accounts, 1962-63	Budget, 1963-64	Revised, 1963-64	Budget, 1964-65
Coporation Tax—				
Ordinary Collections	2,22,14	2,02,00	2,55,00	2,70,00
Excess Profits Tax	—67	..	..	..
Business Profits Tax	3	..	..	..
Super Profits Tax	..	20,00	20,00	25,00
TOTAL	2,21,50	2,22,00	2,75,00	2,95,00
Taxes on Income other than Corporation Tax—				
Ordinary Collections	1,75,98	1,91,05	2,06,01	2,18,35
Surcharge (Central)	5,62	5,00	6,34	6,40
Surcharge (Special)	4,15	3,95	4,65	4,75
Additional Surcharge (Union)	..	18,00	18,00	20,00
Excess Profits Tax	20	..	..	..
Business Profits Tax	1	..	..	..
TOTAL	1,85,96	2,18,00	2,35,00	2,50,00
GRAND TOTAL—Corporation Tax & Taxes on Income	4,07,46	4,40,00	5,10,00	5,45,00

UNION EXCISE DUTIES

	Accnts., 1962-63 Basic Excise	Accnts., 1962-63 Special Excise	Accnts., 1962-63 Total	Budget, 1963-64 Basic Excise	Budget, 1963-64 Special Excise	Budget, 1963-64 Total	Revised, 1963-64 Basic Excise	Revised, 1963-64 Special Excise	Revised, 1963-64 Total	Budget, 1964-65 Basic Excise	Budget, 1964-65 Special Excise	Budget, 1964-65 Total
Basic Duties												
Motor Spirit	51,15	41	51,56	66,00	5,75	71,75	61,00	5,25	66,25	66,00	5,65	72,65
Kerosene	16,55	..	16,55	29,63	..	29,63	35,00	..	35,00	39,60	..	39,60
Sugar	60,18	..	60.18	63.80	..	63,80	54,70	..	54.70	58,25	..	58,25
Matches	21,91	..	21,91	21,50	..	21,50	21,50	..	21,50	21,50	..	21,50
Steel Ingots	4,61	..	4,61	7,00	..	7,00	2	..	2	2	..	2
Tyres & Tubes	16,85	19	17,04	17,00	3,40	20,40	18,50	3,70	22,20	20,00	4,00	24,00
Tobacco	63,89	54	64,43	75,58	15,11	90,69	67,00	13,00	80,00	71,30	14,03	85,23
Vegetable Product	7,70	11	7,81	11,20	2,24	13,44	12,00	2,40	14,40	12,50	2,50	15,00
Coffee	1,82	1	1,83	2,00	40	2,40	1,80	36	2,16	2,00	40	2,40
Tea	10,20	1	10.21	13,73	2,25	15,98	12,88	2,10	14,98	13,15	2,13	15,28
Cotton Fabrics	58,37	..	58,37	56,50	..	56.50	56,50	..	56,50	57,60	..	57,60
Artificial Silk Fabrics	1,11	1	1,12	85	17	1,02	1,10	22	1,32	1,15	23	1,38
Cement	21,09	29	21,38	21,00	4,20	25,20	21,50	4,30	25,80	23,00	4,60	27,60
Footwear	2,13	..	2,13	2,15	..	2,15	2,60	..	2,60	2,80	..	2,80
Soap	2.95	7	3,02	4,15	83	4,98	4,15	83	4,98	4,25	85	5,10
Woollen Fabrics	1,92	1	1,93	1,50	30	1,80	1,80	36	2,16	1,80	36	2,16
Electric Fans	1,49	3	1,52	1,30	26	1,56	1,30	26	1,56	1,60	32	1,92
Electric Bulbs	1.28	1	1,29	1,20	12	1,32	1,55	17	1,72	1,70	18	1,88
Electric Batteries	2,20	3	2,23	2,05	31	2,36	2,50	38	2,88	2,60	40	3,00
Paper	13,18	15	13,33	13,00	2,10	15,10	14,90	2,40	17,30	15,10	2,44	17,54
Paints and Varnishes	2,57	5	2,62	2,65	53	3,18	3,20	64	3,84	3,80	76	4,56
Vegetable non-essential Oils	10,54	..	10,54	75	..	75	1,50	..	1,50	1,70	..	1,70
Refined Diesel Oils and Vaporizing Oil	46.60	39	46,99	54,04	5,02	59,06	57,50	5.25	62,75	59,00	5,30	64,30
Diesel Oil N.O.S.	9,64	11	9,75	17,30	1,60	18,90	13,15	1,25	14,40	16,40	1,50	17,90
Furnace Oil	9,14	..	9,14	9,14	..	9,14	11,00	..	11.00	12,00	..	12,00
Rayon and Synthetic fibres and yarn	9,58	13	9,71	8,50	2,83	11,33	9,50	3,17	12,67	10,35	3,45	13,80
Motor vehicles	10,99	23	11,22	11,00	2,60	13,60	10,50	2,50	13,00	11,00	2,60	13,60
Asphalt and Bitumen	2,40	..	2,40	2,35	..	2,35	2,35	..	2,35	2,50	..	2,50
Aluminium	1,67	2	1,69	1,50	30	1,80	2,00	40	2,40	2,25	50	2,75
Tin Plate	1,96	..	1.96	1,65	17	1,82	1.65	17	1,82	1,65	17	1,82
Pig Iron	1,36	..	1,36	1,50	..	1,50	1,50	..	1,50	1,50	..	1,50
Silk Fabrics	4	..	4	6	2	8	6	2	8	6	2	8
Cycles, parts thereof	1,61	..	1,61	1.65	..	1,65	1,65	..	1,65	1,65	..	1,65
Internal Cumbustion Engines	1,26	1	1,27	1,45	15	1,60	1,45	15	1.60	1,50	15	1,65
Electric Motors	1,24	2	1,26	1,20	24	1,44	1,50	30	1,80	1,60	32	1,92
Cinematograph Films	73	1	74	70	14	84	1,00	20	1,20	1,00	20	1,20
Soda Ash	41	..	41	40	..	40	47	..	47	50	..	50
Caustic Soda	51	..	51	55	..	55	55	..	55	60	..	60
Glycerin	12	..	12	12	..	12	12	..	12	12	..	12

*The figures are provisional. The accounts for 1962-63 have not yet been finally closed.

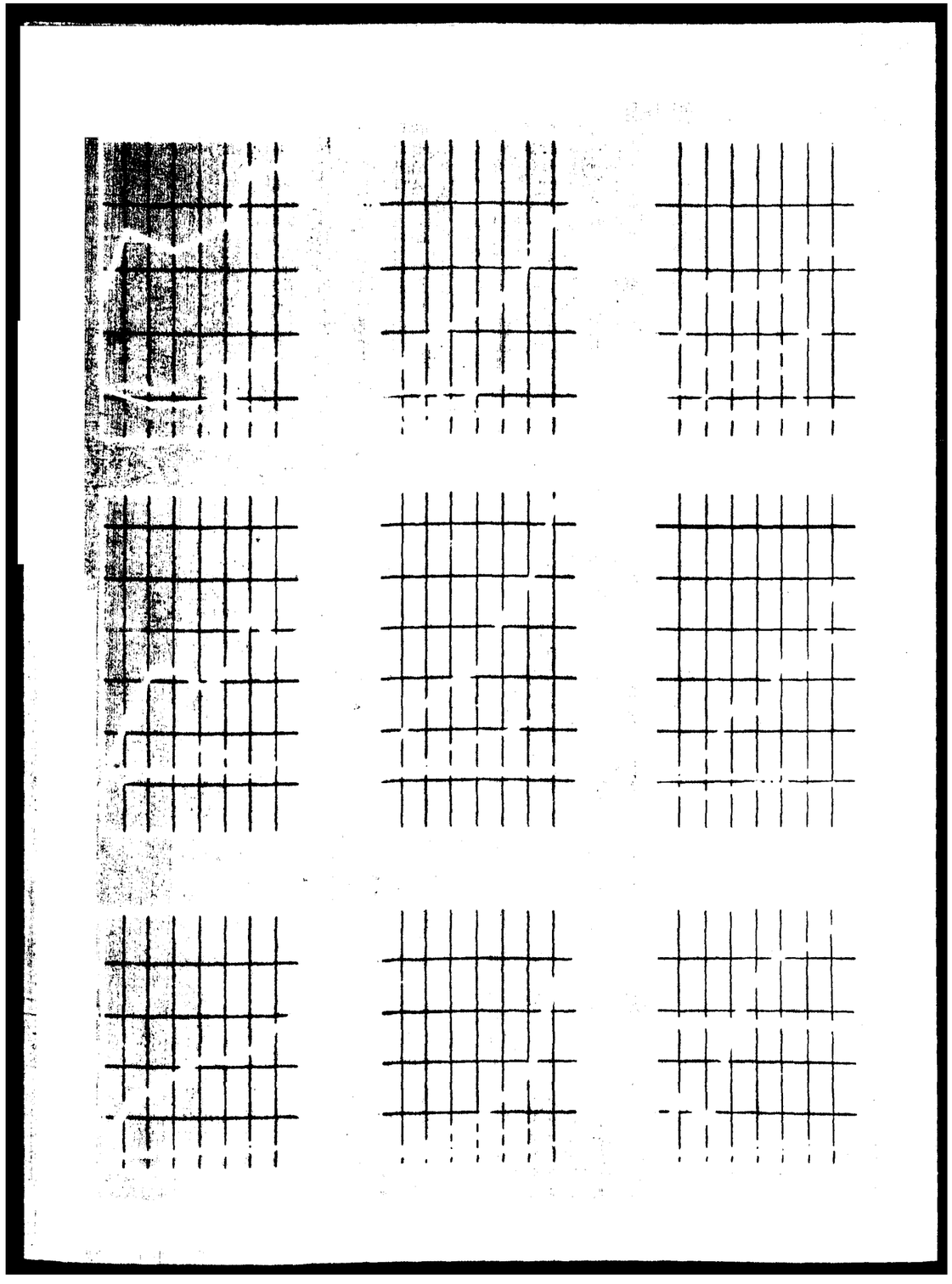
UNION EXCISE DUTIES—(Contd.)

(In lakh of Rupees)

	Accnts., 1962-63 Basic Excise	Accnts., 1962-63 Special Excise	Accnts., 1962-63 Total	Budget, 1963-64 Basic Excise	Budget, 1963-64 Special Excise	Budget, 1963-64 Total	Revised, 1963-64 Basic Excise	Revised, 1963-64 Special Excise	Revised, 1963-64 Total	Budget, 1964-65 Basic Excise	Budget, 1964-65 Special Excise	Budget 1964-65 Total
Basic Duties												
Coal-tar Dyes & Coal-tar Derivatives	2.02	1	2,03	2,25	23	2,48	1,60	16	1,76	1,82	18	2,00
Patent or proprietary medicines	5,06	..	5,06	5,40	..	5,40	5,55	..	5.55	5,55	..	5,55
Cosmetics	1,32	2	1,34	1,25	25	1,50	1,25	25	1.50	1,25	25	1,50
Cotton yarn	8,29	9	8,38	7,50	1,70	9,20	8,00	1.80	9,80	8,30	1,99	10,29
Woollen yarn	1,88	3	1,91	2,00	67	2,67	3,00	1,00	4,00	3,30	1,10	4.40
Glass & Glassware	2,71	1	2,72	2,50	29	2,79	2,65	30	2,95	2,75	31	3.06
Chinaware	1,10	1	1,11	1,05	10	1,15	1,20	12	1,32	1.30	13	1,43
Copper	1,83	..	1,83	2,20	..	,2,20	2,25	..	2,25	2,30	..	2,30
Zinc	15	..	15	15	15	15	15	..	15	15	..	15
Refrigerators and Aircondition Machinery	1.46	3	1,49	1,00	33	1,33	1,15	35	1,50	1,40	47	1,87
Wireless Receiving Sets	1,19	2	1,21	1,25	42	1,67	1,25	42	1,67	1,30	43	1.73
Plastics	1,55	2	1,57	1,25	25	1,50	1,85	37	2,22	2,00	40	2,40
Cellophane	39	..	39	35	7	42	50	10	60	50	10	60
All Petroleum Products N.O.S.	62	..	62	35	..	35	45	..	45	50	..	50
Nitric etc. Acids	90	..	90	85	..	85	1.00	..	1,00	1,10	..	1,10
Gases	1,70	..	1,70	1,10	..	1,10	2,00	..	2,00	2,25	..	2,25
Rubber products	1,57	1	1,58	85	17	1,02	95	19	1,14	1.10	22	1,32
Plywood	98	..	98	80	..	80	1,10	..	1,10	1,20	..	1,20
Jute Manufactures	5,24	4	5,28	4,00	40	4.40	5,00	50	5,50	5,50	55	6,05
Asbestos-cement products	89	..	89	90	..	90	1,10	..	1,10	1,20	..	1,20
Iron & Steel products	24,29	..	24,29	20,50	..	20,50	36,00	..	36,00	41,00	..	41,00
Electric wires & cables	2,57	..	2.57	2,25	..	2,25	3,20	..	3,20	3,40	..	3,40
Gramophones & records	20	..	20	15	1	16	25	5	30	25	5	30
Salt Cess	84	..	84	85	..	85	85	..	85	85	..	85
Coal Cess	12,26	..	12,26	7,25	..	7,25	12,25	..	12,25	12,25	..	12.25
Cess on Copra	12	..	12	10	..	10	10	..	10	10	..	10
Cess on oils and oilseeds	28	..	28	20	..	20	20	..	20	20	..	20
Cess on Iron Ores	..	..	..	25	..	25	8	..	8	25	..	25
Miscellaneous	1,99	..	1,99	85	..	85	65	..	65	65	..	65
TOTAL—GROSS REVENUE	5,56,35	3,13	5,59,48	5,97,05	55,93	6.52,98	6,08,53	55,39	6,63,92	6,48,82	59,24	7,03,06
Deduct—REFUND & DRAWBACKS	—5,40	..	—5,40	—4,50	..	—4,50	—6,00	..	—6.00	—6,00	..	—6,00
TOTAL—NET REVENUE	5,50,95	3,13	5.54,08	5,02,55	55,93	6,48,48	6,02,53	55,39	6,57,92	6,42,82	59,24	7.02,06
Additional Duties												
Sugar	15,03	..	15,03	17,53	..	17.53	15,15	..	15,15	17,00	..	17.00
Textiles	20,34	..	20,34	21,33	..	21,33	22,40	..	22,40	22,83	..	22 83
Tobacco	9,38	..	9,38	9,00	..	9,00	8,00	..	8,00	8,50	..	8,50
TOTAL	44,75	..	44,75	47,86	..	47,86	45,55	..	45,55	48.33	..	48,33
GRAND TOTAL—UNION EXCISE DUTIES	5,95,70	3,13	5,98,83	6,40,41	55,93	6,96,34	6.48,08	55,39	7,03,47	6,91,15	59,24	7,50,39

*The figures are provisional. The accounts for 1962-63 have not yet been finally closed.

EXCISES, PRODUCTION AND PRICES



BUDGET IMPACT ON NATIONAL ECONOMY : A BALANCE SHEET

FAVOURABLE FACTORS

ANNUAL PLAN outlay has been stepped up from Rs. 1,651 crores in the budget estimates for the current year to Rs. 1,984 crores.

Defence outlay on national security has been increased from Rs. 808.18 crores in the revised estimates for the current year to Rs. 853.90 crores.

The total uncovered budgetary gap is reduced from Rs. 135 crores in the revised estimates for the current year to Rs. 86 crores, thereby considerably bringing down reliance on deficit financing.

Receipts from new market loans are aimed to be higher at Rs. 295 crores as compared with Rs. 267 crores (after deducting the States' share of Rs. 101 crores) in the revised estimates for the current year; this considerable resort to public borrowing should have an anti-inflationary effect.

The target for small savings is fixed at Rs. 125 crores as against net collections of Rs. 115 crores in the revised estimates for the current year; this again should be anti-inflationary.

Thanks to the buoyancy of revenues (assisted, however, by some shortfall in expenditure), additional taxation relative to the high levels of Plan and defence outlays is on the whole moderate; while a net amount of Rs. 40 crores would accrue to the Centre as a result of the additional taxation proposals, another Rs. 50 crores is expected to be secured to the capital account following the introduction of the Annuity Deposit Scheme.

Although the total effect of the changes proposed in indirect taxes would bring in an additional revenue of about Rs. 26 crores, there should, broadly speaking, be no direct adverse effect anew on the price level or the cost of living; nor is it likely that the incidence of any one of these levies will be appreciably felt in any section of the community. On the contrary, a certain amount of relief has been provided through abolition of a few miscellaneous excise duties which have either no great revenue consequence or the incidence of which is not clear.

Powers have been taken to levy a regulatory duty of excise at the rate of 15 per cent in order to keep a check on unforeseen or undesirable developments in the price or production situation; this could be regarded as a desirable authority for the Government in view of its intentions to remove price controls wherever possible, notwithstanding the fact that inflationary pressures are more or less active in the economy.

The SPT has been replaced by a surtax on corporate profits which, it is hoped, will be more moderate and less uneven in its incidence. Fourteen categories of industries, occupying an important place in our economy, have been selected for preferential tax treatment and the Government has taken powers to notify additions to this list from time to time. This group will be eligible for a rebate of corporation tax equivalent to 10 per cent of income tax and super tax, normally payable by them, and also to a rebate in respect of surtax to the extent of 20 per cent of tax assessed. Inter-corporate dividends have been exempted from super tax. Deduction of income-tax at source from dividends is reduced from 30 per cent to 20 per cent for resident holders of shares and the existing requirement of compulsory distribution of dividends applicable to certain description of companies has been given up in respect of companies governed by Section 104 of the Income Tax Act, while in the case of others, the Government has taken powers to authorize partial exemption. These proposals are intended to infuse some confidence in the corporate sector and improve the climate for investment in industry.

Although the rate of super tax in the case of non-resident companies has been increased from 38 to 40 per cent in respect of income other than dividends and also royalties and fees for rendering technical services received from an Indian concern under an agreement approved by the Central Government the Super Tax on income from royalties and technical services will be at the rate of 25 per cent. Income-tax on dividends received by non-resident companies engaged in specified industries will be reduced from 25 per cent to 15 per cent. Resident assessees who are not citizens of India are to be allowed a rebate of income tax and super tax on a sum of Rs. 2,000 per child up to two children under 21 years of age receiving education outside India. The conditions governing exemption from tax on salary income for a period of three years which is at present being extended to certain categories of foreign technicians are to be relaxed and this concession is also to be extended to foreign teachers and professors coming to India on approved programmes. Incomes arising from a business connection which are related to the purchase in India for goods which are exported are to be exempted from tax. This exemption from tax will also be available to interest on approved foreign lending in the form of investment in approved securities. The purpose of all these concessions and reliefs is to provide greater encouragement to foreign capital and foreign investment.

The personal income tax structure has been re-graded and most of the surcharges integrated in a revised and simplified schedule of rates of income tax and super tax. This would mean a reduction of tax at most levels.

The compulsory deposit scheme which in its modified form only applies to income tax paying categories, has been discontinued altogether. The Finance Act 1963 is to be retrospectively amended to provide appropriate marginal relief from the additional surcharge imposed in the last budget on income tax payers in the small income groups.

Contributions to recognised provident funds, deposits in the 10- and 15-year accounts of the post office cumulative time deposit scheme and premia of life insurance, subject to the existing limit of Rs. 10,000 per annum are to be allowed rebate of super tax; the rebate of income tax and super tax, however, will cumulatively be limited to 50 per cent of payments or deposits qualifying for relief. This concession is expected both to encourage individual savings as well personal provision for family security.

UNFAVOURABLE FACTORS

ALTHOUGH EVEN at the existing level of taxation the Finance Minister expects a revenue surplus of Rs. 54 crores, it has still not been possible for him to avoid additional taxation. Considering that all the sections of the public have been subjected to very heavy taxation last year in the wake of the emergency, the decision of the Finance Minister not only not to provide any net relief in taxation to the community, but on the contrary, to seek more revenue through additional taxation is bound to have a depressing effect on public and business morale.

While the drive for higher small savings and market borrowings would certainly help augment resources available for government spending, there is the possibility of a consequential curtailment of funds available with the public either for current consumption or for investment.

In spite of the fact that the Finance Minister admitted that the structure of indirect taxes needs extensive rationalization and simplification in the present budget itself he has not been able to make more than a few marginal adjustments. The conclusion is difficult to resist that the Government's need for a high level of revenue has been allowed to prevail over the desirability of reorganizing the structure of indirect taxes so as to make it less harsh, arbitrary or economically unsound. An additional criticism could be that despite the Finance Minister's protestations of awareness of the impact of heavy indirect taxation on production, the price line and the cost of living, he has in practice virtually sustained the *status quo*.

Although revenue from direct taxes has shown considerable buoyancy, the Finance Minister has not been content with letting the natural growth of revenue from such taxes provide the exchequer with additional funds. Although he has conceded more than once in his budget speech that an important need of the hour is to employ fiscal measures for promoting production and investment, he is still not able to abolish the SPT without imposing a different impost in its place. Although the surtax may be a more moderate tax than the super profits tax, the fact still remains that it also makes an additional demand on the internal resources of companies which it is difficult to justify in the present context of the need for more and more capital formation in the corporate sector. The surtax has also the disadvantage that it has cancelled much of the enthusiasm in the stock exchanges and the capital market generally over the abolition of the super profits tax.

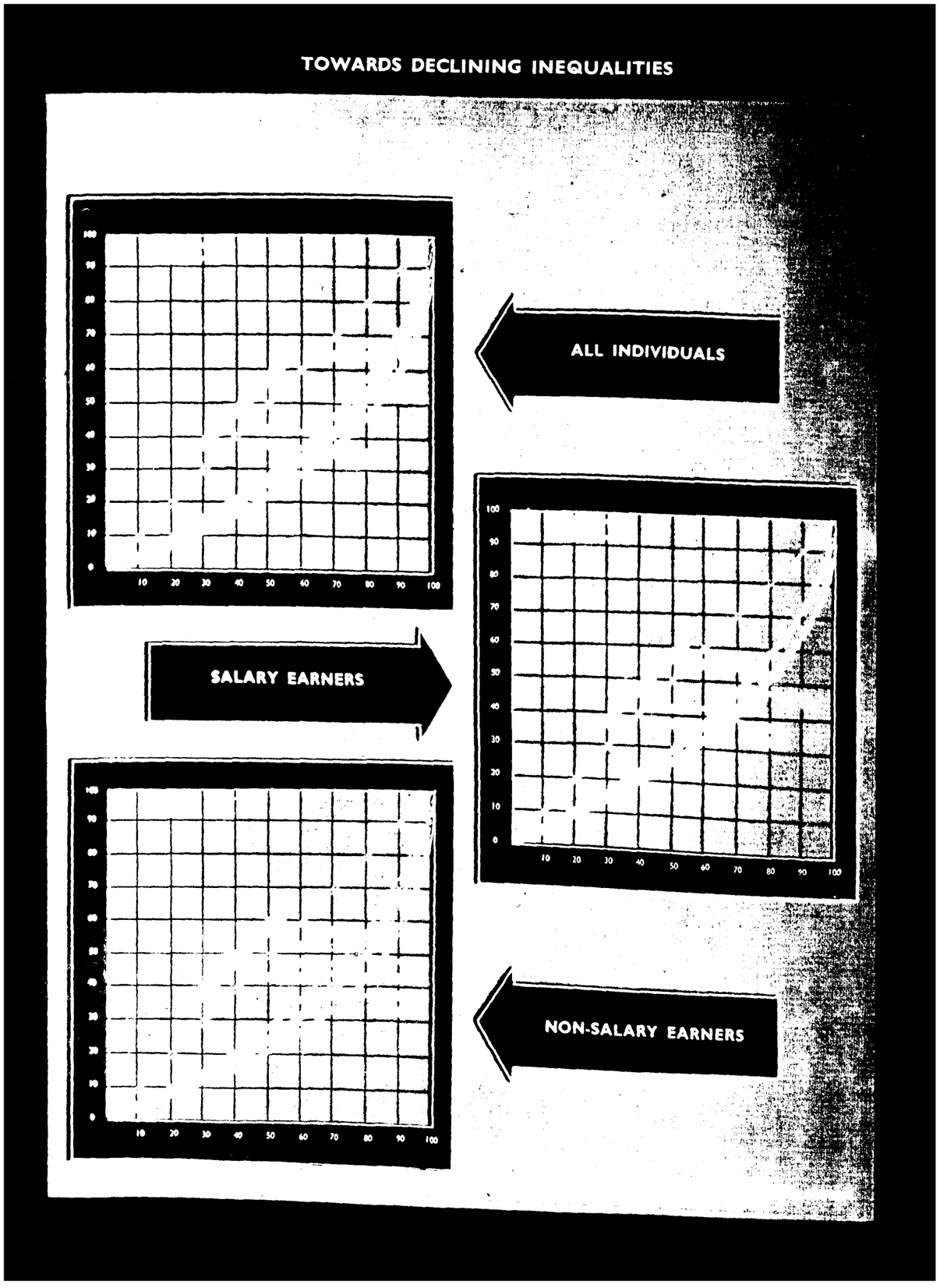
The proposal to levy a tax at the rate of 7.5 per cent on the amounts distributed as dividend on equity capital is a strong and certain deterrent to capital formation and investors' interest in the corporate sector. In the form in which it is being proposed, with no provision for a base line of exemption, it amounts to a simple addition to the income tax and super tax on companies. Taken with the surtax it does constitute a substantial burden of special taxation of company earnings. This apart, at a time when there is an acknowledged need to encourage more people to invest more in the equities of companies, a tax deliberately intended to discourage companies from improving their dividends, even when their earnings and circumstances prompt them to do so, can hardly be regarded as an encouragement to investors.

The Finance Minister's declaration that the coverage and benefits of the development rebate might be curtailed after April 1, 1967 should cause widespread concern and uncertainty and hamper preliminary work on the processing of industrial projects. Seeing that development rebate is what makes the harsh aggregate of the tax burden barely bearable for new industries, prospects that its benefits may not continue to be available on the present scale are bound to interfere with industrial expansion.

Although the discontinuance of the compulsory deposit scheme has brought some relief at income levels below Rs. 15,000 per annum, the new annuity deposit scheme applicable beyond that level must certainly withdraw large amounts from potential investors in equity shares. The Finance Minister himself has noted with approval the growing tendency among the professional and other classes to invest in shares. His annuity deposit scheme, by impounding an appreciable part of the income of persons who have some capacity to invest, is bound to have the effect of starving the nascent interest of the professional and other income earners in the middle brackets in putting a part of their savings into equity shares.

The extension of the capital gains tax to bonus shares with reference to their market value, even when they are not actually sold or transferred, would hardly be regarded as an incentive to investors in equities.

The rate structures of the estate duty and the gift tax have been drastically revised in order to bring about a rapid levelling down of wealth especially through inheritance. Whatever may be the virtues of the egalitarian arguments advanced in favour of this move, the fact remains that the increases in the rates of estate duty and gift tax are so sudden and sharp that they are bound to have adverse consequences, both direct and indirect, for confidence in the capital market and the corporate sector. Where taxation becomes confiscatory and expropriatory, motivated by obvious political prejudices or passions, the psychological reactions in the community are hardly likely to be favourable to higher investment or business activity. More specifically, the tax obligations resulting from such heavy impositions are bound to lead to an extensive liquidation of share-holdings among the classes affected. This is hardly likely to help in maintaining general investor confidence.



BUDGET DOCUMENTS

Towards Higher Savings and Investment

PRESENTING THE budget of the Government of India for 1964-65 in Parliament on February 29, the Union Finance Minister, Mr. T. T. Krishnamachari, claimed that the policies he had formulated would substantially step up savings for investment in the accelerated growth of the economy.

The following is the text of Part 'A' of his budget speech:

In presenting the Budget of the Central Government for the year ahead, it is customary to start with a review of economic conditions in the year that is drawing to a close and to assess the policies and trends in progress so as to provide a backdrop for the Budget for the year to come. But my task in this respect is lightened by the fact that the year has witnessed a considerable reappraisal and reassessment of policies and performance, as well as a reaffirmation of the basic social values we seek to promote through all our endeavours. Honourable Members would recall that I had made before them a statement on the economic situation only a few weeks ago in December last. The Economic Survey which in the past used to be presented to Parliament along with the Budget papers has also been placed on the Table of the House on this occasion a few days earlier. I shall, therefore, confine myself to those aspects of the economic situation and perspective which are relevant to the proposals which I shall be placing before the House in the latter part of my statement today.

Defence and Development

By and large, the budgetary outturn for the current year bears testimony to our determination to strengthen our defences without slackening our developmental efforts or without resorting to unbridled deficit financing. The revised estimates for 1963-64 are presented in detail in a separate section of the Explanatory Memorandum which outlines the variations between the budget and the revised estimates in the same detail in which they were traditionally explained in the Budget speech. Accordingly, I do not propose now to dwell at length on the budgetary position for the current year as now estimated. But it is noteworthy that the overall deficit in the budget which was originally estimated at Rs. 181 crores is now placed at Rs. 135 crores. The improvement of Rs. 46 crores in the overall gap in the current year has taken place despite the net increase of Rs. 94 crores in loans and advances to States and of Rs. 27 crores in loans and advances to other parties. The major improvement in revenue is on account of Corporation Tax and Taxes on Income, which together show an increase of Rs. 70 crores, but this would be partly offset by an increase of Rs. 21 crores in the States' share of Income-tax. Customs and Union Excise Duties also show an improvement of nearly Rs. 35 crores.

It is a matter for particular satisfaction that collections under Small Savings which amounted to Rs. 73 crores only in 1962-63 are now expected to amount to Rs. 115 crores in 1963-64. Other miscellaneous Debt heads are also expected to show an improvement of Rs. 31 crores, but this will be offset by the decline in Emergency Risks Insurance receipts and Compulsory Deposits.

A part of the improvement in the budgetary position is also explained by the saving or shortfall in expenditure of Rs. 27 crores under Revenue and Rs. 64 crores under Capital other than Loans and Advances. Of the saving under Revenue, Rs. 16 crores occur under Defence and the balance under Civil heads. The major shortfalls in Capital expenditure are in respect of Defence, Rs. 43 crores; Hindustan Steel, Rs. 19 crores; Atomic Energy, Rs. 11 crores; and food purchases, Rs. 14 crores. On the other hand, Capital requirements of Railways would show an increase of Rs. 19 crores.

Turning to the economic scene, the most disturbing feature is the rise in the price level. While the increase in wholesale prices of the order of 8 per cent over the first three years of the current Plan period cannot be considered large by any standards, and particularly against the background of the sizable step-up in outlays under defence and development, the fact that the general index of wholesale prices rose by as much as 7.2 per cent between the end of the March 1963 and the end of January 1964 is certainly a cause for great concern. Government have already taken several steps to afford relief in the poorer sections of the community. We have, however, in the coming year to apply new measures of discipline, fiscal and others, to arrest this unhealthy trend.

Failure in Agriculture

Essentially, the rising trend in prices is explained by the inadequate rate of growth in agriculture. After increasing by 1.2 per cent in 1961-62, agricultural production declined by 3.3 per cent in 1962-63. Crop prospects for the current agricultural season, which seemed somewhat better to begin with, have been adversely affected by the recent severe winter conditions in some parts of the country. The recent increases in the prices of edible items have been causing Government a great deal of concern. The problem is being examined at the high level and with the greatest care. My colleague, the Minister of Food and Agriculture has had meetings with Chief Ministers and other concerned Ministers in the States and a programme of concerted action is being evolved. While attention has to be given to the regulation of distribution and prices, the main emphasis will be on higher production. The experience of intensive agricultural production in certain selected areas through what are known as 'package programmes' has led us to decide that we should concentrate our efforts in about 80 selected districts, covering approximately 1,500 development blocks, which hold out promises of quickest results. The impact of these and other measures which the State Governments are taking should be felt on the next Kharif crops. Government also propose to create a special organisation for this purpose in the Food and Agriculture Ministry to be headed by an officer, who has considerable experience in this field. It is also proposed to build up later on, specialised agencies for the stimulation of some of the cash crops as well.

On the industrial front production trends have been more satisfactory, the increase being 10 per cent over the first nine months of the current year compared with 8.5 per cent in the corresponding period of the previous year. Honourable Members are aware that a number of steps have been taken to stimulate industrial production and a measure of acceleration in the rate of growth over the coming year should be possible. Even so, it is clear that the preservation of a reasonable degree of stability in the months to come will call for a reduction in the volume of deficit financing in the coming year.

In this connection, the overall rate of monetary expansion in the economy will also call for a careful watch. During 1963, money supply with the public increased by Rs. 430

crores or 13.8 per cent as compared to an increase of 9.9 per cent in 1962 and 6.1 per cent in 1961. Government indebtedness to the banking system has been a major factor in monetary expansion in recent years; but bank credit to the private sector has also shown a brisk increase during the current busy season. While the Reserve Bank pursues a fairly liberal policy to help production and while the availability of credit to the farmer is being improved by the Agricultural Credit Department of the Reserve Bank, a close watch has to be kept on the situation to ensure that credit creation is kept within reasonable limits and does not encourage speculation of hoarding.

Exports Up

Externally, the current year has witnessed a welcome increase in export earnings and a comparatively satisfactory position in regard to foreign exchange reserves. On present indications, export receipts during 1963-64 should exceed Rs. 760 crores and thus show an improvement of at least 7 per cent over the corresponding receipts in 1962-63. Partly as a result of better export performance and partly in view of greater utilisation of external assistance, particularly of the non-project type, our foreign exchange reserves are likely to show a slight improvement over the current year as against a decline of Rs. 2.21 crores in 1962-63 and Rs. 6.30 crores in 1961-62. In addition, we have reduced our indebtedness to the International Monetary Fund by $50 million during this year as against an increase in such indebtedness of $25 million in 1962-63 and $122.5 million in 1961-62. While it is gratifying that the combined burden of defence and development has not put an intolerable strain on our balance of payments as a result both of our own efforts and the generosity of our friends, our reserves are still too low and we cannot afford to relax our efforts to strengthen them.

In the ultimate analysis, the three problems of prices, growth and balance of payments on which I have focussed my remarks so far are inter-related and we cannot solve any one of them without the fullest attention to the other two. Indeed, it is only to the extent that all these problems are tackled within the framework of an integrated policy, in regard to incomes, wages and investments that we can hope to ensure that the necessary investment potential is available for the development of the economy.

Lessons to Learn

Treating the problem of growth as an isolated factor and promoting growth by stepping up investment from the sources available within and without the country, without a corresponding policy for the incomes generated in the process, would only stimulate inflation. Similarly, a price policy which disregards the dynamics of growth, or the impact on investment decisions, cannot but be self-defeating in the same way as a price policy which is not co-ordinated with a corresponding policy in regard to wages. It is now generally agreed, for example, that trying to keep agricultural prices too low for producers may defeat the objective of raising agricultural production. But if this is the case, one cannot, at the same time, try to keep agricultural prices low for all consumers, or adopt a wage policy in which most wage-earners are compensated for the increase in agricultural prices. Nor can one succeed in raising resources for defence or development by taxation if each such effort leads to price increases which are passed on all along the line. These are, I think, a few lessons which have emerged from our experience in the recent past, which deserve to be borne in mind in framing budgetary and other policies for the period ahead.

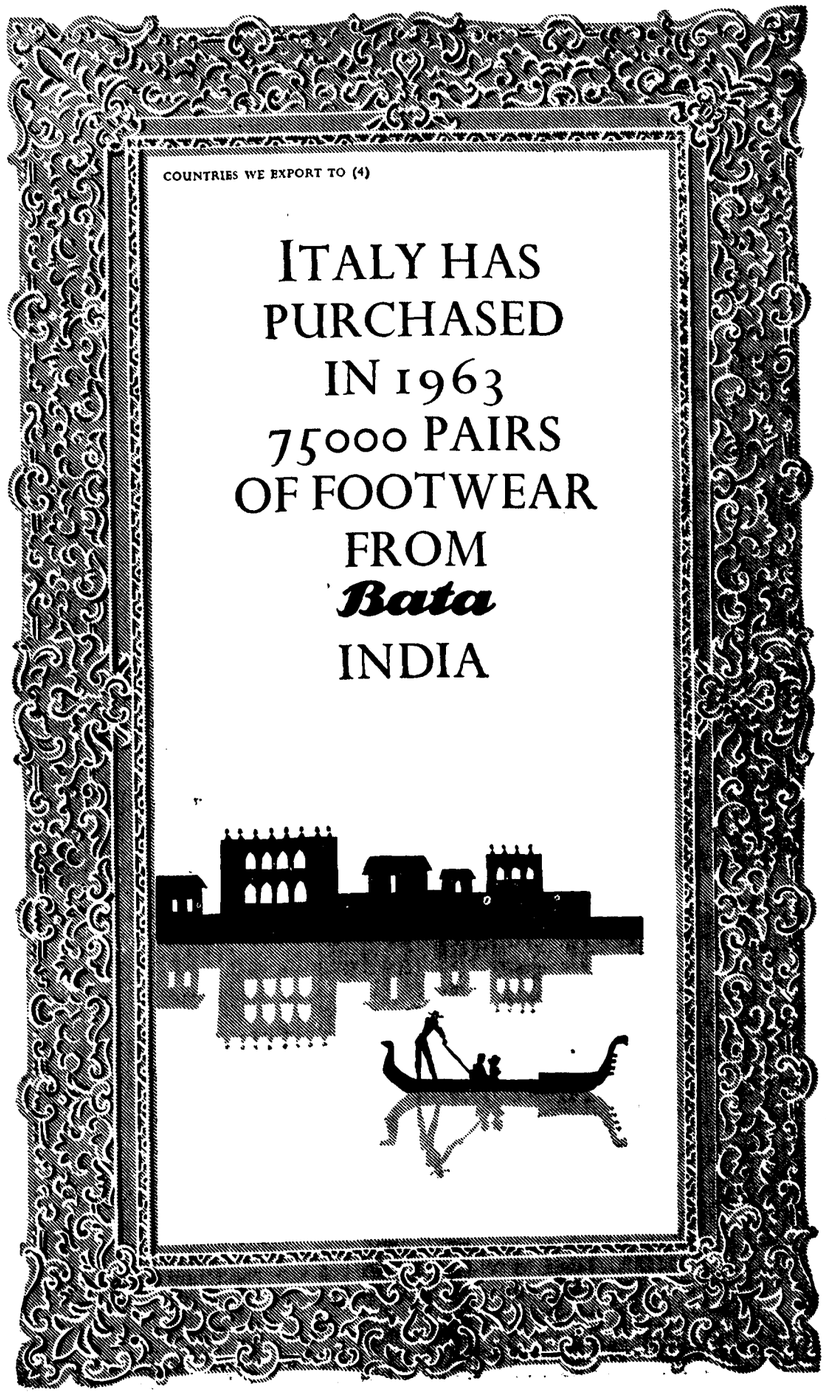
As far as investment policy is concerned, there is little doubt that, at the present stage of the economy, it is just as important to make the most efficient use of the investments already completed as it is to step up further the tempo of investment. Often, in the race for making new starts, sufficient attention is not given to the fullest exploitation of the facilities already created. We cannot at the same time afford to postpone making new investments in development; nor can financial difficulties be allowed to slow down the completion of schemes which have already been taken up. From both these considerations, it follows that the level of investment next year in the public as well as the private sector must be stepped up as much as possible.

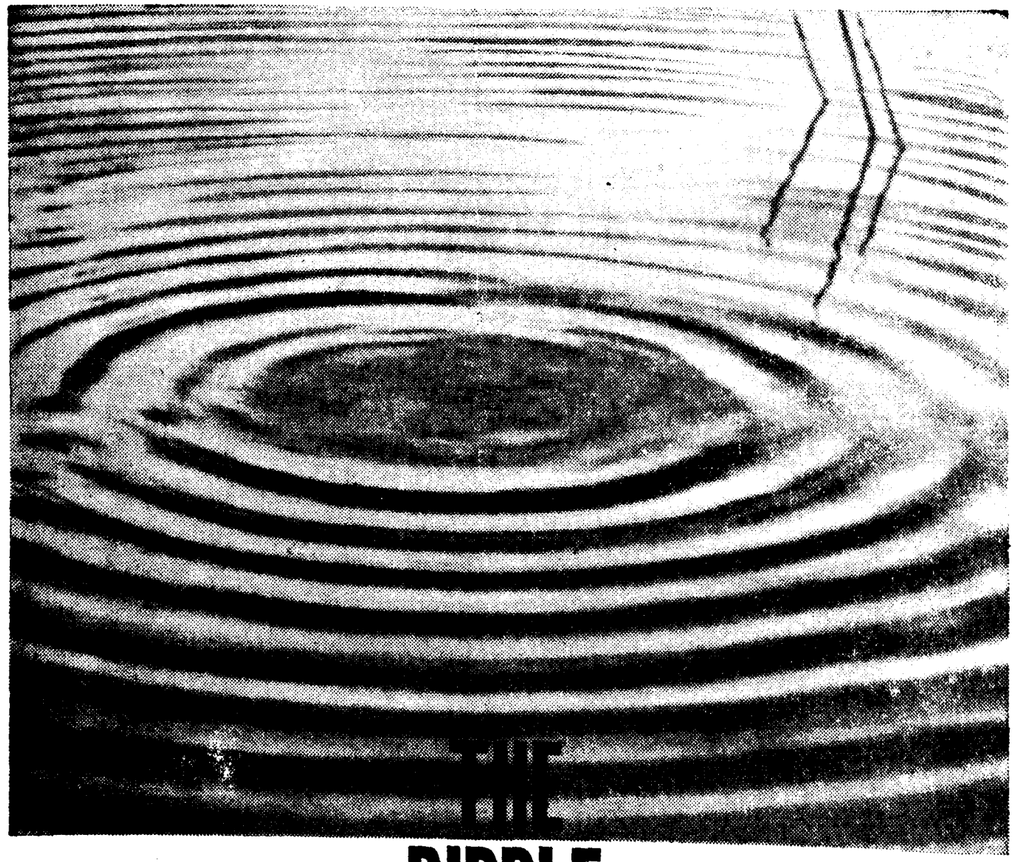
In a certain sense, the broad pattern of investment that we must undertake in India is self-evident; and it is easy enough to agree that we need to expand investment in irrigation works, fertiliser plants, power and transport programmes, or indeed basic and heavy industries which have a vital bearing on the future growth potential of the economy. But broad generalisations of this nature are of little real help at this stage when the most important questions to decide are in regard to the choice of the specific projects and programmes in each of these fields which promise the greatest benefit in relation to the cost they entail. Our present arrangements for the choice of specific projects and programmes after a detailed examination of the technical and economic aspects of practical alternatives leave much to be desired; and it is my intention to strengthen this aspect of the work of my Ministry during the months to come.

Hastening the Pace

Apart from this question of the size and pattern of investment, there is need for speedier execution of projects and of earning better returns from the investments that are being made. Many of the public sector projects are lagging behind the schedule of their construction and what is more disappointing is that their contribution to our resources is nowhere near the Plan estimates. It is of the utmost importance for our economy that enterprises in the public sector should not only make profits, but should make good profits. By that I mean that they should give a good dividend to the Exchequer and yet be able to build up reserves to finance their own future expansion. I know that some people think that public sector enterprises should work on no profits or low profits. Such an approach is wholly unsound in any society, more so in which the State seeks to own or control the major sectors in production. When the State does no more than build schools, hospitals and roads, it need not look to direct returns on its investments. But when the State begins to provide power and transport, when it owns steel plants, fertiliser plants and machine-building plants, it must make sizable profits out of them, build reserves, amortise loans and provide adequately for depreciation of assets and their replacement, so that the public sector can expand without adding unduly to the tax burden. This is reinforced by the fact that the products and services provided by the public sector are absorbed by the private sector which is not inhibited from making adequate profits. To the future growth of the public sector in India, a major contribution has to be made by the return on investments already made in the public sector.

It is equally important for our development that the private sector has the resources to expand in the fields assigned to it in our planning. In my statement last December I had referred to some of the steps to be taken towards this end. Since then, the House has enacted legislation for the establishment of the Unit Trust which has already come into being. The House will also be considering the Bill for the establishment of a Development Bank which is intended to make an additional contribution to the resources for the development of our industrial economy. Important and sig-





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nificant as these measures are, basically the resources for develpoment are generated not entirely by the setting up of institutions such as these, but in the community through the savings that are made. One of the prime objectives of our economic and fiscal policy, therefore, must be to generate savings both in the hands of individuals and in the hands of corporate bodies.

One of the weaknesses in our economy has been that a high proportion of the community's savings is being diverted towards industries of low priority, towards quick speculative gains through purchase and sale of urban housing and the hoarding of commodities in short supply in a manner which tends to push up their prices. Some of these trends need rectification through fiscal measures to which I shall turn later. It is important that these savings should be canalised into the industries to which we attach the highest priority.

Controls Discourage Investment

Part of the distortion however, comes about through some of the short-term and, if I might say so, short-sighted devices to deal with the price situation. By imposing statutory controls on the prices of certain basic products, we often succeed in discouraging investment in the very industries which produce those items. This tends to perpetuate the shortage and to aggravate rather than relieve the pressure on prices. Often controls of this type do not result in the commodities in question being available to the consumer at lower prices. What happens is that the high prices which,the consumer continues to pay do not benefit the producer, but go into the pockets of others. And because these prices are not legally recognised, the Exchequer also is deprived of its dues. In curbing profiteering, fiscal devices can be used much more effectively than controls which lead to abuses. Reliance on price controls is only appropriate where it is possible to exercise effective check on distribution and consumption as well; in other words, there can be some form of rationing.

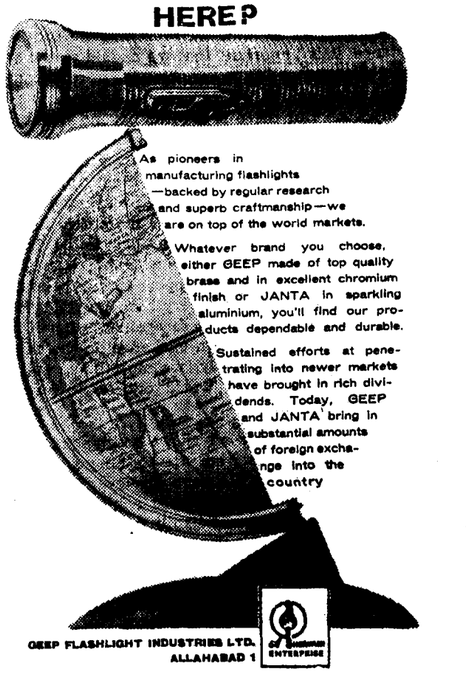
While conceding the need to provide private industry with resources for the development entrusted to it in our planning, I should like to say a word about the equally important point that we must not, in the process, allow concentration of economic power and growth of monopolies. The question which we have to consider is how we are to achieve this objective consistently with our concern to see that genuine and desirable development is not stifled. For a proper formulation of our policies and attitudes in this respect Government feel that there is need for an impartial and objective enquiry so as to bring the relevant data out in the open. It is, therefore, proposed to set up under the Commission of Enquiries Act a Commission to enquire into monopolies and the concentration of economic power in the Indian economy. While we must await its report, before undertaking any legislation or setting up any kind of a statutory body to deal with monopolistic practices, I should like to draw attention to some aspects of this problem.

There are basically three essential ingredients in any industrial or economic set up. They are: ownership, control and management. When discussing the question of monopolies, it is important to distinguish between these three elements and to have a clear appreciations of their relative roles. It is popularly believed that the ownership of industries in the private sector is concentrated in a few hands. This is only partially true. No doubt in a country like ours with such widespread poverty, a very large section of the population does not own any part of the industry, trade or banking which is carried on in the country. It is also true that the wealthier a person is, the larger would be his ownership of stocks and shares. At the same time, what is not often realised is that even the biggest industrial plants in the country today belong in terms of ownership, much more to the people at large than to their original founders with whose names they are popularly associated. The Life Insurance Corporation is itself a significant shareholder of many of the larger industrial and banking units in the private sector, Investment by private individuals, many of them of modest means, has also been increasing. Among the further measures through which Government propose to disperse the ownership of industry in the private sector, I would refer to the Unit Trust, our efforts to promote co-operative ownership, as we have done with a fair degree of success in the case of new sugar factories, and the measures which we adopt, and to which I shall turn later, to reduce the inequalities of wealth.

What is really disturbing is that despite diffused ownership, control is concentrated in a relatively few people. We have recently taken some major steps to weaken this stranglehold. The changes in the Banking Companies' Act and the amendments to the Company's Act have paved the ground for the State to have strategic control over the private sector in order to ensure that the investor in industry gets a square deal and that anti-social activities are curbed and controlled.

It is not, of course our intention to interfere in the detailed running of an enterprise in the private sector. Indeed, the running of the enterprise is not a matter of control, but of management. Management is a profession and technical job and the skills necessary for that have to be encouraged and rewarded not only in the private sector, but in the public sector also. One of the weaknesses in the public sector today

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is the lack of adequate managerial personnel. The last thing which we should do is to weaken the management. It is control which really is the vital element. In the society which we hope to establish on an enduring basis, the private sector, in the sphere assigned to it, will have the opportunity to grow, to attract individual savings, and to develop managerial skills, subject to the overall discipline of the State, to prevent monopolistic exploitation and pursuit of methods which do not help the growth of the economy. Our fiscal policies should give encouragement and support to larger investment in priority industries, to better and more efficient management by those who have the necessary talent and to a weakening of the devices, such as managing agencies and improvised selling agencies, through which dynastic domination of private industry is perpetuated.

The efforts which we make through our fiscal and other devices to encourage savings, to invest them soundly and to run our plants efficiently and profitably in the public interest, will, for many years to come, need to be sustained by the inflow of foreign exchange in the form of external capital which serves the dual purpose of filling the gap between domestic savings and levels of investment and our export earnings and import requirements. Much of our foreign assistance has been coming in the shape of credits and grants from friendly countries, as well as from international institutions, particularly the World Bank which takes an active role in organising the aid effort through annual meetings of the Consortium. We have, since the Emergency, been also helped by external aid to strengthen our defence effort. In addition, supplies of agricultural products, specially wheat and cotton, under the PL 480 programme of the United States have made a major contribution in meeting food and other material shortages in the country. We owe a debt of gratitude to these friendly countries and institutions, which I must, on this occasion, publicly acknowledge.

External Assistance

While for some years to come we must rely on continued external assistance, it is important that we should at the same time devote increasing attention to the objective of reducing our requirements of such aid. We can do so by reducing the level of our imports. But there is a point beyond which restrictions on imports, whether fiscal or administrative, begin to do more harm than good, result in idle capacity in industry and slower rate of growth and lead to higher prices with a consequent fall in export earnings, which may well exceed the saving in foreign exchange effected by the cut in imports. Our primary emphasis in import saving has to be not on additional measures of restriction, but on tuning our investment policies to give the maximum support to our balance of payments. Secondly, we must do everything possible to increase our export earnings, though here again, we have to be careful not to spend too much foreign exchange on the devices we use to help our exports. Finally, we must make full use of private capital sources in the world outside to augment the external aid we receive.

Quite apart from the credits which we receive from Governments, we could raise funds from the banking system and capital markets of the world. We have, however, to remember that our external debts are already at a high level. For the third Plan, we had a repayment liability of approximately Rs. 575 crores, including principal and interest, and the repayment liability for the fourth Plan is already in excess of Rs. 825 crores. In these circumstances, we should specially welcome foreign investment in the shape of equity capital which not only brings with it technical know-how and managerial skills, but has the special advantage of not adding to the heavy and growing burden of debt repayment. To attract private investment in appropriate fields, we have to offer some incentives and I shall deal with those which pertain to the fiscal field a little later.

I shall now turn to the budget provisions for the coming year. At the existing level of taxation, I have budgeted for a total revenue of Rs. 2,095 crores and expenditure of Rs. 2,041 crores, leading to a surplus of Rs. 54 crores on Revenue account.

Receipts Up

As compared to the revised estimates for the current year, the Revenue receipts next year would be more by Rs. 181 crores. The four principal heads of Revenue account for an improvement of Rs. 92 crores, while interest receipts are expected to go up by another Rs. 32 crores. Following the change in the procedure for the release of assistance under PL 480 on an advance basis, the grants for approved projects are now expected to exceed the current year's provision by Rs. 76 crores. But this would be covered by a corresponding transfer to the Special Development Fund for which the expenditure estimates take a debit. These improvements, however, will be partly offset by a drop of Rs. 12 crores under Emergency Risks Insurance receipts and Rs. 4 crores under the surplus profits of Reserve Bank accruing to Government.

I am providing for Revenue expenditure of Rs. 2,041 crores next year, of which Rs. 718 crores will be for Defence Services and Rs. 1,323 crores for Civil purposes. The Defence requirements debitable to Revenue next year show an increase of Rs. 25 crores over the revised estimates of Rs. 693 crores for the current year, while Civil expenditure shows an increase of Rs. 191 crores. The growing volume and cost of public borrowings, mainly for development, account for an increase of Rs. 36 crores under Debt charges. A lump provision of Rs. 10 crores has been made on account of the increase in dearness allowance sanctioned recently with retrospective effect from 1st July, 1963. Miscellaneous Social and Developmental Services in the fourth year of the Plan are expected to cost Rs. 21 crores more, whereas grants to States for both Plan and non-Plan purposes would exceed the current year's Revised by Rs. 53 crores. The self-balancing items of grants under PL 480 deposits and Emergency Risks Insurance Receipts, to which I have just referred, together account for a net increase of Rs. 64 crores. The States' share of Union Excise Duties would also show an increase of Rs. 5 crores.

Liberal Estimate

In putting forth these estimates, I have tried to be as liberal as I could in estimating receipts and as strict as possible in providing funds for expenditure, taking into account the fact that actuals have, in the past, shown large increase in receipts and savings in expenditure. At the same time, I must add that if for purposes of our development or defence, we find it necessary, I shall not hesitate to come to the House for Supplementary Grants.

Excluding the adjustment for the transfer of loan assistance from U.S.A., which is notionally treated as Capital expenditure, Capital outlay next year is estimated at Rs. 706 crores representing an increase of Rs. 34 crores over the current year's Revised. The Defence Capital requirements next year at Rs. 136 crores show an increase of Rs. 20 crores over the current year.

The repayment of debt, both internal and external, will be of the order of Rs. 259 crores next year. Loans to parties other than State Governments at Rs. 254 crores will be higher by Rs. 64 crores. So far as States are concerned the revised estimates include Rs. 101 crores as their share in the market borrowing in the current year which was a combined effort for the States and the Centre. It has since been decided after



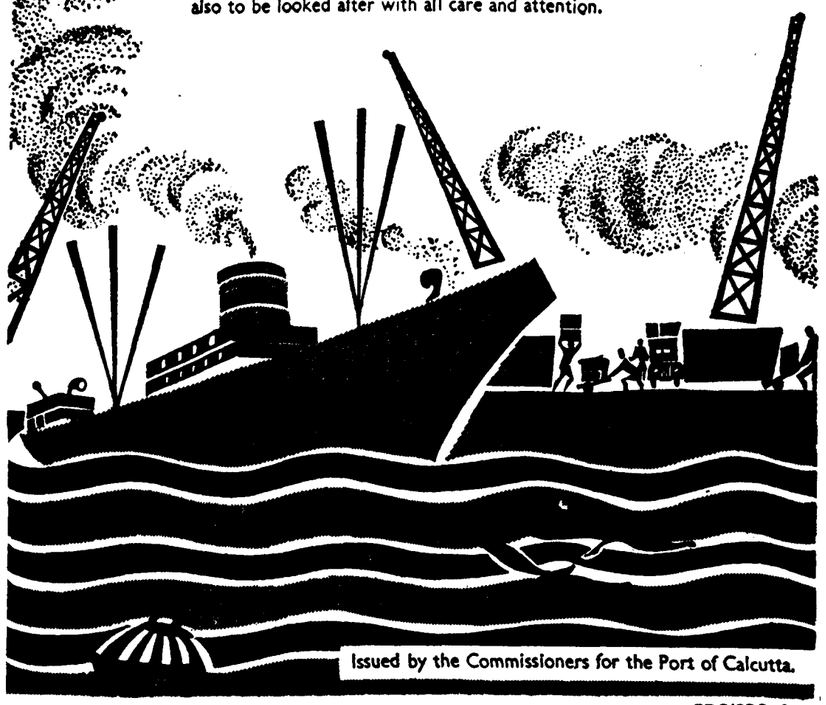
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consultation with the State Governments, to resume the practice of separate market operations by the Central and State Governments next year. Excluding the States' share of combined market loan, loans to States next year at Rs. 606 crores show an increase of Rs. 81 crores over the current Revised.

I must, at this juncture, digress to say that the financial position of most of the States has been causing me a good deal of concern. The total amount due to the Centre by the States at the end of the current financial year will be of the order of Rs. 3,000 crores. In addition, the States' liability on account of market loans at present amounts to Rs. 656 crores. Both in terms of loans from the Centre and market borrowings the States have been receiving more than what was originally contemplated in the Plan. Their share of Central taxes and duties has also been increasing. Yet most of them are constantly facing ways and means difficulties of a disturbing nature. The whole position will require careful review in the context of the fourth five-year Plan. While we should aim at giving the States a good deal of flexibility in allocating their own resources, so far as Central assistance is concerned we must also ensure that a major portion of it is related to the Capital expenditure on identifiable projects which are economically sound and can be expected to generate the resources for the repayment of their liabilities. Other devices will also have to be thought of. As a first step, it is proposed to set up the Fourth Finance Commission at the beginning of the next financial year so that its report becomes available before we finalise the shape and size of the fourth Plan.

Plan Implementation

Provision has been included in the budget next year for a total expenditure of Rs. 1,516 crores for implementing the Plan of which Rs. 253 crores will be on Revenue account and the balance of Rs. 1,263 crores as Capital outlay, including Loans. In addition, Railways are expected to provide Rs. 46 crores, Hindustan Steel Rs. 25 crores and other public sector enterprises Rs. 44 crores from their own resources. These estimates include Rs. 559 crores as assistance to the States of which Rs. 122 crores would be on Revenue account and Rs. 437 crores in the Capital budget. The States are expected to find Rs. 353 crores from their own resources. Thus, the total State Plans next year would be of the order of Rs. 912 crores as compared to the current year's budgeted outlay of Rs. 750 crores. With the Central outlay of Rs. 957 crores, contribution from public sector enterprises of Rs. 115 crores and State Plans of Rs. 912 crores, the total Plan outlay in the fourth year of the Plan would amount to Rs. 1,984 crores, showing a step-up of Rs. 333 crores over the budgeted outlay of Rs. 1,651 crores for the current year. Much of this additional outlay is to strengthen the agricultural sector, as well as to meet the cost of Plan projects which are nearing completion.

Larger outlays on Defence are also a matter of painful necessity for us. The Defence Budget in 1964-65, taking Revenue and Capital together, is somewhat lower than the budget estimate for the current year, but shows an increase of Rs. 46 crores over the Revised. No one in this House will grudge this increase though we may all regret it. For the current year's budget, the House was pleased to vote the necessary funds without asking for the usual details which, from the security angle, it would not have been prudent to disclose. We are now in a position to give a fuller picture and the budget papers contain the usual details. The point I would emphasise is that our defence effort depends largely on building up our production base and the steps we take to strengthen the economy are also those that will strengthen our defences. In recognition of this fact, even the outlays to be voted under the Ministry of Defence have a substantial provision for investment in productive enterprises.

For meeting the increased cost of development in the coming year and in the years thereafter together with our obligations to meet the needs of defence, it would be necessary to take all possible steps for mobilising resources. Promotion of savings would have to form a cardinal part of such mobilisation. I had indicated that we are likely to end the year with record collections of Rs. 115 crores through Small Savings. I am assuming for the coming year net collections of Rs. 125 crores. Even at this rate we are not likely to reach the target of Rs. 600 crores for the Plan. We have, therefore, to make special efforts to step up the level of savings in the community as a whole. To this end our policy in regard to incomes, wages and consumption has to be reoriented. Savings, and as a consequence, investment can only be generated by a margin between consumption and incomes or wages. While we cannot afford to neglect our efforts to improve the lot of low income groups, such efforts, I feel, should be directed more towards measures of social security than towards an increase in their expendable income. This is not the time for me to go into details but I will content myself by saying that Government intend to devote special attention to the task of mobilisation of savings and social security measures in the coming year. I am making suitable administrative arrangements for this purpose.

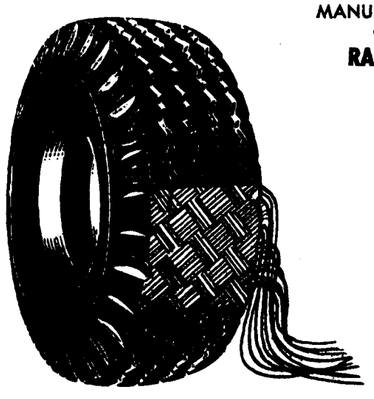
I may now summarise the overall budgetary position. Capital outlay will amount to Rs. 796 crores, loans to States and other parties Rs. 860 crores and debt repayments Rs. 259 crores, leading to a total disbursement of Rs. 1,915 crores. These are expected to be met to the extent of Rs. 54 crores from Revenue surplus, Rs. 997 crores from internal and external borrowings, Rs. 285 crores from repayment of loans, Rs. 125 crores from small savings and Rs. 278 crores from miscellaneous debt and deposit heads. These would leave a total uncovered budgetary gap of Rs. 176 crores at the existing level of taxation.

FAST TAKING SHAPE

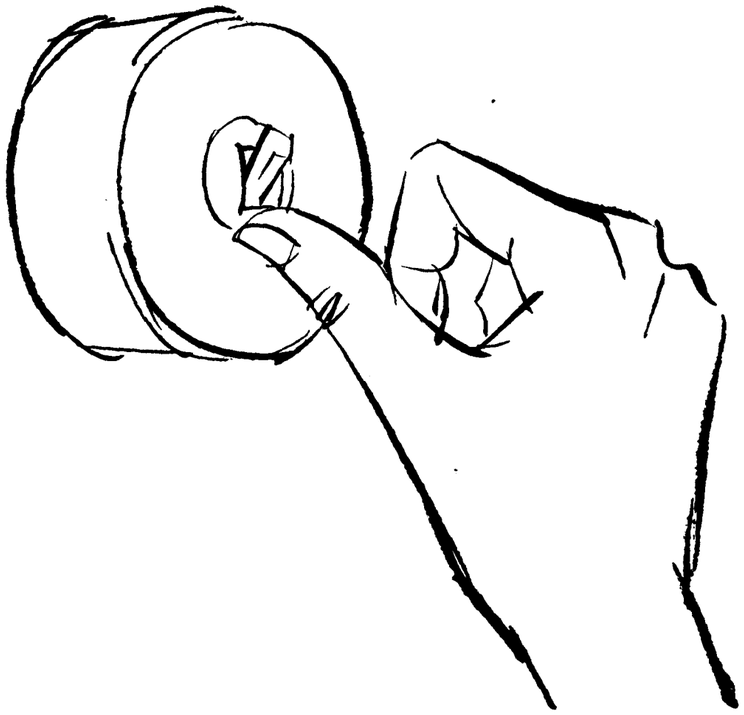
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Package Deal for Corporate Sector

INTRODUCING EXTENSIVE changes in the area of direct taxation, the Union Finance Minister contended that the net effect of his proposals would be to strengthen corporate finances and improve the general investment climate, but emphasised that disparities in income and wealth were to be reduced through fiscal measures.

The following is the text of Part 'B' of his Budget speech:

I have stated often that the growth of the economy has not been commensurate with our expectations. The measures we have taken during the last six months have produced some improvement in the situation; but more has to be done to stimulate the economy. The existing taxation policy, good as far as it goes in the direction of producing revenue, has also to be geared to the paramount task of promoting growth. It is admitted on all hands that fiscal measures have a major role to play in the process of economic development. In this process of accelerating the tempo of development, care has also to be taken to ensure that we do not, at the same time, add to the forces of inflation which are always around the corner in an economy characterised by shortages of one kind or another.

Against this background, the overall deficit of Rs. 176 crores for 1964-65 which I have visualised at the existing rates of taxation is something which we have to temper, if not altogether avoid, particularly as it would come on top of successive doses of deficit financing and at a time when the upward spiralling of prices is causing concern. It is also necessary that the tax structure should not merely be attuned to the needs of growth and to the revival of the capital market, but it should also provide sufficient cushion for both corporate and individual savings with a check on unproductive spending. Taxation has, therefore, to be used as a sensitive and multipurpose tool, to encourage production, to keep a measure of restraint on rising levels of consumption, to ensure that people get the fruits of their labour, to induce savings and to prevent profiteering so that the inherent ills of a scarcity economy are not multiplied. Having stated all this, I realise that these very desirable goals cover a whole horizon and it is not possible at one stroke to serve all the purposes in a single year's budget proposals. But to the extent it is possible, I propose to address myself to these tasks; and the proposals I am making are intended primarily to serve these ends.

Indirect Taxes

I had given some thought to the structure of indirect taxes. While this will bear more scrutiny than I have been able to give them, I am proposing some changes in indirect taxes, both excise and customs, the cumulative effect of which will hardly add to the burden that the economy is now bearing.

One of the essential conditions to be fulfilled by indirect taxes is that the revenue from the items on which such taxes are imposed is sizable and secondly, that the incidence of these taxes should be identifiable. Applying these two criteria, it is proposed to remove the duty completely on a number of items. They are gramophone records, all gases other than carbon dioxide used for the manufacture of aerated waters, low voltage electric motors and all acids other than sulphuric acid. It is proposed to withdraw the excise duty on soap, manufactured without the aid of power and to levy an effective duty of Rs. 40 per tonne on sodium silicate which goes into the manufacture of such soap. This would free from excise control a large number of soap manufacturers. It is also proposed to modify the sub-classification of soap produced with the aid of power from four to two. Some changes are being made by regrouping items under paper in order to simplify the schedule of rates and classification. With a view to encourage the use of bagasse in the manufacture of paper, the duty on paper in the manufacture of which more than 50 per cent bagasse is used would be reduced by 5 naye paise per kilogram. The special duty of excise is being abolished in respect of synthetic dyes, glassware, chinaware, porcelainware, cellophane and certain types of writing and printing paper and electric bulbs and reduced on the initial slabs on tyres. The schedule of duty on cigarettes is being revised lowering the duty on one group and raising it slightly on another. It is proposed to revise the tariff description of plastics and electric wires and cables and of foot-wear and aluminium. The net result of these changes is a loss of revenue of Rs. 486 lakhs.

Excise on Pig Iron

It has been decided to abolish the surcharge on iron and steel, which is transferred to the Iron and Steel Equalisation Fund. The surcharge is being replaced by an increase in the effective rates of Excise Duty on pig iron, certain steels and steel products; some of these are being prescribed as ceiling rates so as to enable Government to increase the effective rates further if circumstances call for such a measure. The effective rates per tonne now proposed are Rs. 30 on pig iron, Rs. 90 on semi-finished steel and steel bars, rods and structurals, Rs. 110 on all flat products other than skelp and Rs. 150 on skelp. This will mean an increase in revenue of Rs. 1181 lakhs in 1964-65, more than compensating the loss of accural to the Iron & Steel Equalisation Fund.

It is proposed to extend further the process of transferring Excise Duty from cotton fabrics to yarn as well as to processed cloth. Increase in the duty of fine and super-fine yarn has become necessary in view of the high profits that are being made on such yarn which are spun from imported cotton. By levying a surcharge on sized yarn and also by prescribing higher effective rates for yarn other than in hanks, with the duty on yarn in hanks being kept at a comparatively low level, the impact of these duties on handloom cloth will not, it is expected, be felt. The lowering of duty on grey fabrics had necessitated lowering of the rates of compounded levy on power loom units of 5 to 49. Powerloom units of 50 and above will pay a preferential duty at 80 per cent of the rates applicable to composite mills. The addition to revenue as a result of these changes will be Rs. 981 lakhs on yarn and a reduction of Rs. 286 lakhs on fabrics. It is also proposed to raise the effective rates of duty by 50 per cent in the case of rayon yarn and about 100 per cent on other synthetic fibres and yarn and to reduce the special duty on cellulosic staple fibre.

In addition certain minor adjustments will be made in some of the other items of excise tariff such as paints, varnishes, worsted yarns, matches, rubber products and a few more; the details of these changes will be found in the Memorandum explaining the provisions in the Finance Bill, which is being separately circulated.

Taken all together, these changes in Excise Duties, would account for a net gain in revenue of Rs. 1954 lakhs in 1964-65, of which Rs. 39 lakhs will accrue to the States as their share. The net additional burden on industry will, however, be only about 1 per cent of the total estimated revenue from this source.

It is proposed to continue the power to levy regulatory

duty, both for Central Excise and Customs. There has been no occasion to use these powers during the current year. Nevertheless, the continuance of this power is necessary in order to meet unforeseen price or production situation. The lifting of control over prices of certain goods would also necessitate a watch on their movement. It is, therefore, proposed to take power to levy a regulatory duty of excise at the rate of 15 per cent.

Customs Duties

In regard to Customs Duties, my proposals are mainly confined to maintaining the actual incidence of duty as it was till a few months back. It is known that a number of items are assessed to import duty on basic tariff values. Before the coming into force of the Customs Act of 1962, the tariff values were based on market values which included certain post-importation charges. In view of the provisions of the new Customs Act, it became necessary to fix the tariff values without such charges. This resulted in the tariff values being lowered on certain articles, especially dry fruits, copra and caustic soda and consequently the import duty on these articles has gone down. It has been found that the benefit of lowering the incidence of duty on these articles has not been passed on to the consumer and it is, therefore, necessary to revise the rates of duty so as to keep the actual incidence at about the same level as it was before the change in tariff values was made. In the case of dry fruits it is proposed to adopt specific instead of 'ad valorem' rates based on tariff values for most varieties. The rate of duty on copra is being raised from 25 per cent to 30 per cent and that on caustic soda from 40 per cent to 80 per cent. In both cases the preferential rates will be 10 per cent lower. The increase in revenue as a result of these changes is expected to be Rs. 202 lakhs in 1964-65.

It is proposed to raise the import duty on high carbon or spring steel wire by 20 per cent to place the indigenous product on a competitive basis. The rate of duty on motor cars, which has gone up to 150 per cent, though actual imports are few, is very high and it is proposed to reduce this to 60 per cent. It is also proposed to abolish the export duty on jute.

The net effect of the changes in the Customs duty will be an increase in revenue of Rs. 208 lakhs in 1964-65. There will also be additional revenue of Rs. 429 lakhs from countervailing duties.

The total effect of all the changes in indirect taxes will be a gain in Central revenue of a little over Rs. 25 crores in 1964-65.

Direct Taxes

Revenue from direct taxes has shown a considerable amount of buoyancy. This is partly due to the measures taken in recent years to close the gap between the tax due and the tax collected. Due to a shortage of staff and the difficulties of training new staff within a short period, assessments have been falling into arrears and even provisional assessments were not kept up-to-date. This has been partly remedied but a great deal remains to be done. The administrative drive for better collection and stricter enforcement requires to be supported by suitable legal powers. The tax structure itself, which has grown in a somewhat haphazard manner, needs a closer look and in this task one has to remember that direct taxes provide the means through fisc for change in the nature and direction of society towards the goal of removing inequalities in income distribution.

In the corporate sector, the primary need of the hour is to infuse some confidence. The resources of this sector have to be augmented from within as well as from without, and it is, therefore, necessary to provide incentives for the existing companies to plough back a larger share of their profits and also diminish the disincentive for inter-corporate investment. In this process, it seems to me necessary to make a distinction between capital intensive industries and others. The need for basic industries to grow is recognised on all hands. Therefore, selective support has to be given to these industries. I am aware that all the desirable things cannot be done simultaneously. Though our present need for larger resources makes it difficult to give up any source of revenue, I am sure the changes now proposed to be made and incentives that are being provided would be appreciated and confidence would generally revive.

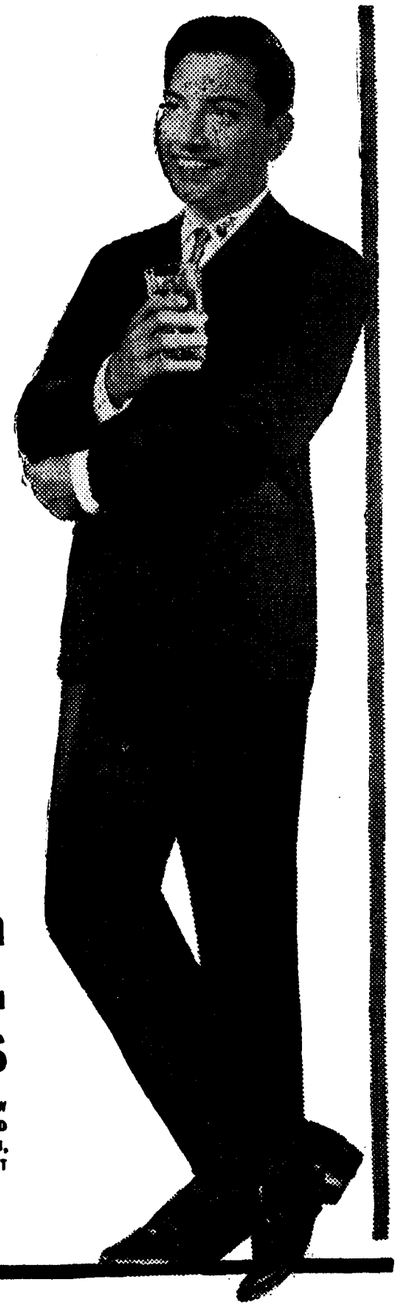
There has been considerable criticism in respect of the Super Profits Tax and the uneven nature of its effect on industry as a whole. I understand that some of the corporate units with a large capital base have not been unduly affected by the Super Profits Tax as it is at present framed while some have to bear a much larger share of the burden. The net result has been that it has produced a psychological resistance and has to some extent affected industrial growth. I propose to address myself to re-modelling the corporate tax structure having in view the needs I have outlined earlier. The present tax on corporations of 25 per cent Income-tax and 25 per cent Super-tax would remain. In substitution of the Super Profits Tax, I propose to levy a surtax on profits of companies. The capital base for this purpose will consist of equity and preference capital, reserves, debentures, loans from approved financial institutions and loans for 10 years or more from banks, or from foreign sources for creating capital assets. This tax will be at the rate of 40 per cent on the residue of the profits after tax after deducting 10 per cent on the capital base.

Rebate of Corporation Tax

In order to encourage development of certain industries which occupy an important place in our economy, I propose to provide to companies which engage in such industries a rebate of Corporation Tax equivalent to 10 per cent of the Income-tax and Super-tax, which will be normally payable by them. This rebate will also be applicable in respect of surtax on such profits to the extent of 20 per cent of tax assessed. These industries are named in the Finance Bill and power is being taken to notify additions to this list from time to time. They include basic metals like steel, copper and aluminium, mining of coal, lignite, iron ore and bauxite, industrial machinery and machine tools, cement, fertilisers, paper and pulp, tractors, equipment for generation of electricity and tea, coffee and rubber.

The reliefs which are being given are intended to strengthen the reserves and augment the capacity of the corporate sector to develop. It is desirable to discourage the dissipation of these additional resources in higher dividends. With this object in view, it is proposed to levy a tax at the rate of 7.5 per cent on the amounts distributed as dividend on capital other than preference capital. Where dividend has, however, to be compulsorily distributed under the law, such distribution will not attract this tax. A new company has, however, to wait for some years before it can declare a dividend, such period varying with the nature of the undertaking. It would, therefore, be fair to exempt such companies from this tax to the extent of a dividend of 10 per cent on capital other than preference capital for a period of five years from the first declaration of dividend by such a company.

At present, inter-corporate dividends bear Income-tax at the rate of 25 per cent and Super-tax at varying rates depending on when the company was formed and whether it is an Indian company and is a subsidiary or not. It is proposed to abolish these fine distinctions and exempt all inter-corporate dividends from Super-tax. It is also proposed to remove



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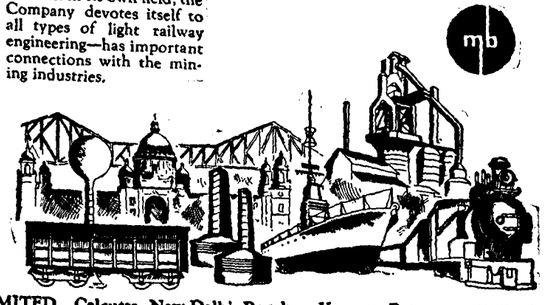
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the provisions in the Income-tax law respecting disallowance of expenditure incurred by companies on the remuneration of their Indian employees above Rs. 60,000 per annum for each employee. The imposition of this limit has not brought any perceptible advantage to revenue and besides being discriminatory is an ineffective restraint under tax law in respect of remuneration of Indian employees. Salaries of certain categories of employees are subject to restrictions under the Companies Act. I, therefore, see little advantage in continuing the application of this limitation. It is, however, proposed to introduce a new provision in the Income-tax Act limiting the amount of deduction admissible to companies for expenditure incurred by them in providing perquisites to their employees, whether of Indian or foreign nationality, to an amount of 20 per cent of the salary of each employee. Any expenditure in excess of that limit would not be deducted in computing the assessable income of the company. This will have the healthy effect of putting a curb on excessive expenditure on perquisites for companies' employees. It is also proposed to reduce the deduction of Income-tax at source from dividends from 30 per cent to 20 per cent for resident holders of shares. It is expected that this will be of some benefit to small investors who have to wait for quite some time to get their refunds.

I propose to increase the rate of Super-tax in the case of non-resident companies from 38 per cent to 40 per cent in respect of their income other than dividends and also royalties and fees for rendering technical services received from an Indian concern under an agreement approved by the Central Government.The Super-tax on income from royalties and technical fees will be at the rate of 25 per cent. The Income-tax for these companies will continue at the existing rate of 25 per cent.

Sec. 23-A Companies

I propose to increase the rate of Super-tax from 25 per cent to 35 per cent in the case of companies other than those in which the public are substantially interested or are wholly subsidiary of public companies, namely the group generally referred to as Section 23-A companies which are now governed by Section 104 of the Income-tax Act, 1961. Such of these companies as are engaged in specified industries will also be eligible for the proposed rebate of Super-tax equivalent to 10 per cent of the Income-tax and Super-tax payable by them. Income-tax on dividends received by non-resident companies engaged in the specific industries will be reduced from 25 per cent to 15 per cent. Further, I propose to exempt such Indian companies as are governed by Section 104 of the Income-tax Act, originally called Section 23-A companies, and are engaged in the manufacture or processing of goods or mining or generation and distribution of electricity or any other form of power, and other classes of companies as may be notified, from the existing requirement of compulsory distribution of dividends. This will enable such companies to plough back their profit after tax into the undertaking to the extent it may be necessary. For companies other than these, the Central Board of Direct Taxes will be empowered to exempt such portion of the profits which it considers necessary to be retained to meet the development needs of the company, subject to the limit of 20 per cent of the income required to be distributed.

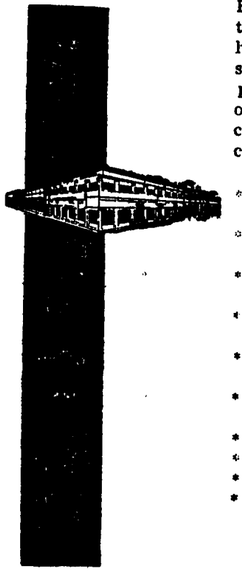
I find that the provisions of the Income-tax Act allowing as deductible expenditure amounts spent wholly and exclusively for the purpose of business are being abused in respect of certain types of expenditure. Unduly large amounts are spent on daily allowance, on unnecessary bookings on planes and trains, on advertisement and on the maintenance of guest houses and suites of rooms in hotels outside the specific places of business, on providing conveyances and in paying high rents for accommodation for their officers and directors and in many other ways. I am afraid this tendency amongst companies is responsible in no small measure for the present high costs and the time has come to put a check at least on some of these expenses. It is not practicable to spell out all the restrictions in detail in the Act itself as some room will always be left for those inclined to evade these provisions to find ways of doing so. I feel it is necessary to have the power to make rules in this behalf where a specific provision is not practicable. A provision has been included in the Finance Bill for this purpose. Subject to these changes I propose to continue the existing corporate tax structure, including the rebate on incomes earned from exports.

I would have liked to discontinue the present general availability of development rebate and to confine it on a graduated basis to certain selected industries. I, however, appreciate that this might cause difficulties to concerns who have made plans for starting an industrial undertaking on the presumption that this rebate would continue to be available in the near future. In view of this, I would like to clarify that the continuance of the development rebate in its present form beyond 1st April, 1966 should not be assumed. I believe it is in the interest of industrial development to give such notice.

On the non-corporate side, I consider that the present rate structure of Income-tax and Super-tax needs revision. The

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structure has grown over years with annual additions and occasional reductions. A number of surcharges have been added to it under a variety of nomenclature. It has been represented to me that the working out of the tax due under the circumstances is itself a very difficult task even in the case of small and medium incomes and this throws an enormous weight of work on the staff which seems unnecessary. I feel it is time that we had a fresh look at the basic structure itself. In this context it is worth while mentioning that the motivating factor behind earned incomes should not be altogether ignored. Much of it is due to the incentive, the initiative and hard work of the earner himself, and for keeping up this effort and to enthuse the earner to greater efforts, it is necessary for him to have a feeling that at least some substantial portion of what he earns is left in his hands. In view of the present constitutional position and the need to augment the resources of the Centre, it is proposed to continue to levy a surcharge for the purposes of the Union.

The personal Income-tax structure is being re-graded. This will provide a revised and simplified schedule of rates of Income-tax and super tax in which most of the surcharges will be integrated and will mean a reduction of tax at all levels. With this change, the burden on the incomes in the lower brackets will be substantially lower than what it is now.

I propose to fix the Central surcharge on earned incomes above Rs. 100,000 at 10 per cent and on unearned incomes above Rs. 10,000 at 12½ per cent where such income does not exceed Rs. 25,000 and at 15 per cent where it exceeds Rs. 25,000 but does not exceed Rs. 75,000 and at 17.5 per cent above that amount.

Compulsory Deposit Scheme

The Compulsory Deposit Scheme, which, as the House is aware, is now only applicable to Income-tax paying category of persons, who can discharge a part of their liability in respect of additional surcharge by making a deposit, would be discontinued altogether. Income-tax payers in the small income groups were, I am afraid, hard hit by the scheme, particularly after discontinuance of the scheme for other categories in September last. I did not like to make a change then though I was alive to the need for giving marginal relief even in the current year on some of the lower incomes. I now propose to make a retrospective amendment to the relevant provisions of the Finance Act, 1963 to secure to such assessees appropriate marginal relief from the additional surcharge.

I propose to introduce an Annuity Deposit Scheme to replace the Compulsory Deposit Scheme which will operate at the income level above Rs. 15,000 per annum. This deposit will be at the rate of 5 per cent in the case of assessees having incomes between Rs. 15,000 and Rs. 20,000; at 7.5 per cent for those with incomes between Rs. 20,000 and Rs. 40,000; at 10 per cent for incomes between Rs. 40,000 and Rs. 70,000 and at 12.5 per cent where the income is above this amount. The deposit which will be compulsory for resident assessees who are citizens of India will be allowed as a deduction in computing the total income for the year in which it is made. It will be repayable in ten annual equated instalments of principal and interest commencing from one complete year after the year of assessment. The deposits in 1964-65 will earn interest at a rate slightly above 4 per cent per annum compound. Deposits which are repaid from year to year will, however, be assessed as part of the income of the assessee in the year in which it is so repaid. In addition, I also propose to extend on a voluntary basis the benefit of this arrangement to authors, actors and artists, who at their option can deposit a further amount not exceeding 15 per cent of their income under this Scheme in order to reduce the taxable income in the year in which it is earned and get it back in instalments over a period of ten years. It is expected that this can be used by them as savings for their future benefit with the advantage of a tax saving. I propose to extend this benefit to taxable gratuity income also. Persons receiving a gratuity liable to tax can make at their option a deposit up to 50 per cent of the amount of the gratuity under this Scheme and get the benefit of saving in tax.

With the coming into force of the Annuity Deposit Scheme the net income in the hands of assessees in the income group of Rs. 15,000 and above will be slightly lower than it has been hitherto, but there will be the advantage of an annual return in this form besides the savings in tax on the aggregate amount. I consider a marginal reduction in the expendable income of this group as something which is justified by the present conditions.

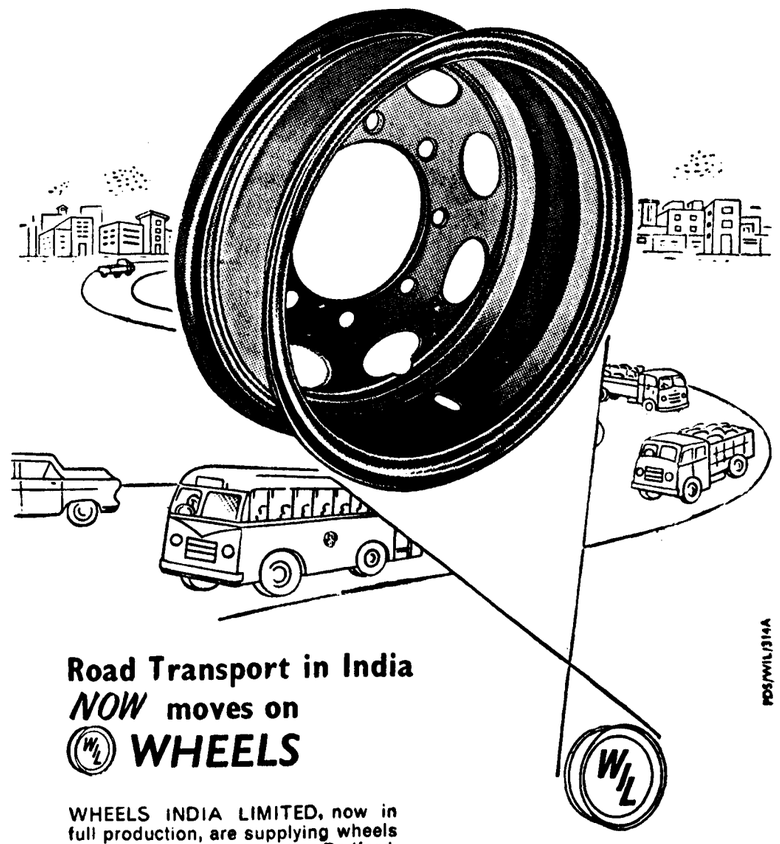
Tightening Assessment

The revised tax structure without taking into account the capital receipts from the Annuity Deposits would mean a lowering of revenue from these sources and a compensatory lowering of tax at all levels. I expect, however, to make good this loss wholly by tightening the tax assessment and collection machinery in a number of ways. As the House is aware there is a general feeling that Government is losing a fair share of its revenue due to evasion and avoidance. This has been attributed in part to the prevailing high rate of taxes. With a reduction in the tax rates now proposed I hope we shall hear less of this reason. The main steps proposed for checking evasion are five-fold. Firstly, every tax return will carry an affirmation about its correctness. This will, I hope, induce people to take additional care in preparing their return. Secondly, the tax due according to the return will have to be deposited within one month of the submission of the return, failing which the assessee will be liable to a substantial penalty. This will ensure quicker collection. Thirdly, the existing provision in the Income-tax Act regarding the levy of penalty for concealment of income is proposed to be amended. In the new provision where the income returned by a person is less than 90 per cent of the assessed income, the assessee should be deemed to have concealed his income unless he proves his 'bona fides'. Fourthly, it is proposed to take extensive powers to search for evaded wealth. The evil of unaccounted money has become so great that its mitigation, if not its total eradication, calls for drastic measures. It is intended to use the new powers effectively to ensure that no person possessing income or wealth that has escaped assessment remains out of the reach of law. I would like this to serve as a warning to persons entering into transactions involving large sums in cash. Fifthly, it is proposed to do away with the secrecy provision in the Income-tax Act and other similar enactments. The combined effect of all these steps will, it is hoped, prove beneficial to collection of revenues as well as to ensure a fairer deal to the honest taxpayer.

Rebate of Super-tax

I propose to allow rebate of Super-tax on contributions to recognised Provident Funds, deposits in the 10 and 15 year accounts of the Post Office Cumulative Time Deposit Scheme and premiums on life insurance but the limit for this purpose will continue to be at Rs. 10,000 per annum. Rebate of Income-tax and Super-tax will cumulatively be limited to 50 per cent of payments or deposits qualifying for relief.

Our tax rates cause some hardship to foreigners working in India. Many of them find it necessary to keep their school-going children in their own country. In western countries there are liberal concessions in Income-tax amongst other things for children's education. In the UK, it is fixed at £150 per child. I, therefore, propose to allow to resident assessees who are not citizens of India a rebate of Income-tax and Super-tax of a sum on Rs. 2,000 per child up to two



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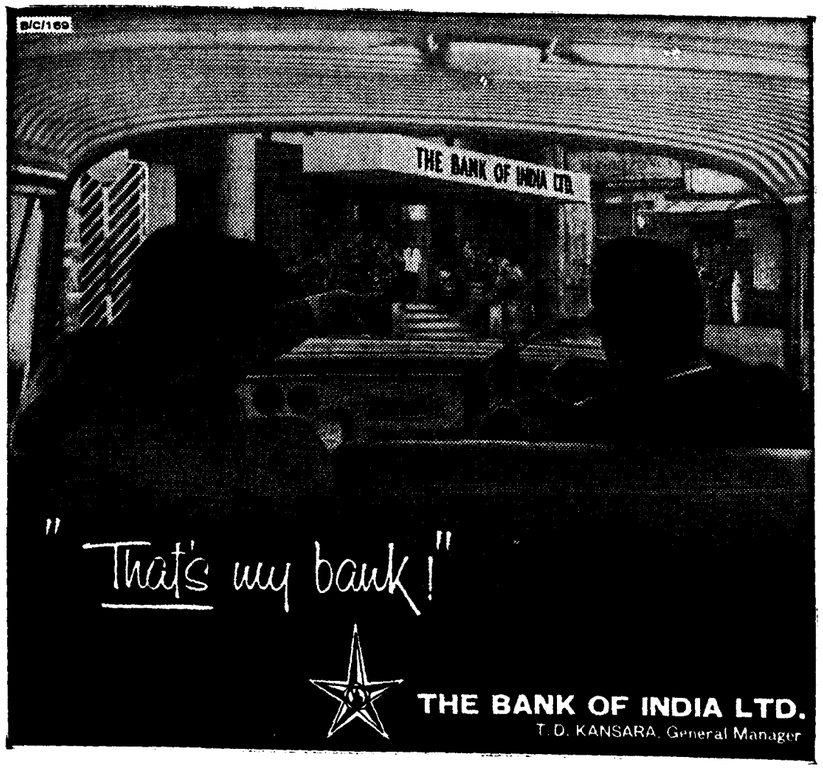
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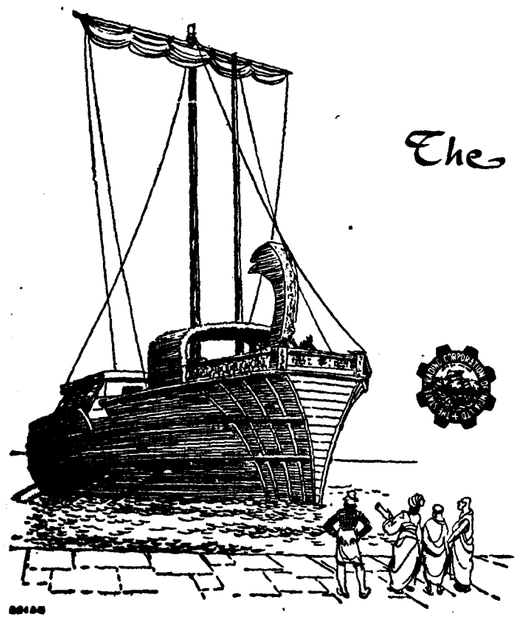
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I also propose to extend the scope of two existing concessions. As the House is aware, under our Income-tax Act, certain categories of foreign technicians whose contracts have been approved before their arrival, enjoy exemption from tax on their salary income for a period of three years. In the absence of prior approval, the tax exemption is limited to one year. In some cases, it is found necessary to bring technicians at a short notice when it is not possible to obtain prior approval to their contracts of service. Sometimes it is found that the task for which a technician is brought out takes longer than was expected and the period may go beyond one year. To remove these difficulties, it is now proposed that the tax exemption for three years will be available provided approval is obtained within one year of the arrival of the technician in India. It is also proposed to extend the concession of exemption from tax to foreign teachers and professors coming to India on approved programmes.

Under our law, incomes arising from a business connection are liable to tax. While this principle is generally sound for developing countries, it is found necessary in the context of our present drive for higher exports to exempt from tax such income arising from purchase in India of goods which are exported. In order to encourage our exports, it is necessary to remove the disincentive of tax liability which does not exist in many other countries. I also propose to extend the scope of exemption from tax on interest on approved foreign lending by bringing within its scope investment in approved securities.

Capital Gains

The tax on capital gains, which is on the statute book, has certain drawbacks. It applies at the ceiling rate of 25 per cent on any capital gain made above Rs. 10,000. The tax laws as such in respect of capital gains require that the capital gain accrues only when there is a transfer of asset and a payment for it in an encashable form. Certain types of assets newly created like bonus shares which are in the nature of capital gains do not attract this tax. Apart from the fact that the tax impinges heavily on the lower receipts and lets off lightly larger receipts, it makes no distinction in regard to different types of property on the sale of which capital gain accrues. All these considerations make it necessary for the structure of the tax on capital gains to be revised.

At present, the law does not permit short-term gains made within one year to be treated as capital gains and treats it as income and this is as it should be Such short-term capital gains will also bear the surcharge in respect of unearned income. But in regard to the other types of capital gains, I propose to make three changes. The main one is that the tax on capital gains will be on a graduated scale in future without a ceiling of 25 per cent as at present. Secondly, the scale will be different for house and landed property and will be at the rate of 75 per cent of the appropriate slabs in the Income-tax cum Super-tax rate of personal taxation. Other types of property will bear tax at 50 per cent of the average rate of tax on personal income. The third change will be that it is proposed to provide that an invester in shares after receiving bonus shares shall be charged to tax on capital gains accruing to him in respect of such shares in the year in which they have been issued to him with reference to the market value of the bonus shares as on the 31st day from the date of their issue. There is no reason why capital gains in respect of bonus shares should be computed only when the shares are actually sold or transferred. Bonus shares result in a definite accretion to the capital of the assessee even before they are sold or transferred. Therefore, they will have to be distinguished from other assets. There is, however, no change in the present exemption limit

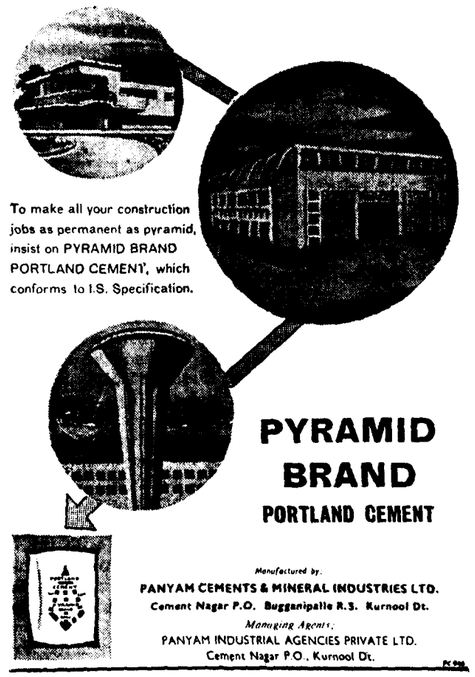
In regard to exporters, the existing rebate of Income-tax and Super-tax on profits derived from exports and on an amount of 2 per cent of the proceeds of exports or sale for exports by manufacturers is proposed to be continued. It has, however, been decided to exclude from the purview of the latter concession such articles as arms, ammunition, photographic films and newsprint and to include items such as non-jute textiles exported after the 29th February, 1964.

I have referred to the main changes which are proposed in the Income and Corporate Taxes. There are a few others in the Finance Bill which it is perhaps not necessary for me to refer to here.

Wealth Tax

In regard to Wealth Tax I propose to make a few minor changes in the rate structure. It has been decided to re-introduce the rate of 0.5 per cent for Wealth Tax on the first slab of a net wealth of Rs. 4,00,000 but beyond Rs. 1,00,000. Other slabs will be slightly re-arranged but their rates remain the same. It is also proposed to exempt from Wealth Tax the value of a house or part of the house owned or used by the assessee for residential purposes subject to the limit of Rs. 1 lakh where such a house is situate in a place with a population exceeding 10,000. Other exemptions remain.

I propose to completely re-cast the tax rate schedules of Estate Duty and Gift Tax. The Gift Tax was introduced as a complement to Estate Duty in order to deal with gifts which ultimately have the effect of reducing the value of the estate subject to duty. The social purposes connected with these two taxes have somewhat been haltingly reflected in the rate structure that now obtains. The time has now come to put a check on the passing on of wealth and property covering large amount by inheritance. It is conceded that the right of



a person to own and enjoy the fruits of his labour in his life subject to his social obligations should be ensured. But the acceptance of this principle does not justify allowing large family fortunes being passed on from one generation to another. If there is to be a limit on the amount of wealth to be passed on from one generation to another, we cannot escape from dealing with gifts which can be used as a means of avoiding or reducing the liability to the impact of Estate Duty. In this context, it has been found necessary to ensure that when gifts are made to the same donee over a period of five years, the gifts of such donee should be aggregated with the value of other taxable gifts made by the assessee during the preceding five years.

Estate Duty

At present, the rates of Estate Duty are gradually reaching 40 per cent on estates of over Rs. 50 lakhs. I propose to replace it by a rate structure in which the rate of 40 per cent will be reached on an estate worth over Rs. 10 lakhs, going up to 50 per cent on the next slab of Rs. 5 lakhs and to 85 per cent on the value of the estates over Rs. 20 lakhs.

As the House is aware, the revenue from Estate Duty will accrue mostly to the States and the revised rates will apply only to property passing on death taking place after the rates have come into force. The total additional revenue expected in 1964-65 is Rs. 300 lakhs, of which Rs. 295 lakhs will accrue to the States.

I should like to clarify one point in connection with these changes. The Estate Duty covers agricultural lands also. Estate Duty in respect of agricultural land is a State subject. In view of Article 250 of the Constitution, the Parliament has power at present to legislate in this respect also. The State legislatures will, however, have to consider whether they would like the new rates to continue to apply to agricultural lands after the period mentioned in clause (2) of Article 250 is over and if thought proper, pass necessary resolutions for the purpose. On the passing of such resolutions by some States, further legislation will be undertaken.

In the matter of Gift Tax, in the existing scales the highest rate of 40 per cent is reached on gifts over Rs. 50,00,000. The highest rate which I now propose is 50 per cent which will be applicable to taxable gifts of a value above Rs. 3,45,000. The rate of 40 per cent will apply on gifts between Rs. 1,45,000 and Rs. 3,45,000. The existing exemption limit of Rs. 10,000 is proposed to be reduced to Rs. 5,000. It is hoped that these changes will restrict transfer of property by gift.

Discourage Spending

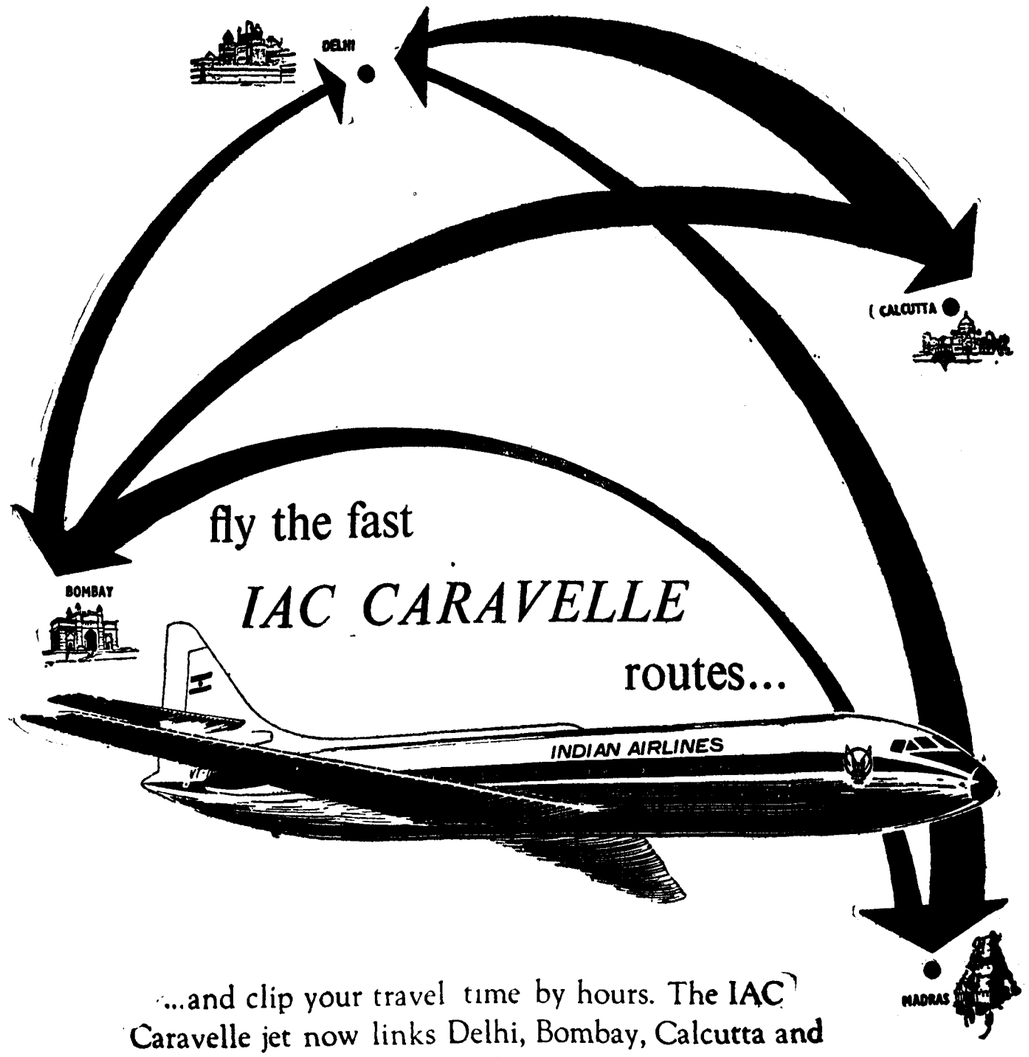
In circumstances arising out of the stepping up of the rates of Estate Duty and Gift Tax, and in order to discourage spending, I think it is necessary to reintroduce Expenditure Tax. I have carefully considered the circumstances and difficulties which made my predecessor suspend the collection of this tax. It seems to me that these difficulties arose on account of too many exemptions and the high rates of the tax. Besides, the wording of the charging section of the Act was highly defective and considerably limited the scope of the operation of the tax. This clause has now been re-drafted so as to attract Expenditure Tax on all expenditure above Rs. 36,000 per annum no matter from which source the money for expenditure came. It is also necessary to harmonise the process of lowering of the rates of Income-tax with the imposition and changes in Expenditure Tax with reduced rates. I, therefore, propose to reduce the exemptions and exceptions to the minimum, and to have the rates rising from 5 per cent to 20 per cent on successive slabs of Rs. 12,000. There will be no tax on first Rs. 36,000. The rate of tax will be 5 per cent on the next Rs. 12,000, 7.5 per cent on the slab of Rs. 12,000 after that and 10 per cent on the next slab of Rs. 12,000. It will be 15 per cent between Rs. 72,000 and Rs. 84,000 and 20 per cent above Rs. 84,000. I also propose not to apply the highest slab of 20 per cent for the expenditure in the years 1963-64 and 1964-65. I also propose to prescribe a compulsory return for certain categories of persons in order to ensure that evasion is reduced.

As a result of all the changes I have proposed in the direct taxes, there will be an additional revenue of Rs. 15 crores to the Centre. The abolition of the Compulsory Deposit Scheme and the introduction of Annuity Deposit Scheme will result in a net credit of Rs. 50 crores in 1964-65 on the capital side after allowing for a drop of Rs. 7 crores in the accretion to the Iron and Steel Equalisation Fund.

The combined effect of the changes in taxes and deposits will be a net gain to revenue of Rs. 40 crores and to capital of Rs. 50 crores leaving an overall gap of Rs. 86 crores. Given the present economic situation, to which I have referred earlier, this order of deficit, I think, should serve the best the requirements of growth as well as reasonable stability in prices. Honourable Members would note that in my remarks today, I have given attention to the overall deficit, rather than to the position on the revenue account. With the growing importance of capital expenditure in our budgets, it is no longer sufficient merely to balance the revenue budget. Indeed, the revenue budget must yield an increasing volume of surplus if the requirements of public investment are to be met without continually growing reliance on private or foreign savings.

In presenting the estimates for the coming year, I have taken substantial credit for higher collections of revenue by

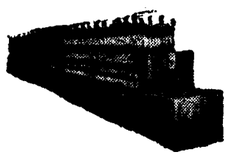




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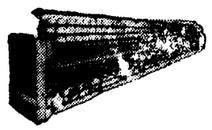
Carding Engine.



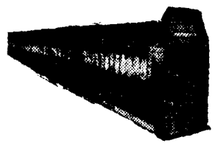
Texmaco-Howa Drawing Frame.

Texmaco

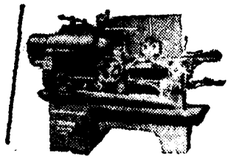
TEXMACO



Doubling Frame.



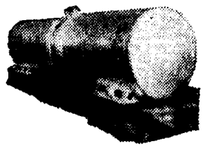
Texmaco Howa Simplex Frame.



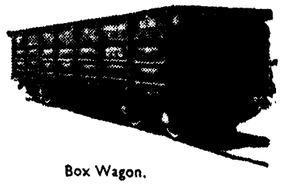
Texmaco Ward No. 3c Capstan Lathe.

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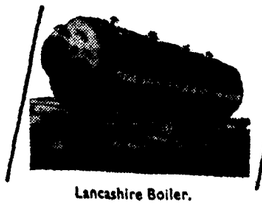


Box Wagon.

the



C. R. Wagon.



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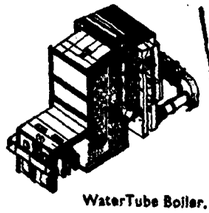


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TMC/1264

improvement in administration and stricter enforcement. On the other hand, in estimating expenditure, I have enforced very tight budgeting. I have emphasised the role of savings in the community and Government itself should set an example by economising in expenditure and by not investing in less essential fields. Economy in administration is fully compatible with efficiency; and it shall be my constant endeavour to ensure that the administrative machinery of the Government is reorganised so that it is fully responsive to this need.

Our standards of performance, be it in economy in expenditure, or in efficiency in collection, have to improve if we are to put our limited resources to the best possible use. In formulating these proposals, my attempt has been to correct anomalies, to rationalise the structure of taxation, to initiate steps to plug loop-holes, to create incentives and to reduce unearned profits. Generally, I have attempted to create some cushion in our tax structure which could be relied upon in the event of an unforeseen contingency. We are passing through difficult times. We might perhaps have to face a rehabilitation problem of some dimension. Our defence requirements may also any day make a larger demand on our resources. We have to be ready to meet any such unforeseen demand by keeping a margin for safety in our budgetary transactions. But above all, we must prepare ourselves for shouldering ever-increasing responsibilities in the sphere of development, social justice and social security where, despite what has been done so far, the road ahead is still long and arduous. I hope that in framing my budget proposals, I have been able, at least in some measure, to keep my gaze fixed at this distant and difficult goal even as we prepare for meeting the requirements of the immediate future.

SUMMARY OF FINAL ESTIMATES

REVENUE

(In lakhs of Rupees)

	Budget 1963-64	Revised 1963-64	Budget 1964-65
Customs	301,20	320,00	330,00) +6,37*)
Union Excise Duties	687,51	703,47	750,39) +19,15*)
Corporation Tax	222,00	275,00	295,00) +11,00*)
Taxes on income	120,05	115,71	141,55
Estate Duty	12	13	13) +5*)
Taxes on Wealth	9,40	10,00	10,00) +20*)
Expenditure Tax	10	17	5) +1,50*)
Gift Tax	95	1,10	1,10) +2,00*)
Other Heads	19,87	20,46	21,57
Debt Services	217,05	220,46	252,14
Administrative Services	6,76	8,25	8,93
Social and Developmental Services	31,61	29,25	28,13
Multipurpose River Schemes, etc.	45	15	11
Public Works, etc.	4,38	3,77	3,75
Transport and Communications	7,46	7,20	6,81
Currency and Mint	73,68	57,37	53,73
Miscellaneous	24,93	17,48	17,29
Contributions and Miscellaneous Adjustments	27,66	29,11	31,08
Extraordinary items	81,00	94,60	143,31
TOTAL REVENUE	1836,18	1913,68	2095,12) +40,27*)

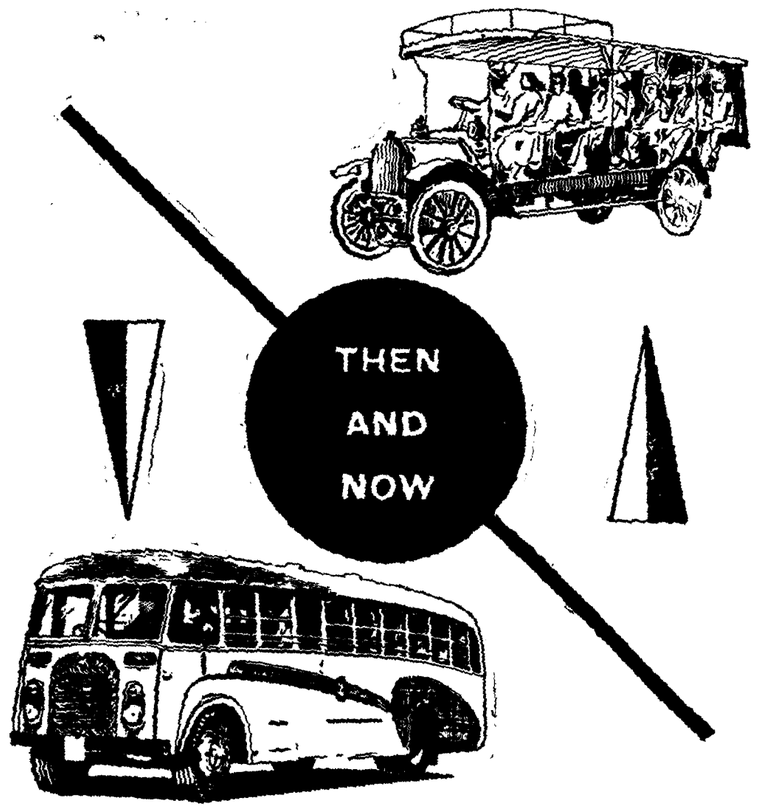
* Effect of Budget proposals.

EXPENDITURE

(In lakhs of Rupees)

	Budget 1963-64	Revised 1963-64	Budget 1964-65
Collection of Taxes, Duties and other Principal Revenues	23,83	23,67	25,34
Debt Services	280,24	282,06	318,41
Administrative Services	88,28	80,45	81,84
Social and Developmental Services	155,40	146,94	168,14
Multipurpose River Schemes, etc.	1,96	1,36	1,84
Public Works, etc.	20,94	21,65	20,21
Transport and Communications	9,79	8,70	10,18
Currency and Mint	17,24	16,76	17,33
Miscellaneous:			
Pensions	10,68	10,77	11,04
Expenditure on Displaced Persons	8,41	11,76	6,46
Oher Expenditure	91,89	69,46	79,01
Contributions and Miscellaneous Adjustments:			
Grants to State and Union Territory Governments	217,55	235,70	289,08
States Share of Union Excise Duties	126,07	135,99	140,98
Other Expenditure	3,42	3,46	4,13
Extraordinary items	86,19	84,06	147,52
Defence Services (Net)	708,51	692,55	717,80
TOTAL EXPENDITURE	1852,40	1825,34	2041,31
Deficit(—)	—16,22	+88,34	+ 53,81)
Surplus (+)			+40,27*)

* Effect of Budget proposals.



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SUMMARY OF CAPITAL TRANSACTIONS

(In Lakhs of Rupees)

	RECEIPTS				DISBURSEMENTS			
	Accounts, 1962-63	Budget, 1963-64	Revised, 1963-64	Budget, 1964-65	Accounts, 1962-63	Budget, 1963-64	Revised, 1963-64	Budget, 1964-65
New Loans in India ..	328,94	393,00	441,70	295,00				
Gold Bonds	3,39	1,00	5,22	..				
Prize Bonds / Premium Prize Bonds	4,23	6,00	5,00	5,00				
15-Year Annuity Certificates	48	50	40	45				
Foreign Loans	339,57	462,43	502,56	696,97				
Special Floating Loan ..	3,45	3,45	3,45	3,45				
Net receipts from :								
Treasury Bills	124,57	181,00	60,00	176,00				
National Defence Fund	41,40	19,75	— 5,97	14				
Investment of U.S. Government Counterpart Deposit Funds	48,07	90,00	65,42	—84,84				
Defence Deposit Certificates	9,77	23,00	22,00	22,48				
Treasury Savings Deposit Certificates ..	23	— 7,58	— 5,40	— 5,15				
Post Office Savings Bank Deposits	4,66	33,00	33,00	33,50				
Compulsory Deposits ..	..	25,00	15,00	10,00				
Cumulative Time Deposits	5,36	9,00	9,00	12,00				
12-Year National Defence Certificates ..	53,59	85,00	100,40	102,00				
12-Year National Plan Savings Certificates ..	19,59	—21,80	—25,20	—23,50				
National Savings and Other Certificates ..	—19,29	—15,82	—18,90	—16,43				
Other Unfunded Debt ..	41,84	46,92	50,33	55,65				
Railway Pension, Depreciation, Revenue Reserve and Development Funds	15,28	22,04	23,62	31,97				
Telephone Development Fund	1,35	80	1,37	15				
P & T Renewals Reserve and other Funds	10,63	13,24	17,04	11,00				
Emergency Risks (Goods) and (Factories) Insurance Funds	9,00	32,94	16,54	2,78				
Sale proceeds of American and Lease-Lend Surpluses	..	..	..	4,33				
Appropriation for Reduction or Avoidance of Debt	5,00	5,00	5,00	5,00				
Deposits under Income Tax Act (Net)	— 3,93	—19	—36	— 4				
Discount Sinking Fund (Net)	60	189	87	1,72				
Payment by Reserve Bank for Rupee Coin	4,78	5,00	5,00	5,00				
Repayment of Advances by State Governments ..	144,75	194,87	185,73	238,92				
Repayment of Other Loans and Advances	26,12	53,63	42,56	46,03				
Other Deposits and Advances (Net)	160,63	172,91	188,74	378,10				
TOTAL	13,84,06	18,35,97	17,44,12	20,07,68				
Deficit on Capital Account	94,97	..	105,95	53,67				
GRAND TOTAL	14,79,03	18,35,97	18,50,07	20,61,35				
Capital Outlay :								
Agricultural improvement and Research					3,89	2,95	1,99	2,82
Industrial Development					171,35	224,00	208,52	217,22
Broadcasting					1,27	1,75	1,50	1,45
Multi-purpose River Schemes, Irrigation and Electricity Schemes ..					3,56	11,43	7,72	10,72
Public Works					41,64	68,11	70,44	66,06
Delhi Capital Outlay ..					6,84	7,38	11,98	13,73
Dandakaranya Development Scheme					4,21	3,46	4,38	4,25
Other Works					3,74	5,93	3,49	3,46
Ports					2,04	5,96	4,45	2,48
Lighthouses and Lightships					— 1	20	..	..
Aviation					2,93	3,66	3,66	4,95
Road and Water Transport Schemes					42	1,29	3	..
Overseas Communications Service					39	40	40	29
Shipping, Tankers, etc. ..					1,00	1,33	60	1,32
Currency and Coinage ..					8,62	11,54	13,07	8,61
Mints					4	19	19	23
Kolar Gold Mines ..					18	3,35	3,30	56
Commuted Value of Pensions					24	14	39	40
Sterling Pensions ..					—3,70	— 3,74	— 3,74	— 6,34
Schemes of Government Trading					—22,19	49,69	30,07	31,03
Grants for Development					15,39	18,55	17,80	21,38
Compensation to Displaced Persons					— 4,28	— 4,35	— 8,08	— 5,16
Transfer of Development Assistance from the Government of U.S.A. ..					82,44	61,55	67,83	174,78
Payments under Indus Water Treaty					6,89	6,63	6,63	6,08
Other Civil Heads ..					81	75	32	37
Defence					48,61	158,72	115,63	136,10
Railways					214,89	218,50	237,25	253,00
Posts and Telegraphs ..					20,96	28,00	30,24	20,59
Discharge of Permanent Debt					228,89	231,57	239,94	259,61
Discharge of Special Floating Debt					..	3,43	3,43	3,43
Inter-State Settlement ..					—1,76	90	90	..
Advances to State Government					511,09	529,14	607,42	595,18
Loans to Union Territory Governments					..	..	11,33	15,91
Other Loans and Advances					128,64	167,84	156,99	216,74
TOTAL					18,20,25	18,50,07	18,50,07	20,61,35
Surplus on Capital Account					..	15,72	..	..
GRAND TOTAL ..					14,79,03	18,35,97	18,50,07	20,61,35

Exit S.P.T., Enter Surtax

ONE OF the major new proposals in the Central Budget is a levy of Surtax on the profits of companies in place of the Super Profits Tax. The following are the details of the Bill introduced in Parliament for this purpose:

Be it enacted by Parliament in the Fifteenth Year of the Republic of India as follows:

1. (1) This Act may be called the Companies (Profits) Surtax Act, 1964.

(2) It extends to the whole of India.

2. In this Act, unless the context otherwise requires, —

(1) "Assessee" means a person by whom surtax or any other sum of money is payable under this Act and includes every person in respect of whom any proceeding under this Act has been taken for the assesesment of his chargeable profits or of the amount of refund due to him or of the chargeable profits of any other person in respect of which he is assessable or of the amount of refund due to such other person;

(2) "assessment" includes re-assessment;

(3) "assessment year" means the period of twelve months commencing on the 1st day of April, every year;

(4) "Board" means the Central Board of Direct Taxes constituted under the Central Boards of Revenue Act, 1963;

(5) "chargeable profits" means the total income of an assessee computed under the Income-tax Act, 1961 for any previous year or years, as the case may be, and adjusted in accordance with the provisions of the First Schedule;

(6) "Income-tax Act" means the Income-tax Act, 1961;

(7) "prescribed" means prescribed by rules made under this Act;

(8) "statutory deduction" means an amount equal to ten per cent of the capital of the company as computed in accordance with the provisions of the Second Schedule, or an amount of two hundred thousand rupees, whichever is greater:

Provided that where the previous year is longer or shorter than a period of twelve months, the aforesaid amount of ten per cent, or, as the case may be, of two hundred thousand rupees shall be increased or decreased proportionately;

Provided further that where a company has different previous years in respect of its income, profits and gains, the aforesaid increase or decrease, as the case may be, shall be calculated with reference to the length of the previous year of the longest duration; and

(9) all other words and expressions used herein but not defined and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act.

Tax Authorities

3. (1) Every Director of Inspection, Commissioner of Income-tax, Appellate Assistant Commissioner of Income-tax, Inspecting Assistant Commissioner of Income-tax and Income-tax Officer shall have the like powers and perform the like functions, under this Act as he has and performs under the Income-tax Act, and for the exercise of his powers and the performance of his functions, his jurisdiction under this Act will be the same as that he has under the Income-tax Act.

(2) All officers and persons employed in the execution of this Act shall observe and follow the orders, instructions and directions of the Board:

Provided that no such orders, instructions or directions shall be given so as to interfere with the discretion of the Appellate Assistant Commissioner in the exercise of his appellate functions.

(3) Every Income-tax Officer, employed in the execution of this Act, shall observe and follow the orders, instructions and directions issued for his guidance by the Director of Inspection or by the Commissioner or by the Inspecting Assistant Commissioner under whose jurisdiction he performs his functions.

4. Subject to the provisions contained in this Act, there shall be charged on every company for every assessment year commencing on end from the first day of April, 1964, a tax (in this Act referred to as the surtax) in respect of so much of its chargeable profits of the previous year or previous years, as the case may be, as exceed the statutory deduction, at the rate or rates specified in the Third Schedule.

Return of Profits

5. (1) In the case of every company whose chargeable profits assessable under this Act exceeded during the previous year the amount of statutory deduction, its principal officer, or where in the case of a non-resident company any person has been treated as its agent under section 163 of the Income-tax Act, such person, shall furnish a return of the chargeable profits of the company during the previous year in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed, before the 30th day of September of the assessment year:

Provided that on an application made in this behalf, the Income-tax Officer may, in his discretion, extend the date for the furnishing of the return.

(2) In the case of any company which in the Income-tax Officer's opinion is assessable under this Act, the Income-tax Officer may, before the end of the relevant assessment year, serve a notice upon its principal officer, or where in the case of a non-resident company any person has been treated as its agent under section 163 of the Income-tax Act, upon such person, requiring him to furnish within thirty days from the date of service of the notice a return of the chargeable profits of the company during the previous year in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed:

Provided that on an application made in this behalf, the Income-tax Officer may, in his discretion, extend the date for the furnishing of the return.

(3) Any assessee who has not furnished a return during the time allowed under sub-section (1) or sub-section (2), or having furnished a return under sub-section (1) or sub-section (2) discovers any omission or wrong statement therein, may furnish a return as the case may be, at any time before the assessment is made.

6. (1) For the purposes of making an assessment under this Act, the Income-tax Officer may serve on any person who has furnished a return under sub-section (1) of section 5 or upon whom a notice has been served under sub-section (2) of section 5 (whether a return has been furnished or not) a notice requiring him on a date therein to be specified, to produce or cause to be produced such accounts or documents or evidence as the Income-tax Officer may require for the purposes of this Act and may from time to time serve further notices requiring the production of such further accounts or documents or other evidence as he may require.

(2) The Income-tax Officer, after considering such accounts, documents or evidence, if any, as he has obtained under sub-section (1) and after taking into account any relevant material which he has gathered, shall, by an order in writing, assess the chargeable profits and the amount of the surtax payable on the basis of such assessement.

7. (1) The Income-tax Officer, before proceeding to make an assessment under section 6 (in this section referred to as the regular assessment) may, at any time after the expiry of

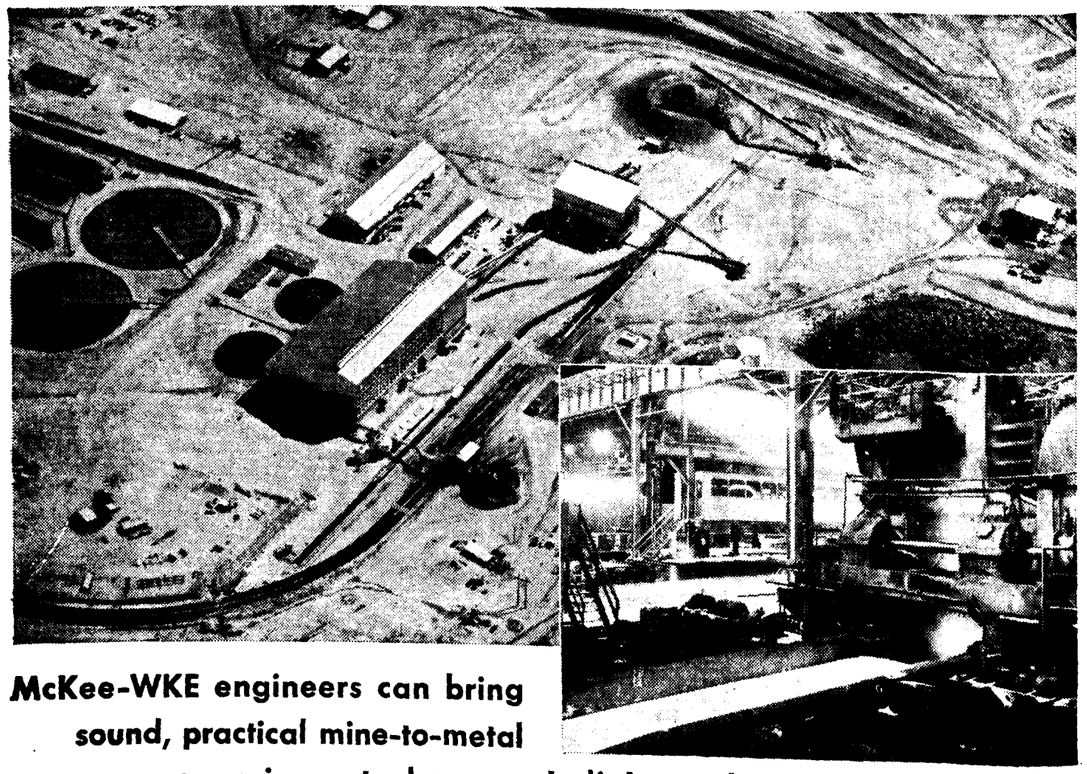


THE DAY BREAKS BRIGHTER TOMORROW

MILK. FOOD. Children grow straight and strong.
Today's care. Gentle as with a flower.
Today's protection. The shelter of mighty effort.
Tomorrow...a little less of care, a little more of joy.
And for HINDUSTAN LEVER, too, tomorrow begins today.
In the milk plant and research laboratory,
in the factory and office. Work, patience, care
to serve tomorrow's homes and the nation's needs
with products that grow better and better.

TODAY AND TOMORROW...HINDUSTAN LEVER SERVES THE HOME
WITH SOAPS, FOODS, TOILET PREPARATIONS

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The two photos above illustrate the diversity of McKee-WKE mine-to-metal services in the ferrous and non-ferrous metals fields. The modern 15,000-ton-per-day copper concentrator at top was designed and built by the WKE Division. Among its other projects the WKE Division is now working on the Indian Government's first copper producing facilities. The WKE staff is providing engineering services for the mine, ore concentrator, smelter and refinery located at Khetri. This project, when completed, will be India's largest producer of copper. The small photo shows the entry end of a 120-inch, 4-high plate mill for which the McKee Metals Division supplied engineering-contracting services including the installation of machinery and equipment.

While these plants are far too large to be called commonplace, they are by no means unusual undertakings for the McKee-WKE staff. We frequently have a number of equally large plants in process simultaneously in widely separated world locations. The McKee organization has the scope and resources to design and construct comparable projects of any size in India.

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the period allowed under sub-section (1) or sub-section (2) of section 5 for the furnishing of the return and whether the return has or has not been furnished, proceed to make in a summary manner a provisional assessment of the chargeable profits and the amount of the surtax payable thereon.

(2) Before making such provisional assessment, the Income-tax Officer shall give notice in the prescribed form to the person on whom the provisional assessment is to be made of his intention to do so, and shall with the notice forward a statement of the amount of the proposed assessment, and the said person shall be entitled to deliver to the Income-tax Officer at any time within fourteen days of the service of the said notice a statement of his objections, if any, to the amount of the proposed assessment.

(3) On expiry of the said fourteen days from the date of service of the notice referred to in sub-section (2), or earlier, if the assessee agrees to the proposed provisional assessment, the Income-tax Officer may, after taking into account the objections, if any made under sub-section (2), make a provisional assessment, and shall furnish a copy of the order of the assessment to the assessee:

Provided that assent to the amount of the provisional assessment, or failure to make objection to it, shall in no way prejudice the assessee in relation to the regular assessment.

(4) There shall be no right of appeal against a provisional assessment made under this section.

(5) After a regular assessment has been made, any amount paid or deemed to have been paid towards the provisional assessment made under this section shall be deemed to have been paid towards the regular assessment; and where the amount paid or deemed to have been paid towards the provisional assessment exceeds the amount payable under the regular assessment, the excess shall be refunded to the assessee.

Profits Escaping Assessment

8. If —

(a) the Income-tax Officer has reason to believe that by reason of the omission or failure on the part of the assessee to make a return under section 5 for any assessment year or to disclose fully and truly all material facts necessary for his assessment for any assessment year, chargeable profits for that year have escaped assessment or have been under-assessed or assessed at too low a rate or have been made the subject of excessive relief under this Act, or

(b) notwithstanding that there has been no omission or failure as mentioned in clause (a) on the part of the assessee, the Income-tax Officer has in consequence of information in his possession reason to believe that chargeable profits assessable for any assessment year have escaped assessment or have been under-assessed or assessed at too low a rate or have been the subject of excessive relief under this Act,

he may, in cases falling under clause (a) at any time, and in cases falling under clause (b) at any time within four years of the end of that assessment year, serve on the assessee a notice containing all or any of the requirements which may be included in a notice under section 5, and may proceed to assess or re-assess the amount chargeable to surtax, and the provisions of this Act shall, so far as may be, apply as if the notice were a notice issued under that section.

9. If the Income-tax Officer, in the course of any proceedings under this Act, is satisfied that any person has, without reasonable cause, failed to furnish the return required under section 5, or to produce or cause to be produced the accounts, documents or other evidence required by the Income-tax Officer under sub-section (1) of section 6, or has concealed the particulars of the chargeable profits or has furnished inaccurate particulars of such profits, he may direct that such person shall pay, by way of penalty, in addition to the amount of surtax payable, a sum not exceeding —

(a) where the person has failed to furnish the return required under section 5, the amount of surtax payable;

(b) in any other case, the amount of surtax which would have been avoided if the return made had been accepted as correct:

Provided that the Income-tax Officer shall not impose any penalty under this section without the previous authority of the Inspecting Assistant Commissioner.

10. No order imposing a penalty under section 9 shall be made unless the assessee has been given a reasonable opportunity of being heard.

Appeals

11. (1) Any person objecting to the amount of surtax for which he is liable as assessed by the Income-tax Officer or denying his liability to be assessed under this Act, or objecting to any penalty or fine imposed by the Income-tax Officer, or to the amount allowed by the Income-tax Officer by way of any relief under any provisions of this Act, or to any refusal by the Income-tax Officer to grant relief or to an order of rectification or amendment having the effect of enhancing the assessment or reducing the refund, or to an order refusing to allow the claim made by the assessee for a rectification under section 13 or amendment under section 14 may appeal to the Appellate Assistant Commissioner.

(2) Every appeal shall be in the prescribed form and shall be verified in the prescribed manner.

(3) An appeal shall be presented within thirty days of the following date, that is to say —

(a) where the appeal relates to assessment or penalty or fine, the date of service of the notice of demand relating to the assessment or penalty or fine, or

(b) in any other case, the date on which the intimation of the order sought to be appealed against is served:

Provided that the Appellate Assistant Commissioner may admit an appeal after the expiration of the said period if he is satisfied that the appellant had sufficient cause for not presenting it within that period.

(4) The Appellate Assistant Commissioner shall hear and determine the appeal and, subject to the provisions of this Act, pass such orders as he thinks fit and such orders may include an order enhancing the assessment or penalty:

Provided that an order enhancing the assessment or penalty shall not be made unless the person affected thereby has been given a reasonable opportunity of showing cause aganist such enhancement.

(5) The procedure to be adopted in the hearing and determination of the appeals shall, with any necessary modification, be in accordance with the procedure applicable in relation to income-tax.

Appellate Tribunal

12. (1) Any assessee aggrieved by an order passed by a Commissioner under section 16, or an order passed by an Appellate Assistant Commissioner under any provision of this Act, may appeal to the Appellate Tribunal against such order.

(2) The Commissioner may, if he objects to any order passed by the Appellate Assistant Commissioner under any provision of this Act, direct the Income-tax Officer to appeal to the Appellate Tribunal against the order.

(3) Every appeal under sub-section (1) or sub-section (2) shall be filed within sixty days of the date on which the order sought to be appealed against is communicated to the assessee or to the Commissioner, as the case may be.

(4) The Income-tax Officer or the assessee, as the case may be, on receipt of notice that an appeal against order of

the Appellate Assistant Commissioner has been preferred under sub-section (1) or sub-section (2) by the other party may, notwithstanding that he may not have appealed against such order or any part thereof, within thirty days of the receipt of the notice, file a memorandum of cross-objections, verified in the prescribed manner, against any part of the order of the Appellate Assisant Commissioner, and such memorandum shall be disposed of by the Appellate Tribunal as if it were an appeal presented within the time specified in sub-section (3).

(5) The Appellate Tribunal may admit an appeal or permit the filing of a memorandum of cross-objections after the expiry of the relevant period referred to in sub-section (2) or sub-section (4), if it is satisfied that there was sufficient cause for not presenting it within that period.

(6) An appeal at the Appellate Tribunal shall be in the prescribed form and shall be verified in the prescribed manner and, shall, except in the case of an appeal referred to in sub-section (2) or a memorandum of cross-objections referred to in sub-section (4), be accompanied by a fee of one hundred rupees.

(7) Subject to the provisions of this Act, in hearing and making an order on any appeal under this section, the Appellate Tribunal shall exercise the same powers and follow the same procedure as it exercises and follows in hearing and making an order on any appeal under the Income-tax Act.

13. (1) With a view to rectifying any mistake apparent from the record, the Commissioner, the Income-tax Officer, the Appellate Assistant Commissioner and the Appellate Tribunal may, of his, or its, own motion or on an application by the assessee in this behalf, amend any order passed by him or it in any proceeding under this Act within four years of the date on which such order was passed.

(2) An amendment which has the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the assessee shall not be made under this section unless the authority concerned has given notice to the assessee of its intention so to do and has allowed the assessee a reasonable opportunity of being heard.

(3) Where an amendment is made under this section, the order shall be passed in writing by the authority concerned.

(4) Subject to the other provisions of this Act, where any such amendment has the effect of reducing the assessment, the Income-tax Officer shall make any refund which may be due to such assessee.

(5) Where any such amendment has the effect of enhancing the assessment or reducing the refund already made, the Income-tax Officer shall serve on the assessee a notice of demand in the prescribed form specifying the sum payable.

14. Where as a result of any order made under section 154 or section 155 of the Income-tax Act, it is necessary to recompute the chargeable profits determined in any assessment under this Act, the Income-tax Officer may proceed to recompute the chargeable profits, and determine the surtax payable or refundable on the basis of such recomputation and make the necessary amendment and the provisions of section 13 shall, so far as may be, apply thereto, the period of four years specified in sub-section (1) of that section being reckoned from the date of the order passed under the aforesaid section of the Income-tax Act.

15. Notwithstanding anything contained in clause (1) of section 109 of the Income-tax Act, in computing the distributable income of a company for the purposes of Chapter XI-D



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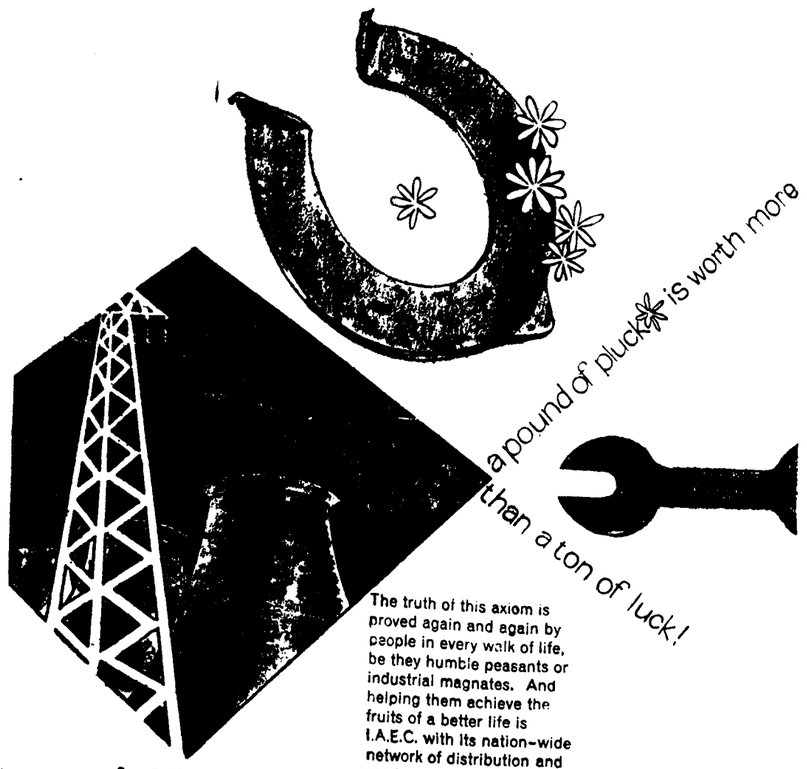
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of that Act, the surtax payable by the company for any assessment year shall be deductible from the total income of the company assessable for that assessment year.

16. (1) The Commissioner may call for and examine the record of any proceeding under this Act, and if he considers that any order passed therein by the Income-tax Officer is erroneous in so far as it is prejudicial to the interests of the revenue, he may, after giving the assessee an opportunity of being heard and after making or causing to be made such inquiry as he deems necessary, pass such order thereon as the circumstances of the case justify, including an order enhancing or modifying the assessment, or cancelling the assessment and directing a fresh assessment.

(2) No order shall be made under sub-section (1) —

(a) to revise an order of re-assessment made under section 8, or

(b) after the expiry of two years from the date of the order sought to be revised.

(3) Notwithstanding anything contained in sub-section (2), an order in revision under this section may be passed at any time in the case of an order which has been passed in consequence of, or to give effect to, any finding or direction contained in an order of the Appellate Tribunal, the High Court or the Supreme Court.

Explanation. — In computing the period of limitation for the purposes of sub-section (2), any period during which any proceeding under this section is stayed by an order or injunction of any court shall be excluded.

Revision of Orders

17. (1) The Commissioner may, either of his own motion or on an application by the assessee for revision, call for the record of any proceeding under this Act which has been taken by the Income-tax Officer or Appellate Assistant Commissioner subordinate to him and may make such inquiry or cause such inquiry to be made and, subject to the provisions of this Act, may pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit.

(2) The Commissioner shall not of his own motion revise any order under this section if the order has been made more than one year previously.

(3) In the case of an application for revision under this section by the assessee, the application shall be made within one year from the date on which the order in question was communicated to him or the date on which he otherwise came to know of it, whichever is earlier:

Provided that the Commissioner may, if he is satisfied that the assessee was prevented by sufficient cause from making the application within that period, admit an application made after the expiry of that period.

(4) The Commissioner shall not revise any order under this section in the following cases —

(a) where an appeal against the order lies to the Appellate Assistant Commissioner or to the Appellate Tribunal but has not been made and the time within which such appeal may be made has not expired, or, in the case of an appeal to the Appellate Tribunal, the assessee has not waived his right of appeal; or

(b) where the order is pending on an appeal before the Appellate Assistant Commissioner, or

(c) where the order has been made the subject of an appeal to the Appellate Tribunal.

(5) Every application by an assessee for revision under this section shall be accompanied by a fee of twenty-five rupees.

Explanation 1. — An order by the Commissioner declining to interfere shall, for the purposes of this section, be deemed not to be an order prejudicial to the assessee.

Explanation 2. — For the purposes of this section, the Appellate Assistant Commissioner shall be deemed to be an authority subordinate to the Commissioner.

18. The provisions of the following sections and Schedules of the Income-tax Act and the Income-tax (Certificate Proceedings) Rules, 1962, as in force from time to time, shall apply with such modifications, if any, as may be prescribed, as if the said provisions and the rules referred to surtax instead of to income-tax and super-tax: —

2(44), 131 to 136 (both inclusive), 138, 140, 156, 160, 161, 162, 163, 166, 167, 170, 173, 175, 176, 178, 179, 220 to 229 (both inclusive), 231, 232, 233, 237 to 242 (both inclusive), 244, 245, 254 to 262 (both inclusive), 265, 266, 268, 269, 281, 282, 284, 287 to 293 (both inclusive), the Second Schedule and the Third Schedule:

Provided that references in the said provisions and the rules to the "assessee" shall be construed as reference to an assessee as defined in this Act.

19. (1) Notwithstanding anything contained in the Income-tax Act, all information contained in any statement or return made or furnished under the provisions of that Act or obtained or collected for the purposes of that Act may be used for the purposes of this Act.

(2) All information contained in any statement or return made or furnished under the provisions of this Act or obtained or collected for the purposes of this Act may be used for the purposes of the Income-tax Act.

20. If any person fails without reasonable cause to furnish in due time any return under sub-section (2) of section 5, or to produce or cause to be produced, any accounts or documents required to be produced under section 6, he shall be punishable with fine which may extend to five hundred rupees, and with a further fine which may extend to ten rupees for every day during which the default continues.

21. If a person makes in any return furnished under section 5 any statement which is false, and which he either knows or believes to be false, or does not believe to be true, he shall be punishable with simple imprisonment which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

22. If a person makes or induces in any manner another person to make and deliver any account, statement or declaration relating to chargeable profits liable to surtax which is false and which he either knows to be false or does not believe to be true, he shall be punshable with simple imprisonment which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

Institution of Proceedings

23. (1) A person shall not be proceeded against for an offence under section 20 or section 21 or section 22 or under the Indian Penal Code except at the instance of the Commissioner.

(2) The Commissioner may, either before or after the institution of proceedings, compound any offence punishable under section 20 or section 21 or section 22.

24. If the Central Government considers it necessary or expedient so to do for avoiding any hardship or anomaly or removnig any difficulty that may arise as a result of the application of this Act to the Union territories of Dadra and Nagar Haveli, Goa, Daman and Diu and Pondicherry, the Central Government may, by general or special order, make an exemption, reduction in rate or other modification in respect of surtax in favour of any class of assessees or in regard to the whole or any part of the chargeable profits of any class of assessees.

25. (1) The Board may, subject to the control of the Central Government, by notification in the Official Gazette,

makes rules for carrying out the purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the form in which returns under section 5 may be furnished and the manner in which they may be verified;

(b) the form in which notice for making provisional assessment shall be given;

(c) the form in which appeals under section 11 or section 12 may be filed and the manner in which they shall be verified;

(d) the procedure to be followed on applications for rectification of mistakes and applications for refunds;

(e) any other matter which by this Act is to be, or may be, prescribed.

(3) The Central Government shall cause every rule made under this section to be laid as soon as may be after it is made before each House of Parliament while it is in session for a total period of thirty days, which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, that rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under this rule.

26. Nothing contained in this Act shall apply to any company which has no share capital.

THE FIRST SCHEDULE

[See Section 2(5)]

Rules for computing the chargeable profits

In computing the chargeable profits of a previous year, the total income computed for that year under the Income-tax Act shall be adjusted as follows:

1. Income, profits and gains and other sums falling within the following clauses shall be excluded from such total income, namely:—

(i) any income chargeable under the Income-tax Act under the head "Capital gains";

(ii) any compensation or other payment as is referred to in clause (ii) of section 28 of the Income-tax Act;

(iii) profits and gains of any business of life insurance;

(iv) any income referred to in sub-section (2) of section 41 of the Income-tax Act;

(v) the amount of profits and gains derived from an industrial undertaking or hotel, on which under section 84 of the Income-tax Act income-tax is not payable;

(vi) income chargeable under the Income-tax Act under the head "Interest on securities" derived from any security of the Central Government issued or declared to be income-tax free or from any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(vii) any sum in respect of which a deduction of income-tax is allowed under the provisions of section 88 of the Income-tax Act;

(viii) income by way of dividends from an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India;

(ix) income by way of royalties received from Government or a local authority or any Indian concern;

(x) in the case of a non-resident company which has not made the prescribed arrangements for the declaration and payment of dividends within India, its income by way of any interest or fees for rendering technical services received from Government or a local authority or any Indian concern;

(xi) in the case of a banking company —

(a) any sum which during the previous year is transferred by it to a reserve fund under sub-section (1) of section 17 of the Banking Companies Act, 1949 or is deposited by it with the Reserve Bank of India under sub-clause (ii) of clause (b) of sub-section (2) of section 11 of that Act, not exceeding the amount required under the aforesaid provisions to be so transferred or deposited, as the case may be, or

(b) any sum transferred by it during the previous year to any reserves in India including reserves not shown as such in its published balance-sheet in so far as the sums transferred to such reserves are attributable to income chargeable to tax under the Income-tax Act and have not been allowed as a deduction in computing its total income under that Act and in so far as the aggregate of such sums does not exceed the highest of the aggregate of such sums, if any, so transferred during any one of the three years prior to the previous year,

whichever is higher;

(xii) the amount of any deduction from the income-tax and super-tax chargeable on the total income allowed under the annual Finance Act in connection with export of any goods or merchandise out of India or the sale by a manufacturer of any articles to any person who exports them out of India.

2. The balance of the total income arrived at after making the exclusions mentioned in rule 1 shall be reduced by —

(i) the amount of income-tax and super-tax payable by the company in respect of its total income under the provisions of the Income-tax Act after making allowance for any relief, rebate or deduction in respect of income-tax and super-tax to which the company may be entitled under

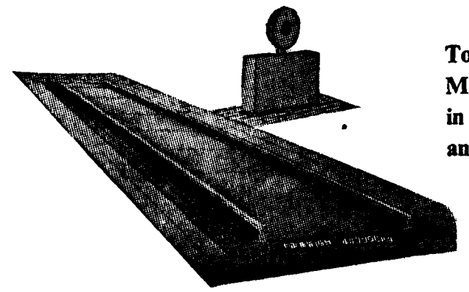


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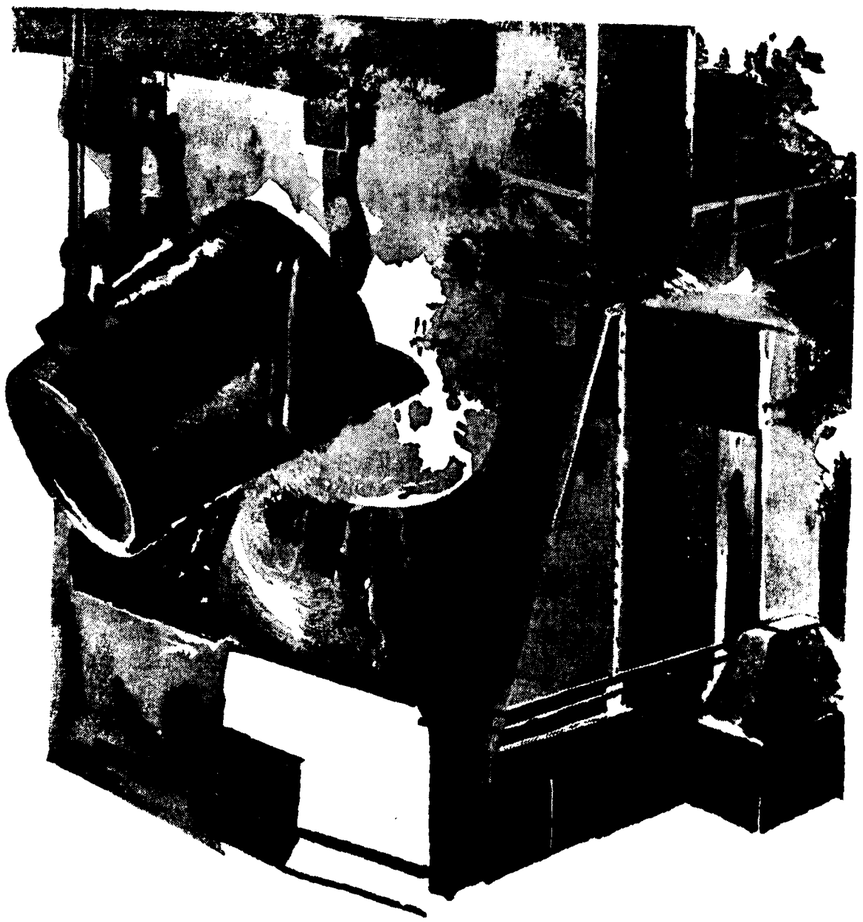
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the provisions of the said Act or the annual Finance Act, and after excluding from such amount —

(a) the amount of income-tax and super-tax, if any, payable by the company in respect of any income referred to in clause (i) or clause (ii) or clause (iii) or clause (viii) of rule 1 included in the total income;

(b) an amount equal to the amount by which the rebate of super-tax admissible to the company under the provisions of the annual Finance Act is, under the provisions of the said Act, reduced with reference to any amount of dividends distributed by the company during the previous year relevant to the assessment year;

(ii) in the case of a company which has been charged to tax in a country outside India on any portion of its income, profits and gains included in its total income as computed under the Income-tax Act, the tax actually paid in respect of such income, profits and gains in the said country in accordance with the laws in force in that country after allowance of every relief due under the said laws:

Provided that the aforesaid reduction shall not be allowed unless the assessee produces evidence of the fact of the payment of the aforesaid tax in that country.

3. The net amount of income calculated in accordance with rule 2 shall be increased by the aggregate of —

(i) the amount of any interest payable by the company in respect of its debentures or moneys referred to in clause (v) of rule 1 of the Second Schedule for the previous year relevant to the assessment year allowed as a deduction in computing its total income;

(ii) any expenditure incurred on account of commission, entertainment and advertisement, to the extent such expenditure, in the opinion of the Income-tax Officer, is excessive having regard to the circumstances of the case:

Provided that the previous authority of the Inspecting Assistant Commissioner is obtained for holding such expenditure to be excessive.

THE SECOND SCHEDULE

[See Section 2(8)]

Rules for computing the Capital of a company for the purposes of surtax

1. Subject to the other provisions contained in this schedule, the capital of a company shall be the aggregate of the amounts, as on the first day of the previous year relevant to the assessment year, of—

(i) its paid-up share capital;

(ii) its reserves, if any, created under the proviso (b) to clause (vib) of sub-section (2) of section 10 of the Indian Income-tax Act, 1922 or under sub-section (3) of section 34 of the Income-tax Act, 1961;

(iii) its other reserves as reduced by the amounts credited to such reserves as have been allowed as a deduction in computing the income of the company for the purposes of the Indian Income-tax Act, 1922 or the Income-tax Act, 1961;

(iv) its debentures, if any

(v) any moneys borrowed by it from the Industrial Finance Corporation of India or the Industrial Credit and Investment Corporation of India or any other financial iinstitution which the Central Government may notify in this behalf in the Official Gazette or any moneys borrowed by it from any banking institution (not being a financial institution notified as aforesaid) under an agreement providing for the repayment of such moneys during a period of not less than ten years, or any moneys borrowed from any person in a country outside India for the creation of any capital asset in India.

Explanation: For the removal of doubts it is hereby declared that any amount standing to the credit of any account in the books of a company as on the first day of the previous year relevant to the assessment year which is of the nature of item (5) or item (6) or item (7) under the heading "RESERVES AND SURLPUS" or of any item under the heading "CURRENT LIABILITIES AND PROVISIONS" in the column relating to **Liabilities** in the **Form of Balance-sheet"** given in part I of Schedule VI to the Companies Act, 1956 shall not be regarded as a reserve for the purposes of computation of the capital of a company under the provisions of this Schedule.

2. Where a company owns any assets the income from which in accordance with clause (iii) or clause (vi) or clause (viii) of rule 1 of the First Schedule is required to be excluded from its total income in computing its chargeable profits, the amount of its capital as computed under rule 1 of this Schedule shall be diminished by the cost to it of the said assets on the first day of the previous year relevant to the assessment year in so far as such cost exceeds the aggregate of —

(i) any moneys borrowed [other than such moneys as are referred to in clause (v) of rule 1] and remaining outstanding as on the first day of the said previous year; and

(ii) the amount of any fund, any surplus and any such reserve as is not to be taken into account in computing the capital under rule 1.

Explanation 1: A paid-up share capital or reserve brought into existence by creating or increasing (by revaluation or otherwise) any book asset is not capital for computing the capital of a company for the purposes of this Act.

Explanation 2: Any premium received in cash by the company on the issue of its shares standing to the credit of the share premium account shall be regarded as forming part of its paid-up share capital.

Explanation 3: Where a company has different previous years in respect of its income, profits and gains, the computation of capital under rules 1, 2 and 3 shall be made with reference to the previous year which commenced first.

3. Where after the first day of the previous year relevant to the assessment year the capital of a company as computed in accordance with the foregoing rules of this Schedule is increased by any amount during that previous year on account of increase of paid-up share capital or issue of debentures or borrowing of any moneys refered to in clause (v) of rule 1 or is reduced by any amount on account of reduction of paid-up share capital or redemption of any debentures or repayment of any such moneys such capital shall be increased or reduced, as the case may be, by a sum which bears to that amount the same proportion as the number of days of the previous year during which the increase or the reduction remained effective bears to the total number of days in that previous year.

4. Where a part of the income, profits and gains of a company is not includible in its total income as computed under the Income-tax Act, its capital shall be the sum ascertained in accordance with rules 1, 2 and 3, diminished by an amount which bears to that sum the same proportion as the amount of the aforesaid income, profits and gains bears to the total amount of its income, profits and gains.

THE THIRD SCHEDULE

(See section 4)

Rates of surtax

1. On the amount by which the chargeable profits exceed the amount of the statutory deduction — 40 per cent:

Provided that where the total income of an assessee, being an Indian company or any other company which has

made the prescribed arrangements for the declaration and payment of dividends within India, includes any income, profits and gains attributable to the business of generation and distribution of electricity or of manufacture or production of any one or more of the articles specified in the list in paragraph 2, the assessee shall be entitled to a rebate equal to a sum of one-fifth of the amount which bears to the amount of the surtax payable by the assessee, the same proportion as the amount of the aforesaid inclusion bears to the amount of the total income of the assessee :

Provided further that if the Central Government, having regard to the stage of development of any industry and other relevant factors, considers it necessary or expedient so to do, it may, at any time by general or special order withdraw the benefit conferred by the preceding proviso in respect of the business of generation and distribution of electricity or of manufacture or production of any article specified in the said list or extend such benefit to any other business and such order shall have effect for the purposes of assessment under this Act for any such assessment year (not being the assessment year commencing on the first day of April, 1964) as may be specified in the said order.

2. The list of articles referred to in paragraph 1 shall be as follows:

(1) Iron and steel (metal), ferro-alloys and special steels.

(2) Aluminium, copper, lead and zinc.

(3) Coal, lignite, iron ore and bauxite.

(4) Industrial machinery specified under the heading "8 Industrial Machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951.

(5) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(6) Equipment for the generation, transmission and distribution of electricity, including transformers.

(7) Machine tools, precision tools, dies and jigs.

(8) Tractors and earth-moving machinery.

(9) Steel castings and forgings.

(10) Cement and refractories.

(11) Fertilisers.

(12) Paper and pulp.

(13) Tea, coffee and rubber.

(14) Component parts of the articles mentioned in items Nos. (4), (5), (6) and (8), that is to say, such parts as are essential for the working of the machinery referred to in items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.

NOTES ON CLAUSES

Clause 2 contains definitions of the various terms and expressions used in the clauses of the Bill.

Sub-clause (3) defines "assessment year" as being the period of twelve months commencing on the 1st day of April, every year.

Sub-clause (5) defines "chargeable profits" to mean the total income of the assessee for the previous year relevant to the assessment year as computed under the Income-tax Act, 1961 and adjusted in accordance with the provisions of the First Schedule.

Sub-clause (8) defines the term "statutory deduction" to mean an amount equal to ten per cent of the capital of the company as computed in accordance with the Second Schedule or an amount of Rs. 2 lakhs, whichever is greater. The amount of the statutory deduction is required to be adjusted in relation to the length of the previous year, if such year is longer or shorter than a period of 12 months.

Sub-clause (9) provides that all words and expressions used in the Bill but not defined therein and defined in the Income-tax Act, 1961 shall have the same meanings as in that Act.

Clause 3 seeks to give jurisdiction in respect of surtax to the same authorities as have jurisdiction under the Income tax Act, 1961.

Clause 4 seeks to make a provision for charging a tax named "surtax" on every company for the assessment year 1964-65 and subsequent assessment years on that amount of its chargeable profits during the previous year or the years which exceeds the amount of statutory deduction admissible to it at the rate or rates specified in the Third Schedule.

Clause 5—

Sub-clause (1) seeks to impose a liability on the principal officer of every company, and in the case of a non-resident company, also on the person who has been treated as its agent under section 163 of the Income-tax Act, 1961, to furnish a return of the chargeable profits of the company by the 30th day of September of the relevant assessment year, if such chargeable profits exceed the amount of the statutory deduction.

Issue of Notices

Sub-clause (2) seeks to enable the Income-tax Officer to issue a notice to a company requiring it to furnish a return of the chargeable profits within thirty days from the date of service of the notice.

Under both the sub-clause, the Income-tax Officer has been authorised to extend the time for furnishing the return.

Sub-clause (3) seeks to enable an assessee who has not furnished the return within the time allowed or who having furnished the return discovers any omissions therein, to file a return or a revised return, as the case may be, at any time before the completion of the assessment.

Clause 6 provides that the Income-tax Officer may call for accounts, documents for other evidence from the assessee for the purpose of his assessment, and shall make the assessment after considering all the material so obtained by him.

Clause 7 enables the Income-tax Officer to make a provisional assessment of the chargeable profits of an assessee at any time after the expiry of the period allowed for filing a return, subject to the issue of a 14 days' notice to him inviting his objections, if any, to the proposed assessment. It has been provided that there shall be no right of appeal against such a provisional assessment and that the tax paid on the provisional assessment shall be deemed to have been paid towards the regular assessment.

Clause 8 relates to the assessment or re-assessment of chargeable profits which have escaped assessment or have been under-assessed etc. It provides that in the case of an omission or failure on the part of the assessee to file a return or to disclose fully and truly all the materials necessary for his assessment, such proceedings may be initiated at any time, and in other cases within four years of the end of the relevant assessment year.

Clause 9 seeks to make a provision for the imposition of a penalty on an assessee for his failure, without reasonable cause, to furnish a return of his chargeable profits or to produce the accounts, documents or evidence required by the Income-tax Officer, and for any concealment or deliberate furnishing of inaccurate particulars of his chargeable profits.

Clause 10 provides that the assessee shall be given a reasonable opportunity of being heard before any penalty under clause 9 is imposed upon him.

Clause 11 relates to appeals by the assessees to the Appellate Assistant Commissioner against any order passed by the Income-tax Officer.

Clause 12 relates to appeals to the Appellate Tribunal by assessees or by the Income-tax Officer under the directions of the Commissioner of Income-tax against any order made by the Appellate Assistant Commissioner. It has been provided that in disposing of such appeals, the Tribunal shall exercise the same powers and follow the same procedure as it exercises and follows in disposing of any appeal under the Income-tax Act, 1961.

Rectification of Mistakes

Clause 13 provides for the rectification of mistakes apparent from the record of any proceedings by the Commissioner of Income-tax, the Appellate Assistant Commissioner and the Appellate Tribunal, **suo motu** or at the instance of the assessee, within four years of the date on which the order sought to be rectified has been passed.

Clause 14 seeks to enable the Income-tax Officer to recompute the chargeable profits of the assessee in consequence of any order of rectification or amendment passed under section 154 or section 155 of the Income-tax Act, 1961, in relation to the relevant income-tax assessment of the assessee, within four years from the date of the latter order.

Clause 15 seeks to provide that the surtax payable by a company for a particular assessment year shall be deducted from its total income for that assessment year in computing its distributable income for the purposes of Chapter XI-D of the Income-tax Act, 1961.

Clause 16 enables the Commissioner to revise any orders passed by the Income-tax Officer which are prejudicial to revenue, within a period of two years from the date of the order sought to be revised.

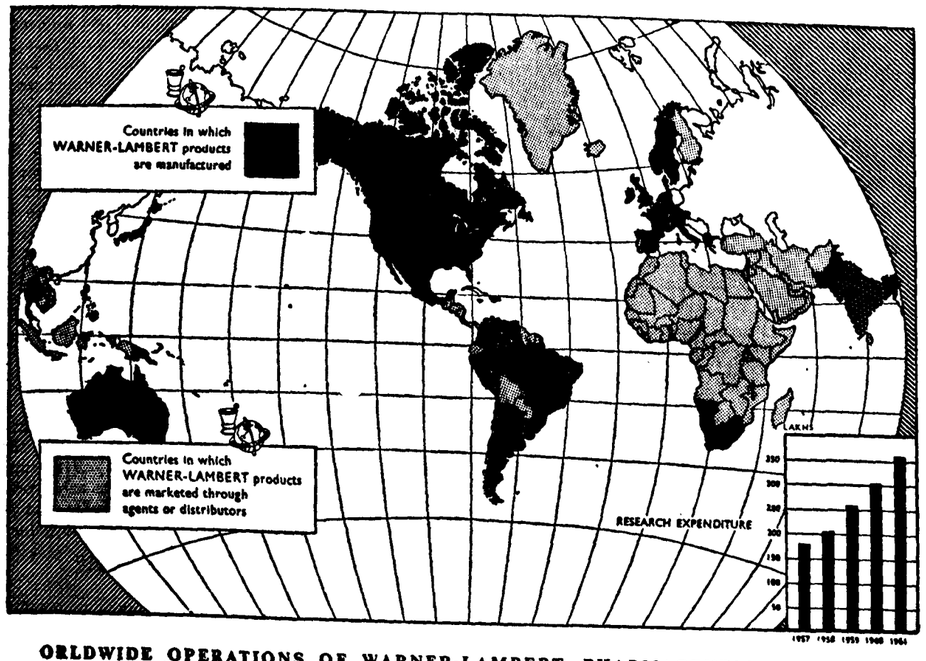
Clause 17 enables the Commissioner to give relief to the assessee on revision of any orders passed by the Income-tax Officer or the Appellate Assistant Commissioner subordinate to him, either of his own motion or on an application by the assessee.

Clause 18 seeks to make applicable to the proceedings relating to surtax, certain provisions of the Income-tax Act, 1961 pertaining to various matters for which no separate provisions have been made in the Bill, e.g., issue and service of notice of demand, recovery of arrear tax dues, assessment proceedings in the case of non-resident through an agent, liability of directors or private companies in liquidation, reference to High Court, appeal to Supreme Court, etc. It also seeks to apply the provisions of the Income-tax (Certificate Proceedings) Rules, 1962 to the proceedings of recovery of arrears of surtax.

Clause 19 provides that all information contained in any statement or returns made by the assessees or furnished in any proceeding under the Income-tax Act, 1961, may be used for the purposes of proceedings relating to surtax and 'vice versa'.

Clause 20 to 23 (both inclusive) relate to prosecution for various offences by way of failure to deliver returns without any reasonable cause, making of false statements, abetment

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of false returns, and the composition of such offences.

Clause 24 seeks to enable the Central Government to make an exemption, reduction in rate or other modification in respect of surtax in favour of any class of assessees or in regard to the whole or any part of the chargeable profits of any class of assessees in order to remove any difficulty or avoid any hardship that may arise as a result of application of surtax to the Union territories of Dadra and Nagar Haveli, Goa, Daman and Diu and Pondicherry.

Clause 25 seeks to enable the Central Board of Direct Taxes to make rules for carrying out the purposes of this enactment and in this behalf, 'inter alia', to prescribe various forms such as the form of return of chargeable profits.

Clause 26 seeks to exclude companies which have no share capital from the purview of surtax.

The First Schedule lays down rules for the computation of the chargeable profits. Under its provisions, 'chargeable profits' are to be computed by excluding from the assessee's total income (as computed under the Income-tax Act) certain items of income and sums which have been exempted from surtax; deducting from the balance amount the income-tax and super-tax payable by the company (subject to certain adjustments); and adding to the amount so arrived at, any interest payable by the assessee in respect of debentures, and specified loans referred to in rule 1(v) of the Second Schedule and such amount of any expenditure on commission, entertainment and adveritsement which may be considered by the Income-tax Officer (with the approval of the Inspecting Assistant Commissioner) to be excessive in the circumstances of the case.

The Second Schedule contains the rules for the computation of the capital of a company for the purpose of determining the amount of 'statutory deduction' admissible to a company. Under these rules, the capital of a company consists of the amounts, as on the first day of the relevant previous year, of its paid-up capital, reserves (including the reserves required to be created under the Indian Income-tax Act, 1922 and the Income-tax Act, 1961 for entitlement to development rebate), debentures and specified loans. If a company possesses assets, the income from which is not taken into account in computing the chargeable profits under certain provisions of the First Schedule, such as investments in shares of companies, the cost thereof (subject to certain adjustments for borrowed moneys not included in the capital of the company) is required to be deducted from the capital aforesaid.

The Third Schedule lays down that surtax shall be charged at the rate of 40 per cent of the amount by which the chargeable profits of a company for the relevant previous year exceed the amount of the statutory deduction admissible to it. It also provides that an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India shall be entitled to a rebate calculated at 20 per cent of that part of the surtax which is attributable to any profits derived by it from the business of the generation and distribution of electricity or of the manufacture or production of any one or more of the articles specified in the list contained in the said Schedule. It also provides that the Central Government may, by issue of a notification in the Official Gazette, exclude any articles from or add any item to the said list for the purposes of an assessment for any assessment year subsequent to the assessment year 1964-65.



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New Tax Rates and Annuity Deposits

(Tax payable and the amount of annuity deposit required to be made and percentages of these amounts with reference to income.)

The statements below show the tax (income-tax, super-tax and surcharge) payable, the amount of annuity deposit required to be made and the aggregate of tax and annuity deposit in the case of individuals in different circumstances (unmarried, married, married and with one child and with more than one child) at various levels of income. Figures are separately in respect of earned income (including salaries), and wholly unearned income.

TAX PAYABLE AND ANNUITY DEPOSIT TO BE MADE ON INCOMES FROM Rs. 3,000 TO Rs. 20,000

Married Persons

Income	Annuity Deposit		Wholly earned income (including income from salaries)				Wholly unearned income			
	Amount Rs.	Percentage	Tax		Tax plus Deposit		Tax		Tax plus Deposit	
Rs.			Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage
3,000	..	..	..	..	..	..	..	..	..	..
3,200	..	..	12	0.4	..	..	12.00	0.4	..	..
3,600	..	..	36	1.0	..	..	36.00	1.0	..	..
4,200	..	..	72	1.7	..	..	72.00	1.7	..	..
4,800	..	..	108	2.2	..	..	108.00	2.2	..	..
5,000	..	..	120	2.4	..	..	120.00	2.4	..	..
6,000	..	..	220	3.7	..	..	220.00	3.7	..	..
7,200	..	..	340	4.7	..	..	340.00	4.7	..	..
8,400	..	..	505	6.0	..	..	505.00	6.0	..	..
9,600	..	..	685	7.1	..	..	685.00	7.1	..	..
10,000	..	..	745	7.4	..	..	745.00	7.4	..	..
12,000	..	..	1,045	8.7	..	..	1,175.62	9.8	..	..
13,200	..	..	1,260	9.5	..	..	1,417.50	10.7	..	..
14,400	..	..	1,500	10.4	..	..	1,687.50	11.7	..	..
15,000	..	..	1,620	10.8	..	..	1,822.50	12.1	..	..
16,800	..	..	1,812	10.8	2,652	15.8	2,038.50	12.1	2,878.50	17.1
18,000	..	..	2,040	11.3	2,940	16.3	2,295.00	12.7	3,195.00	17.7
20,000	..	..	2,420	12.1	3,420	17.1	2,722.50	13.6	3,722.50	18.6
	840	5								
	900	5								
	1,000	5								

Married with One Child

Income	Annuity Deposit		Wholly earned income (including income from salaries)				Wholly unearned income			
	Amount Rs.	Percentage	Tax		Tax plus Deposit		Tax		Tax plus Deposit	
Rs.			Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage
3,000	..	..	..	..	..	..	..	..	..	..
3,200	..	..	..	..	..	..	..	..	..	..
3,600	..	..	18	0.5	..	..	18.00	0.5	..	..
4,200	..	..	54	1.3	..	..	54.00	1.3	..	..
5,000	..	..	102	2.0	..	..	102.00	2.0	..	..
6,00	..	..	202	3.4	..	..	202.00	3.4	..	..
7,200	..	..	322	4.5	..	..	322.00	4.5	..	..
8,400	..	..	487	5.8	..	..	487.00	5.8	..	..
9,600	..	..	667	6.9	..	..	667.00	6.9	..	..
10,000	..	..	727	7.3	..	..	727.00	7.3	..	..
12,000	..	..	1,027	8.5	..	..	1,155.37	9.6	..	..
13,200	..	..	1,242	9.4	..	..	1,397.25	10.6	..	..
14,400	..	..	1,482	10.3	..	..	1,667.25	11.6	..	..
15,000	..	..	1,602	10.7	..	..	1,802.25	12.0	..	..
16,800	..	..	1,794	10.7	2,634	15.7	2,018.25	12.0	2,858.25	17.0
18,000	..	..	2,022	11.2	2,922	16.2	2,274.75	12.6	3,174.75	17.6
20,000	..	..	2,402	12.0	3,402	17.0	2,702.25	13.5	3,702.25	18.5
	840	5								
	900	5								
	1,000	5								

Married with More than One Child

Income Rs.	Annuity Deposit		Wholly earned income (including income from salaries)				Wholly unearned income			
			Tax		Tax plus Deposit		Tax		Tax plus Deposit	
	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage
3,000	..	..	..	..	..	..	..	..	..	..
3,200	..	..	..	..	..	..	..	..	..	..
3,600	..	..	..	..	..	..	..	..	..	..
4,200	..	..	36	0.4	..	..	36.00	0.4	..	..
4,800	..	..	72	1.5	..	..	72.00	1.5	..	..
5,000	..	..	84	1.7	..	..	84.00	1.7	..	..
6,000	..	..	184	3.1	..	..	184.00	3.1	..	..
7,200	..	..	304	4.2	..	..	304.00	4.2	..	..
8,400	..	..	469	5.6	..	..	469.00	5.6	..	..
9,600	..	..	649	6.8	..	..	649.00	6.8	..	..
10,000	..	..	709	7.1	..	..	709.00	7.1	..	..
12,000	..	..	1,009	8.4	..	..	1,135.12	9.4	..	..
13,200	..	..	1,224	9.3	..	..	1,377.00	10.4	..	..
14,400	..	..	1,464	10.2	..	..	1,647.00	11.4	..	..
15,000	..	..	1,584	10.6	..	..	1,782.00	11.9	..	..
16,800	..	..	1,776	10.6	2,616	15.6	1,988.00	11.9	2,838.00	16.9
18,000	..	..	2,004	11.1	2,904	16.1	2,254.50	12.5	3,154.50	17.5
20,000	..	..	2,384	11.9	3,384	16.9	2,682.00	13.4	3,682.00	18.4
	840	5								
	900	5								
	1,000	5								

Unmarried

Income Rs.	Annuity Deposit		Wholly earned income (including income from salaries)				Wholly unearned income			
			Tax		Tax plus Deposit		Tax		Tax plus Deposit	
	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage
3,000	..	..	..	..	..	..	..	..	..	..
3,200	..	..	100	3.1	..	..	100.00	3.1	..	..
3,600	..	..	156	4.3	..	..	156.00	4.3	..	..
4,200	..	..	192	4.6	..	..	192.00	4.6	..	..
4,800	..	..	228	4.7	..	..	228.00	4.7	..	..
5,000	..	..	240	4.8	..	..	240.00	4.8	..	..
6,000	..	..	340	5.7	..	..	340.00	5.7	..	..
7,200	..	..	460	6.4	..	..	460.00	6.4	..	..
8,400	..	..	625	7.4	..	..	625.00	7.4	..	..
9,600	..	..	805	8.4	..	..	805.00	8.4	..	..
10,000	..	..	865	8.6	..	..	865.00	8.6	..	..
12,000	..	..	1,165	9.7	..	..	1,310.62	10.9	..	..
13,200	..	..	1,380	10.4	..	..	1,552.50	11.8	..	..
14,400	..	..	1,620	11.2	..	..	1,822.50	12.6	..	..
15,000	..	..	1,740	11.6	..	..	1,957.50	13.0	..	..
16,800	..	..	1,932	11.5	2,772	16.5	2,173.50	12.9	3,013.50	17.9
18,000	..	..	2,160	12.0	3,060	17.0	2,430.00	13.5	3,330.00	18.5
20,000	..	..	2,540	12.7	3,540	17.7	2,857.50	14.3	3,857.50	19.3
	840	5								
	900	5								
	1,000	5								

TAX PAYABLE AND ANNUITY DEPOSIT TO BE MADE ON INCOMES FROM Rs. 20,000 TO Rs. 30,00,000

All Classes of Individuals

Income Rs.	Annuity Deposit		Wholly earned income (including income from salaries)				Wholly unearned income			
			Tax		Tax plus Deposit		Tax		Tax plus Deposit	
	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage	Amount Rs.	Percentage
24,000	1,800	7.5	3,510	14.6	5,310	22.1	3,949	16.4	5,749	23.9
25,000	1,875	7.5	3,834	15.3	5,709	22.8	4,313	17.2	6,188	24.7
30,000	2,250	7.5	5,590	18.6	7,840	26.1	6,428	21.4	8,678	28.9
36,000	2,700	7.5	8,305	23.1	11,005	30.6	9,551	26.5	12,251	34.0
42,000	4,000	9.5*	10,890	25.9	14,890	35.4	12,523	29.8	16,523	39.3
48,000	4,800	10	13,750	28.6	18,550	38.6	15,812	32.9	20,612	42.9
60,000	6,000	10	20,290	33.8	26,290	43.8	23,333	38.9	29,333	48.9
72,000	8,000	11.1*	27,290	37.9	35,290	49.0	31,383	43.6	39,383	54.7
90,000	11,250	12.5	38,052	42.3	49,302	54.8	44,182	49.1	55,432	61.6
1,00,000	12,500	12.5	44,618	44.8	57,115	57.1	52,423	52.4	64,923	64.9
2,00,000	25,000	12.5	1,15,865	57.9	1,40,865	70.4	1,29,532	64.8	1,54,532	77.3
3,00,000	37,500	12.5	1,88,052	62.7	2,25,552	75.2	2,06,641	68.9	2,44,141	81.4
4,00,000	50,000	12,5	2,60,240	65.1	3,10,240	77.6	2,83,751	70.9	3,33,751	83.4
5,00,000	62,500	12.5	3,32,427	66.5	3,94,927	79.0	3,60,860	72.2	4,23,360	84.7
10,00,000	1,25,000	12.5	6,93,365	69.3	8,18,365	81.8	7,46,407	74.6	8,71,407	87.1
20,00,000	2,50,000	12.5	14,15,240	70.8	16,65,240	83.3	15,17,501	75.9	17,67,501	88.4
30,00,000	3,75,000	12.5	21,37,115	71.3	25,12,115	83.8	22,88,594	76.3	26,63,594	88.8

* This percentage has been arrived at after applying the provisions contained in the Second Schedule to the Finance Bill, 1964 in regard to marginal adjustments at certain levels of income.



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Finance Bill: Proposals Explained

(Clauses Referred to are Clauses in the Bill)

FOLLOWING IS the text of the official memorandum explaining the salient features of the new Finance Bill, which was introduced in Parliament on February 29, in order to give effect to the fiscal measures proposed in the Central Budget for 1964-65:

I. RATES FOR THE ASSESSMENT YEAR 1964-65 ON INCOMES OTHER THAN CAPITAL GAINS

1. Assessees other than companies

(a) Individuals, Hindu undivided families, unregistered firms and associations of persons etc.

(i) Income-tax and super-tax — It is proposed to substitute the structure of income slabs and the basic rates of income-tax and super-tax applicable for the assessment year 1963-64 by a simplified slab structure and revised rates of income-tax and super-tax.

(ii) Surcharges on income-tax and super-tax — It is proposed to abolish the various surcharges on income-tax and super-tax (including the additional surcharge on income-tax) leviable for the assessment year 1963-64 and to impose a single surcharge each on income-tax and super-tax, for purposes of the Union.

No surcharge will be leviable in respect of earned income where such income does not exceed Rs. 1 lakh. Where the earned income exceeds Rs. 1 lakh, surcharge will be leviable on the income-tax and super-tax chargeable on the excess amount at the rate of 10 per cent.

Unearned Income

In respect of unearned income, surcharge will be leviable only if such income exceeds Rs. 10,000. For unearned income between Rs. 10,000 — 25,000, the rate of this surcharge will be 12.5 per cent of the income-tax and super-tax payable by the assessee in respect of the whole unearned income (subject to marginal relief); between Rs. 25,001 — 75,000, the rate will be 15 per cent and above Rs. 75,000, it will be 17.5 per cent.

Annuity deposits. It is proposed to provide that resident assessees other than registered firms, local authorities and companies shall be liable to make a deposit named 'annuity deposit', compulsorily, in respect of assessment year 1964-65 and subsequent assessment years.

The persons liable to make annuity deposits will be individuals who are citizens of India, Hindu undivided families, unregistered firms, associations of persons (other than co-operative societies) and artificial juridical persons excluding corporations established by a Central, State or Provincial Act.

The amount of the annuity deposits will be calculated on the 'adjusted total income' of the assessee at the rate prescribed under clause 3 of the Finance Bill. An assessee whose total income includes any gratuity may, at his option deposit an additional amount of 50 per cent of such gratuity. Musicians, authors, artists, playwrights may also, at their option deposit an additional amount of 15 per cent of their income.

The 'adjusted total income' of an assessee will be arrived at by deducting from the total income, any past arrears of salary, balances in a provident fund transferred to the credit of an employee participating in a recognised provident fund, and any share of income from an unregistered firm or association of persons, where such firm or association is liable to make an annuity deposit. For the assessment year 1964-65 any salary income earned during the financial year 1963-64 will also be excluded from the total income for determining the amount of annuity deposit required to be made in respect of that assessment year. (This is because salary income earned during the financial year 1963-64 is assessable for the assessment year 1964-65 under the provisions of the Finance Act, 1963).

Under the rate schedule of annuity deposits, the liability to make annuity deposits arises when the total income exceeds Rs. 15,000. The rates of annuity deposits are 5 per cent in the case of an assessee whose total income is between Rs. 15,001 — 20,000; 7.5 per cent between Rs. 20,001 — 40,000; 10 per cent between Rs. 40,001 — 70,000 and 12.5 per cent over Rs. 70,000.

The amount of annuity deposit which an assessee is liable to make for an assessment year will be allowed as a deduction in computing his assessable income for that assessment year.

The deposits will be repayable in ten annual equated insalments of principal and interest at the rate notified by the Central Government in the Official Gazette. The annuity (both principal and interest) will be chargeable to tax as the income of the depositor for the year in which it is due to be paid.

Advance Deposit

Annuity deposits will be required to be made in advance during each financial year in respect of the assessee's income assessable for the assessment year next following that financial year. In the case of existing assessees who are liable to make deposits, notices for making advance deposits will be issued by the Income-tax Officer on the basis of the latest completed regular assessment of the assessee. The amount can be reduced if the assessee estimates that his current income would be less than the income on the basis of which the Income-tax Officer has issued the notice for advance deposit. New assessees who may be liable to make a deposit will be required to send an estimate of their total income and the amount which they are liable to deposit to the Income-tax Officer concerned before 1st March, and to make the deposit by the 15th March at the latest.

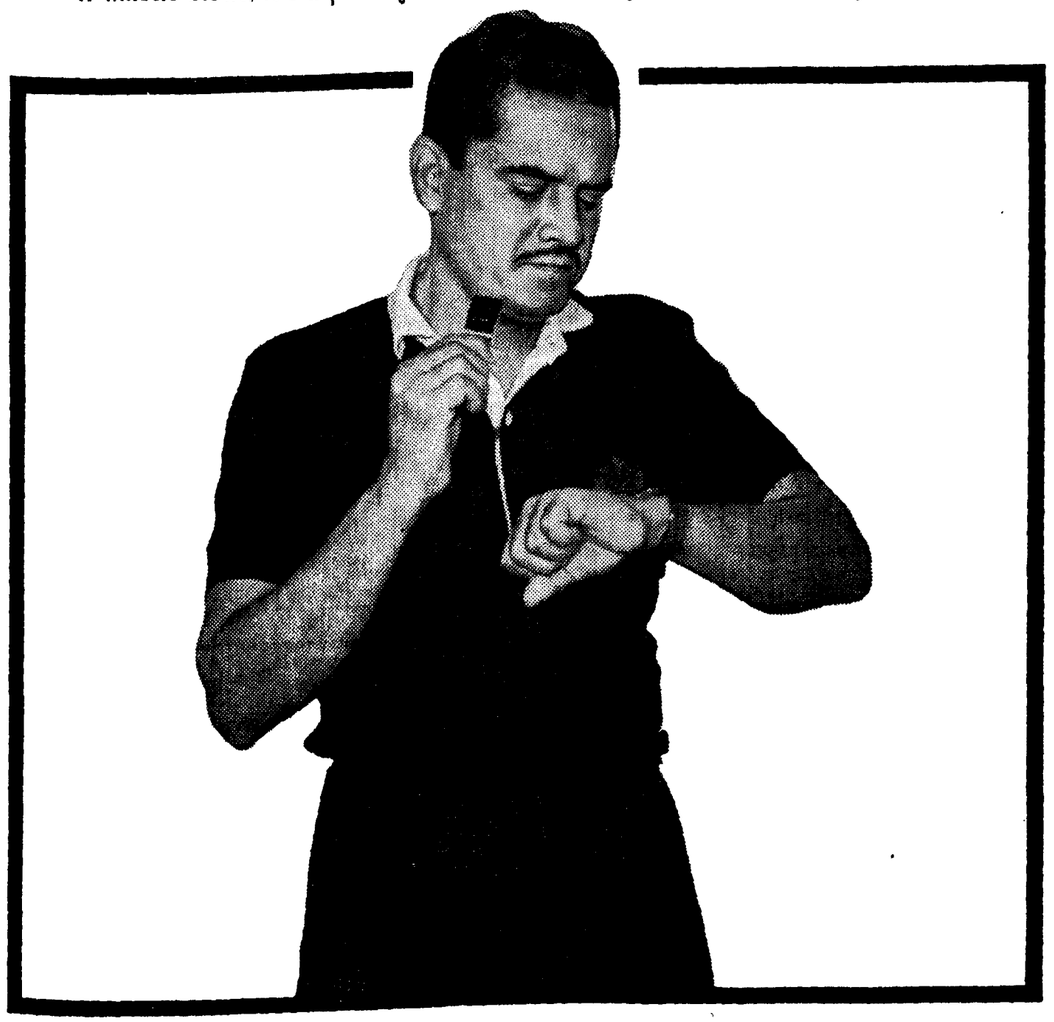
In calculating the advance tax payable under the Income-tax Act, the advance annuity deposit which an assessee is liable to make will be deducted from his income subject to payment of advance tax. Likewise, in calculating the amount of tax required to be deducted at source from salary income, the amount of annuity deposit calculated in respect of that income at the rates prescribed in the Finance Act will be deducted, whether the deposit has actually been made or not.

In respect of the income assessable for the assessment year 1964-65, annuity deposits are required to be made at the time when the tax is payable, but not later than the 31st March, 1965 in any case.

Any arrear dues of annuity deposit are recoverable like arrears of taxes under the provisions of the Income-tax Act. If a person fails to make the annuity deposit in due time, he will be liable to the imposition of a penalty not exceeding 50 per cent of the amount he was liable to deposit.

The effect of the revision of the rate structure of income-tax and super-tax, replacement of the surcharges applicable for the assessment year 1963-64 by a single surcharge on income-tax and super-tax and the introduction of the annuity deposit scheme will be that there will be a reduction in the

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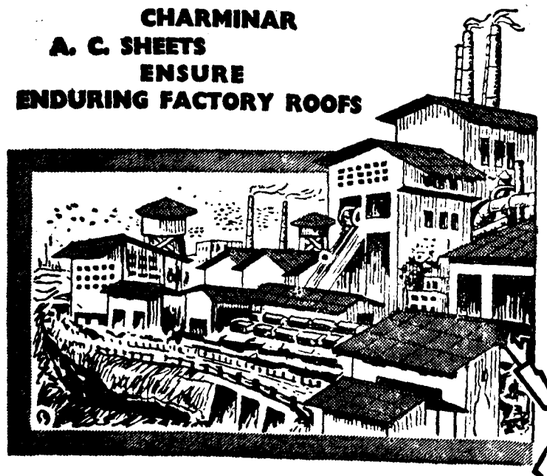
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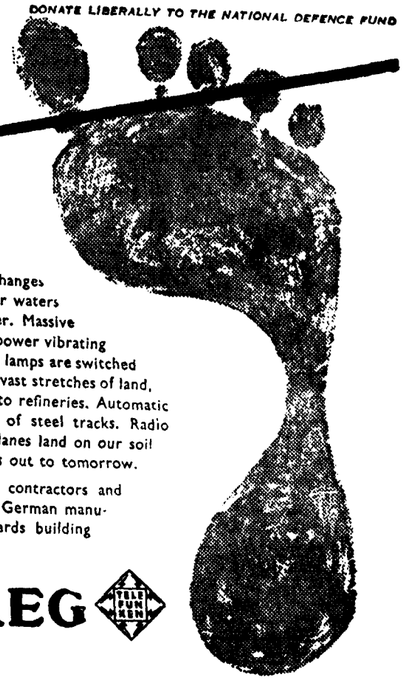
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amount of tax payable at most levels of income.

(b) Registered firms.

A single revised rate schedule of income-tax has been prescribed for all registered firms irrespective of the number of partners in such a firm. However, the rate of Union surcharge on income-tax payable by registered firms remains the same as for the assessment year 1963-64.

2. Companies

Income-tax — In the case of companies, the rate of income-tax remains the same as for the assessment year 1963-64. However, companies which declare and pay their dividends outside India, i.e., foreign companies will be entitled to a rebate of income-tax of 10 per cent of the amount of dividends received by them from an Indian company in which the public are not substantially interested and which is carrying on the business of generation and distribution of electricity or is wholly or mainly engaged in the manufacture or production of any one or more of the articles specified in the list in Part IV of the First Schedule to the Bill.

Super-tax — Some changes have been made in the rates at which super-tax will be payable by companies.

In the case of Indian companies and other companies which declare and pay dividends in India, the changes are, briefly, as follows:—

Companies in which the public are substantially interested and whose total income does not exceed Rs. 25,000

Such companies will be charged to super-tax at 17.5 per cent as compared with the rate of 20 per cent for the assessment year 1963-64.

Companies in which the public are substantially interested and whose total income exceeds Rs. 25,000

In the case of such companies, the normal effective rate of super-tax will be 25 per cent as for the assessment year 1963-64. However, if such a company derives any income from the generation and distribution of electricity or from the production of any one or more of the articles in the basic industries specified in Part IV of the First Schedule to the Finance Bill, the super-tax payable by it in respect of such income will be 20 per cent only.

Companies in which the public are not substantially interested

In the case of such companies the effective rate of super-tax is proposed to be increased from 25 per cent (which was applicable for the assessment year 1963-64) to 35 per cent. However, if any such company derives income from the generation and distribution of electricity or from the production of any of the articles specified in the list in Part IV of the First Schedule to the Bill, the super-tax payable on such income will be only 29 per cent.

Levy of extra amount of super-tax with reference to distribution of dividends on equity capital

In the case of companies **other than those which are required to make a compulsory distribution of dividends** under terms of section 104 of the Income-tax Act, **a provision has** been made for charging an extra amount of super-tax calculated at 7.5 per cent of the whole amount of **dividend on equity capital** (and not dividends on preference shares) distributed by them during the previous year relevant to the assessment year 1964-65. However, in the case of a new company which since the commencement of its activities declared its first dividend not earlier than the period of five consecutive previous years (including the relevant previous year), this super-tax will be calculated only on that amount of the dividends which exceeds 10 per cent of its paid up **equity** capital.

Companies which have not made the prescribed arrangements for the declaration and payment of dividends within India

In the case of such companies, the rate of super-tax has been increased from 38 per cent (applicable for the assessment year 1963-64) to 40 per cent. However, it has been provided that on their income by way of royalties and fees for rendering technical services, received from an Indian concern under an agreement approved by the Central Government, the rate of super-tax will be only 25 per cent.

3. Export incentive

It is proposed to continue for the assesesment year 1964-65 the provision in the Finance Act, 1963 for the tax concessions in relation to exports of goods or merchandise outside India, viz., the rebate of 10 per cent of the tax payable on income from exports and the rebate of tax to manufacturers on 2 per cent of their exports, or sales in India to a person who exports the goods outside India. However, the second mentioned concession is proposed to be newly extended to export made after 29th February, 1964 of non-jute textiles

TAX (Income-tax, Super-tax and surcharge) PAYABLE BY A MARRIED INDIVIDUAL WITH MORE THAN ONE CHILD

Income	Income wholly earned				Wholly unearned income		
	1963-64		1964-65		1963-64	1964-65	
	Salaries	Other than salaries	Income including salaries		Tax	Tax	Annuity deposit
Rs.	Tax Rs.	Tax Rs.	Tax Rs.	Annuity deposit Rs.	Rs.	Rs.	Rs.
5,000 ..	241	242	84	—	248	84	—
10,000 ..	930	940	709	—	1,006	709	—
15,000 ..	1,881	1,907	1,584	—	2,068	1,782	—
20,000 ..	3,720	3,322	2,384	1,000	3,627	2,682	1000
25,000 ..	5,300	5,390	3,834	1,875	5,935	4,313	1,875
40,000 ..	12,979	13,224	10,340	3,000	14,698	11,891	3,000
70,000 ..	33,588	34,270	26,590	7,000	38,364	30,578	7,000
1,00,000 ..	56,625	57,789	44,615	12,500	64,815	52,423	12,500
2,00,000 ..	1,40,031	1,42,826	1,15,865	25,000	1,53,075	1,29,532	25,000

and to the discontinued in respect of certain articles such as arms and ammunition, photographic films, newsprint etc.

II. RATES FOR DEDUCTION OF INCOME-TAX AND SUPER-TAX AT SOURCE FROM INTEREST ON SECURITIES ETC.

Some changes have been made in the rates of deduction of tax at source from interest on securities etc. The proposed rates are specified in Part III of the First Schedule.

Shareholders (other than companies) who are resident in India. In their case, the rate at which income-tax is to be deducted at source is proposed to be fixed at 20 per cent as compared with 30 per cent for the financial year 1963-64.

Companies which have not made the prescribed arrangements for the declaration and payment of dividends within India, i.e., foreign companies. If such a company receive any dividends from an Indian company in which the public are not substantially interested and which is wholly or mainly engaged in a business of generation and distribution of electricity or the manufacture or production of any article specified in the list in Part IV of the First Schedule, income-tax will be deducted from such dividends at the rate of 15 per cent instead of at 25 per cent.

No super-tax will be deducted at source from dividends received by any company from an Indian company or a company which has made the prescribed arrangements for the declaration and payment of its dividends within India. This is because it is proposed to make a provision in the Income-tax Act exempting companies from super-tax in respect of such dividend income.

III. AMENDMENTS TO THE INCOME-TAX ACT, 1961

1. Income derived by a non-resident from business connection in India

It is proposed to amend the Explanation to section 9(1) of the Income-tax Act with a view to securing that a non-resident shall not be liable to tax on any income derived by him in India from purchasing goods which are exported by him outside India.

2. Exemption from tax of non-residents on income from interest on approved securities.

It is proposed to make a provision exempting a non-resident from tax on income from securities approved by the Central Government in this behalf by issue of a notification in the Official Gazette.

3. Exemption of foreign visiting professors and teachers from tax on salary income.

It is proposed to make a provision for exempting from tax the salary income earned in India by visiting professors and teachers of foreign nationality whose services are utilised in any university or educational institution in India. In order to be entitled to the exemption, the contract of service of the person concerned should be approved by the Central Government. The exemption will be for a period of thirty-six months and will be generally subject to the same conditions as are applicable to the exemption from tax of the salary income of foreign technicians.

4. Exemption from tax of income from a business of livestock breeding, poultry and dairy farming for a certain period.

It is proposed to provide for the exemption from tax of income derived from a business of livestock breeding, or poultry or dairy farming for three assessment years from the assessment year 1965-66 to 1967-68.

5. Exemption of inter-corporate dividends from super-tax

It is proposed to provide that companies shall not be liable to pay super-tax on any income by way of dividends received by them from an Indian company or a company which has made the prescribed arrangements for the declaration or payment of dividends within India.

6. Rebate of super-tax in respect of sums paid as life insurance premiums etc.

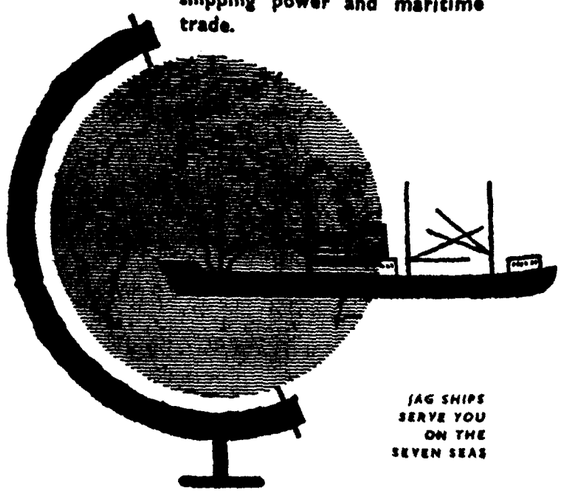
It is proposed to make a provision for the allowance of a rebate of super-tax to individuals and Hindu undivided families on so much of the sums paid by them as Life insurance premiums, contributions to provident funds, deposits in the post office under the Cumulative Time Deposits Scheme etc., on which they are entitled to a rebate of income-tax under the provisions of Section 87 of the Income-tax Act. The total amount of the rebate of income-tax and super-tax admissible to an assessee will, however, be subject to a ceiling limit of 50 per cent of the total amount qualifying for relief.

7. Rebate of tax to resident individuals of foreign nationality on amount spent for education of children in a foreign country.

It is proposed to provide a rebate of income-tax and super-tax to resident individuals who are not citizens of India on the amount spent by them out of their assessable income for the full time education of dependent children (not over 21 years of age) in a university or any other educational institution outside India. The maximum amount qualifying for the rebate will be Rs. 2,000 per annum for each such child

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upto two children (viz., Rs. 4,000) or 25 per cent of the total income, whichever is less.

Liability in respect of the value of any benefit or perquisite received by a person in exercise of his business or profession.

It is proposed to make a provision to the effect that the value of any benefit or perquisite, (whether convertible into money or not), received by a person in exercise of his business or profession, from any person shall be assessable in the hands of the recipient as his income under the head 'profits and gains of business or profession'.

Development rebate.

It is proposed to make a provision enabling the deduction on account of development rebate in respect of second hand ships acquired from a non-resident after 31-3-1964 or second hand machinery or plant newly imported from abroad installed after the aforesaid date at such rate or rates and subject to conditions as may be prescribed in the Income-tax Rules.

It is also proposed to make a provision enabling the Central Government to direct by issue of a notification that the deduction for development rebate shall not be admissible in respect of a ship acquired or machinery or plant installed after the period specified in the notification—such period being not less than three years from the date of issue of the notification.

10. Taxation of capital gains.

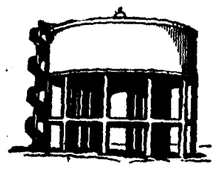
Under the existing provisions of the Income-tax Act, long-term capital gains (i.e. gains relating to capital assets held by the assessee for more than one year) are charged to tax in the case of assessees other than companies at the average rate of tax applicable to their total income subject to a maximum amount of income-tax calculated at 25 per cent of such capital gains. Thus, assessees whose total income is comparatively small have to pay tax on long-term capital gains at the full rate of tax applicable to their total income. It is now proposed to provide that in respect of long-term capital gains relating to buildings or lands or rights in buildings and lands, tax shall be payable by assessees other than companies at 75 per cent of the average rate of income-tax and super-tax applicable to their total income and at 50 per cent of such average rates in respect of other long-term capital gains.

In the case of companies no change is proposed to be made in regard to income-tax chargeable on long-term capital gains, the rate of which will be 25 per cent as before. However, in regard to super-tax on long-term capital gains (the existing rate of which is 5 per cent), it is proposed to provide that on long-term capital gains relating to buildings or lands or rights in buildings and lands, super-tax will be chargeable at 15 per cent and on other long-term capital gains at 5 per cent as before.

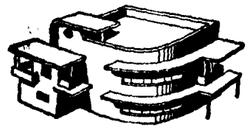
It is proposed to provide that in the case of an assessee holding equity shares as an investment and receiving bonus shares, tax shall be chargeable under the head "Capital gains" in respect of the bonus shares held by him as if such shares were transferred by him at their market value as on the thirty-first day from the date on which they were distributed.

It is also proposed to provide that for the purpose of computing any further capital gains when such shares are actually transferred by the assessee, the cost to him of the acquisition of such shares shall be taken to be the market value thereof as on the thirty-first day from the date of their distribution.

It is also proposed to provide that the cost of acquisition to an assessee of any shares received by him from a company



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in lieu of his original holdings on the conversion or reconversion of its stock or shares into shares or stock or conversion of one kind of shares into another kind etc., will be calculated with reference to the cost to the assessee of the original shares or stock held by him.

Further, it is proposed to provide that if in the opinion of the Income-tax Officer, the fair market value of a capital asset as on the date of its transfer by an assessee exceeds the full value of the consideration for it as declared by the assessee by an amount not less than 15 per cent of such declared value, the capital gains in respect of such asset shall be computed with reference to such fair market value. The Income-tax Officer will be required to obtain the previous approval of the Inspecting Assistant Commissioner concerned before applying this provision.

It is also proposed to enable an assessee to have any dispute as to the determination of fair market value of a capital asset referred, at the stage of appeal before the Appellate Tribunal, to a committee of valuers for arbitration.

11. Special provision for the computation of the income of a trade professional or similar association.

It is proposed to make a provision laying down that in the case of a trade, professional or similar association which does not distribute any part of its income to its members, the amount of any deficit (i.e., excess of expenditure incurred for the advancement of the interest of the members concerned over receipts from the members) will be allowed to be deducted in computing the assessable income of the association to the extent of 50 per cent of such income.

12. Restrictions over expenditure incurred after 31-3-1964 on advertisement, maintenance of residential accommodation, travelling etc.

It is proposed to make a provision to the effect that any expenditure incurred by an assessee after 31-3-1964 on advertisement, maintenance of residential accommodation, travelling (including hotel expenses or allowances paid in connection with travelling) shall be allowed as a deduction in computing the income under the head 'profits and gains of business or profession' only to the extent and subject to such conditions as may be prescribed in the Income-tax Rules.

13. Disallowance in the case of companies of excessive expenditure incurred on the provision of any perquisite for their employees.

It is proposed to substitute the existing provision in section 40(c)(iii) of the Income-tax Act (relating to disallowance in the case of companies of any expenditure incurred by them on the remuneration or perquisite of their Indian employees in excess of Rs. 5,000 per month for each employee) by a new provision. Under the new provision, any expenditure incurred by a company after 29-2-1964 on providing any benefit, amenity or perquisite to any employees in excess of 20 per cent of his salary will not be allowed as a deduction in computing the assessable income of the company. In computing such expenditure, certain payments made by the company such as contributions made by it to a recognised provident fund or an approved superannuation fund or an approved gratuity fund shall not be taken into account.

14. Unexplained money or valuable articles.

It is proposed to make a provision laying down that if an assessee is found, in any financial year, to be the owner of any money, bullion, jewellery or any other valuable article not recorded in his books of account and fails to explain, satisfactorily, the source of acquisition of such money, bullion etc., the money and the value of such articles may be deemed to be his income for that financial year.

15. Requirement of compulsory distribution of dividends in the case of companies in which the public are not substantially interested.

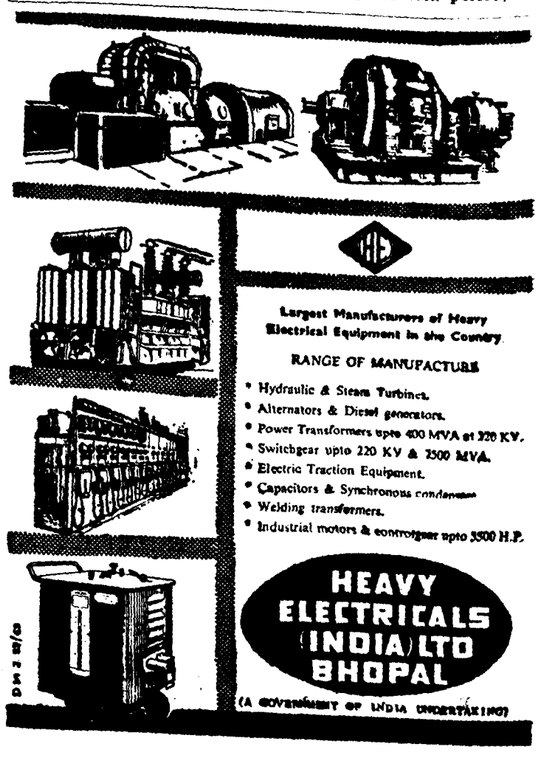
It is proposed to exempt Indian companies whose business consists wholly in the manufacture or processing of goods or in mining or the generation or distribution of electricity or any other form of power from the requirement under section 104 of the Income-tax Act of a minimum compulsory distribution of dividends upto the statutory percentage of distributable income.

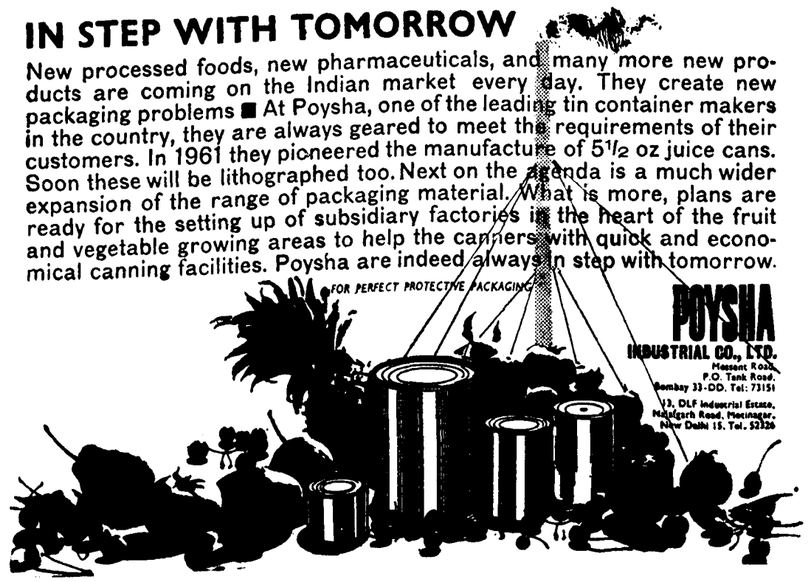
It is proposed to enable the Central Government to exempt (by issue of a notification) any class of companies from the requirement of compulsory distribution of dividends if it considers it necessary or expedient in the public interest to do so.

It is also proposed to enable any company to make an application to the Central Board of Direct Taxes for a reduction of the minimum amount required to be distributed by it compulsorily under section 104 of the Income-tax Act if the company considers that having regard to the current requirements for the development of its business, the distribution of dividends larger than what it has already declared or proposes to declare would not be possible or advisable. The Central Board of Direct Taxes or any Commissioner of Income-tax authorised by it in this behalf can reduce the amount required to be distributed compulsorily up to 20 per cent of the statutory percentage of the disributable income of the company.

16. Self-assessment.

It is proposed to introduce a provision requiring assessees in whose case the amount of tax payable on the basis of their return (as reduced by any tax already paid) exceeds five hundred rupees, to pay the tax on the basis of the return 'suo motu', within thirty days of furnishing the return. If an assessee does not pay the tax during the said period, he







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will be liable to imposition of a penalty not exceeding 50 per cent of the amount of tax so payable by him.

It is proposed to omit the provision contained in section 141A of the Income-tax Act under which an assessee who paid the tax due from him for an assessment year on the basis of his return or on the basis of his assessment by the Income-tax Officer before the 1st January of the relevant assessment year was entitled to a discount of 1 per cent of the tax so paid, and, conversely, was liable to pay interest at 2 per cent per annum on the amount of tax payable if he did not pay it by the 31st December of the relevant assessment year.

17. Concealment of income.

It is proposed to provide that where the income declared by an assessee in the return furnished by him is less than 90 per cent of the assessed income (reduced by expenditure incurred 'bona fide' for earning the income but disallowed), the assessee shall be deemed to have concealed his income or furnished inaccurate particulars thereof and be liable to penalty accordingly unless he produces proof to establish his 'bona fides' in the matter.

18. Punishment on conviction for making false statements in a declaration or abetment of false returns etc.

Under the existing provisions (in section 277 and section 278 of the Income-tax Act), the punishment for such offences is simple imprisonment upto six months or a fine upto one thousand rupees or both. It is now proposed to provide that the punishment shall be rigorous imprisonment for a minimum term of six months (unless special and adequate reasons to the contrary have been recorded in the judgment delivered by the Court) and a maximum term of two years.

19. Powers of search and seizure.

It is proposed to substitute the existing provision in section 132 of the Income-tax Act (enabling the Commissioner of Income-tax to authorise an Income-tax Officer to make a search in any premises for any books of account or documents which may be useful for any proceedings under the Act and to seize them) by a new provision. Under the proposed provision, the Commissioner can authorise any Inspecting Assistant Commissioner or Income-tax Officer to make a search in any premises if he has reason to believe (in consequence of information) that a person has failed to comply with a requisition for production of books of account or documents or is not likely to comply with such a requisition or is in possession of any articles or things (including money) wholly disproportionate to his known sources of income. The officer authorised to make the search can seize any books of account or documents, place marks of identification thereon and make a note or inventory or any articles or things or money found in the premises, which in his opinion will be relevant to any proceedings under the Act.

20. Income-tax Officer's power of survey.

It is proposed to introduce a provision enabling the Income-tax Officer (or any Inspector of Income-tax authorised by him in this behalf) to enter any premises in his jurisdiction where any business or profession is carried on by an assessee and to inspect any books of account or documents, to take extracts therefrom and to place marks of identification thereon.

21. Abolition of provisions prohibiting the disclosure of information contained in assessment records.

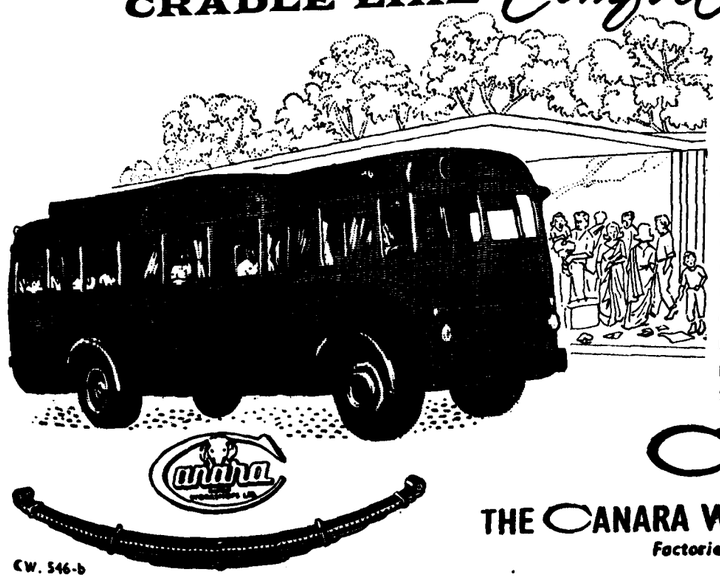
The provisions contained in the Income-tax Act, prohibiting the disclosure of any information contained in the assessment records of an assessee are proposed to be omitted.

It is proposed to make a provision enabling the Commissioner of Income-tax to supply to any person, on an application by him, any information relating to any assessment made in the case of any assessee, if he is satisfied that there are no circumstances justifying the refusal of the information asked for.

It is also proposed to make a provision enabling the Central Government to publish the names of any assessees and

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any particulars relating to assessment proceedings in respect of such assessees, if it is of the opinion that it is necessary or expedient in the public interest to publish such information. However, such publication as to the imposition of any penalty or any conviction for an offence connected with any proceedings under the Income-tax Act can be made only after the expiry of the time limit for filing the first appeal or the disposal of the first appeal in the matter, as the case may be.

22. Re-imposition of expenditure-tax under the Expenditure-tax Act, 1957 from the assessment year 1964-65.

It is proposed to revive the levy of expenditure-tax under the Expenditure Tax Act, 1957 from the assessment year 1964-65.

23. Discontinuance of the levy of super profits tax under the Super Profits Tax Act, 1963 from assessment year 1964-65.

It is proposed to discontinue the levy of super profits tax under the Super Profits Tax Act, 1963, from the assessment year 1964-65.

24. Marginal relief in respect of levy of additional surcharge on income-tax under the Finance Act, 1963.

It is proposed to make a retrospective amendment to the provision regarding marginal relief from the levy of additional surcharge on income-tax, contained in Paragraph A of Part I of the First Schedule to the Finance Act, 1963. The effect of the amendment will be that the amount of additional surcharge payable by an assessee under the operation of the Finance Act, 1963 will not exceed one-half of the amount by which the residual income of an assessee (i.e. total income as reduced by tax chargeable thereon) exceeds the exemption limit for income-tax. This will give relief to assessees whose total income exceeds the exemption limit for income-tax by a small amount.

IV. AMENDMENTS TO THE ESTATE DUTY ACT, 1953

(i) Levy of estate duty in respect of agricultural lands situate in Orissa, passing on deaths taking place on or after 23rd September, 1963.

In pursuance of a Resolution dated 23rd September, 1963 by the State Legislature of Orissa under terms of Article 252 of the Constitution, it is proposed to provide that estate duty under the Estate Duty Act, 1953 shall be leviable in respect of agricultural lands situate in the State of Orissa. The amendment will take effect from 23rd September, 1963.

(ii) Exemption from estate duty of the principal value of a residential house or part thereof.

It is proposed to provide that the principal value of a house or part thereof which was exclusively used by the deceased for his residence shall be exempt from estate duty subject to the condition that if the house is situated in a place with a population exceeding ten thousand, the amount on which exemption will be available will not exceed Rs. 1 lakh.

(iii) Omission of provision prohibiting the disclosure of infomation contained in records of estate duty assessments.

It is proposed to omit the provision in the Estate Duty Act which prohibits the disclosure of information contained in any records of proceedings relating to the assessment of estate duty.

It is also proposed to make a provision enabling the Controller to supply information to any person, on an application made by him, in regard to any assessment made under the Estate Duty Act, if he is satisfied that there are no circumsances justifying the refusal of the information asked for.

It is also proposed to make a provision enabling the Central Government to publish the names of any accountable persons or any particulars relating to proceedings under the Act, if it considers it necessary or expedient, in the public interest, to do so.

(iv) Changes in the rates of estate duty.

It is proposed to substitute the rate schedule of estate duty by a new rate schedule. Under the revised rate schedule, the rate of estate duty applicable to the principal value of an estate in the slab over Rs. 20 lakhs will be increased from the existing rate of 40 per cent to 85 per cent.

V. AMENDMENTS TO THE WEALTH-TAX ACT, 1957

(i) Exemption from wealth-tax of the value of a residential house or part thereof.

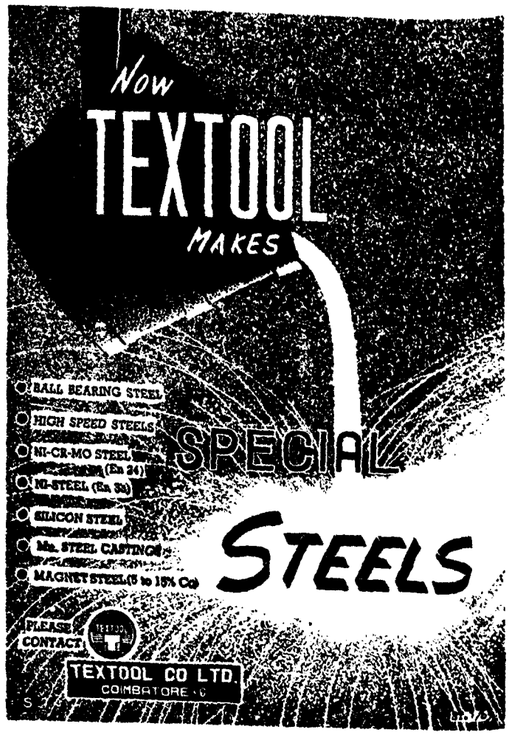
It is proposed to provide for the exemption from wealth-tax of the value of a house or part thereof belonging to the assessee and exclusively used by him as a residence. If such house is situated in a place with a population exceeding ten thousand, the amount in respect of which exemption is to be allowed will be limited to Rs. 1 lakh.

(ii) Omission of provision prohibiting the disclosure of information contained in assessment records of wealth-tax.

It is proposed to omit from the Wealth-tax Act, the existing provision prohibiting the disclosure of information contained in records of assessment proceedings of wealth-tax.

It is also proposed to make a provision enabling the Commissioner to supply to any person, on his application, any information relating to any assessee in respect of any assessment made under the Act, if he is satisfied that there are no circumstances justifying the refusal of the information asked for.

It is also proposed to make a provision enabling the Central Government to publish the names of any assessees and any particulars relating to any proceedings under the Act in



respect of such assessees, if it considers it necessary or expedient in the public interest to do so.

(iii) Changes in the rate schedule of wealth-tax.

It is proposed to substitute the existing rate schedule of wealth-tax in the cases of individuals and Hindu undivided families by new rate schedules. Under the new rate schedules, the initial slab of net wealth not chargeable to wealth-tax has been reduced in the case of individuals from Rs. 2 lakhs to Rs. 1 lakh and in the case of Hindu undivided families from Rs. 4 lakhs to Rs. 2 lakhs. The rate of wealth-tax applicable to net wealth falling in the slab above Rs. 20 lakhs has been retained, both for individuals and Hindu undivided families, at 2.5 per cent.

VI. AMENDMENTS TO THE EXPENDITURE-TAX ACT, 1957.

(i) Abolition of exemption from expenditure-tax in respect of certain items of expenditure.

It is proposed to withdraw the exemption available under section 5 of the Act in respect of certain items of expenditure, such as expenditure on purchase of products of any cottage industry or any work of art, or expenditure out of entertainmen allowance received by the assessee.

(ii) Withdrawal of certain deductions allowed in computing the taxable expenditure.

It is proposed to withdraw certain deductions allowable under the existing provisions of section 6 of the Act in computing the taxable expenditure, such as taxes and customs duty paid on purchase or import of articles for personal use, expenditure on marriages or on purchase of household goods or on medical treatment or education, and the basic allowance admissible to individuals and Hindu undivided families. It is also proposed to withdraw the deduction of 75 per cent of the average annual expenditure for three years prior to the previous year for assessment year 1958-59 which was admissible to assessees who made a claim in this behalf before making the return for assessment year 1958-59.

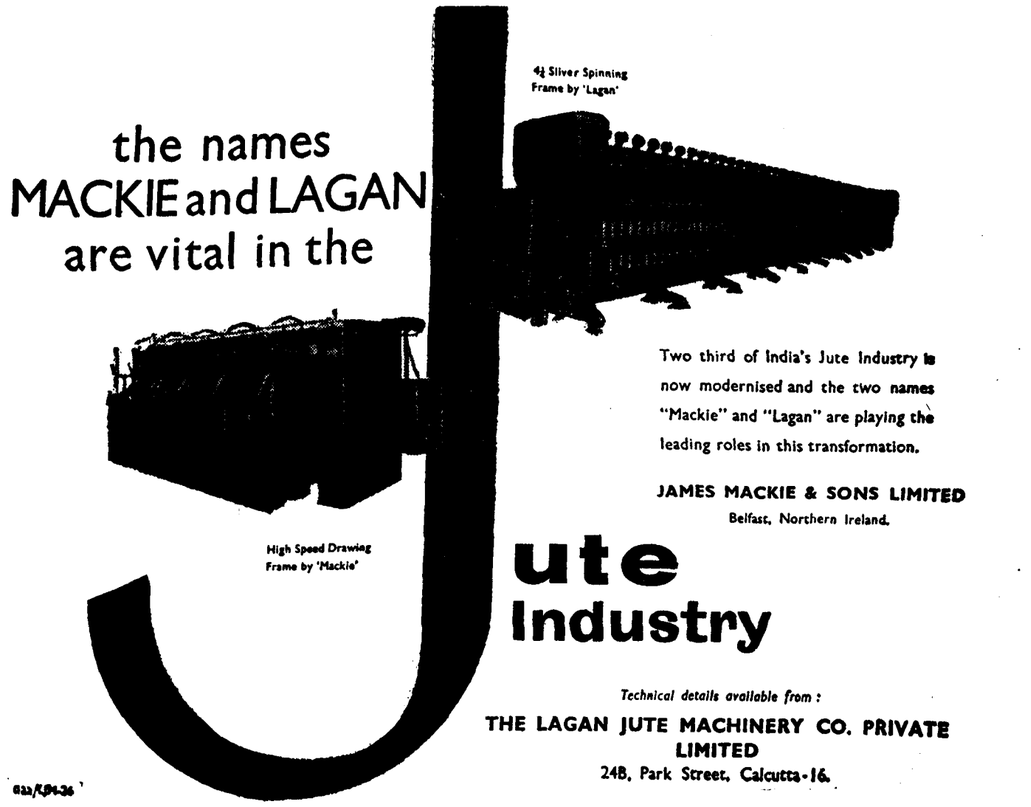
(iii) Removal of provision prohibiting the disclosure of information.

It is proposed to omit the existing provision in the Act prohibiting the disclosure of information contained in the records of proceedings of assessment of expenditure-tax.

It is also proposed to make provisions enabling the Commissioner to supply information to any person on an application by him regarding any assessee in respect of any assessment made under the Act, if he is satisfied that there are no circumstances justifying the refusal of such information. It is also proposed to make a provision enabling the Central Government to publish the names of any assessees and any particulars relating to any proceedings under the Act in respect of such assessees if it considers it necessary or expedient, in the public interest, to do so. Such publication as to any penalty imposed or any conviction for any offence in connection with any proceedings under the Act can be made only after the expiry of the time limit for the filing of the first appeal or the disposal of any such appeal filed, as the case may be.

(iv) Changes in the rates of expenditure-tax.

The existing rate schedule of expenditure-tax, applicable to individuals and Hindu undivided families, is sought to be



substituted by a new rate schedule. The rates under the new rate schedule are considerably lower than the rates under the existing Schedule. The first slab of Rs. 36,000 of taxable expenditure has been exempted from expenditure-tax. This exemption takes the place of the basic allowance available to individuals and Hindu undivided families under clause (h) of section 6(1) of the Act which is now sought to be withdrawn. Under the revised rate schedule, the highest rate for the assessment years 1964-65 and 1965-66 which will be attracted on expenditure over the slab of Rs. 72,000 will be 15 per cent and from the assessment year 1966-67 onwards, the highest rate which will be attracted on taxable expenditure over the slab of Rs. 84,000, will be 20 per cent.

VII. AMENDMENTS TO THE GIFT-TAX ACT, 1958.

(i) Reduction of the amount of exemption in respect of value of gifts by an individual to his or her spouse.

It is proposed to reduce the amount of the exemption from gift-tax in respect of gifts by an individual to his or her spouse in one or more previous years, from the existing aggregate limit of Rs. 1 lakh to Rs. 50,000.

(ii) Aggregation of gifts made to the same donee during the relevant previous year and the four years immediately preceding that year.

It is proposed to make a provision to the effect that where an assessee has made taxable gifts to the same donee during the relevant previous year and during any one or more of the four years immediately preceding such previous year, the value of the gifts made to such donee during the said four years will be aggregated with the value of the taxable gifts made by the assessee during the relevant previous year. The value of taxable gifts made to such donee in the 4 earlier years, prior to 1st April, 1963 will be taken into account in the assessment of the assessee only for rate purposes. The value of taxable gifts to such donee (during the earlier 4 years) after 31st March, 1963 will be taken into account both for rate purposes and charging gift-tax on the assessee for the relevant assessment year. However, any gift-tax paid by the assessee in respect of the value of such gifts (made after 31-3-63) for any of the four earlier years will be allowed as a deduction in computing the amount of gift-tax payable by the assessee.

(iii) Removal of the provision prohibiting the disclosure of information contained in assessment records of gift-tax.

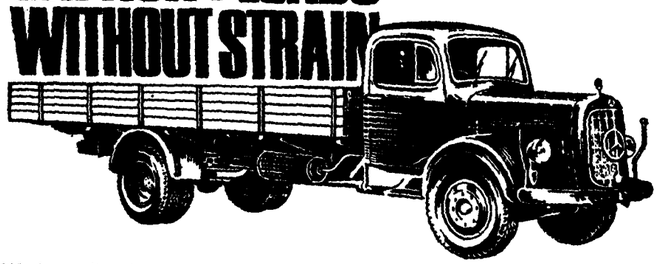
The existing provisions in the Act prohibiting the disclosure of information contained in the records of assessment proceedings of gift tax are proposed to be omitted.

It is also proposed to make provisions enabling the Commissioner to supply information regarding any assessee relating to any proceedings under the Act to any person on his application. It is also proposed to make a provision enabling the Central Government to publish the names of any assessees and any particulars relating to any proceedings under the Act in respect of such assessees, if it considers it necessary or expedient in the public interest to do so. These provisions are on the same lines as proposed to be made in the Expenditure Tax Act.

(iv) Changes in the rate schedule of gift-tax.

It is proposed to substitute the existing rate schedule of gift-tax by a new rate schedule. Under the new rate schedule

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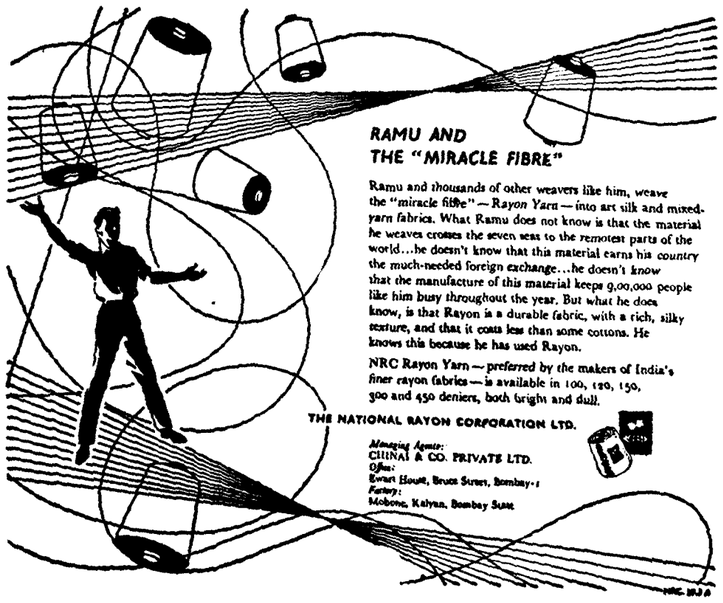
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A FORWARD LOOK

Based on the statement of the Chairman, Mr. N. Dandeker, circulated with the 29th Annual Report of the Company.

ALL FOR DEFENCE The year 1963 has been one of solid achievement for Indian Oxygen. It began with the Company mobilising all its resources to meet the requirements of our Armed Forces. We are glad to recall that their demands were satisfactorily met.

EARNING, DIVIDEND AND TAXES Total profits for the year came to over Rs. 1.4 crores. Out of this amount nearly Rs. 70 lakhs were paid out to the national exchequer as taxes. As for dividend, the Board of Directors recommended that a rate of 12% be maintained.

Sales for the year totalled over Rs. 10 crores—an increase of 15% over the previous year's figure. This reflected a steady growth not only of the Company but of industries within the country generally, both light and heavy, which are the principal consumers of industrial gases.

NEW PLANTS The setting up of the Company's new oxygen and acetylene plants at Hyderabad is nearing completion.

The Loxite Factory at Ranchi which will manufacture cartridges for liquid oxygen explosives will be completed soon.

Among the envisaged projects are a new argon purification plant at Bombay and a number of new installations at customers' works in various parts of the country.

The Company's Equipment Factory, now at Beliaghata in Calcutta, is being expanded under a new industrial licence. The expanded Equipment Factory will be located on a new site in Calcutta and is expected to go into production in 1966. The Electrode Factory at Calcutta is being further expanded and plans for a new Electrode Factory at Madras are being actively pursued. When these expansion schemes are completed electrodes covering a whole new range will be manufactured.

TONNAGE OXYGEN PLANT The Company has been entrusted with the management and operation of the tonnage oxygen plant at Jamshedpur put up by the Tata Iron and Steel Company Limited.

TOWARDS A BIGGER FUTURE To meet the growing demands of industrial and medical gases and to make the country self-sufficient in the indigenous manufacture of welding and allied equipment, the Company is launching on a Rs. 6-crore expansion programme scheduled to be completed in the next four years.

INDIAN OXYGEN LIMITED IOL

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the highest rate of gift-tax will be 50 per cent which will be attracted on the slab over Rs. 3,45,000.

CUSTOMS

The proposals include :

(a) increases in rates of basic Customs Duty on certain articles (mainly in cases where the tariff values, and the consequent incidence of duty, have been appreciably reduced from the 1st September, 1963);

(b) continuance up to the 31st March, 1965 of, the surcharge imposed on all dutiable articles, under section 23 of the Finance Act, 1963 at a flat rate of 10 per cent of the duty otherwise payable. It will not be leviable on countervailing duties, nor will it be charged on those mineral oils on which the rates of duty have been kept equal to the Central Excise Duty;

(c) continuance up to the 30th April, 1965 of the provision in section 24 of the Finance Act, 1963, for the imposition of a regulatory duty of Customs at specified rates.

(d) reduction in the rate of basic Customs Duty on motor cars imported completely assembled; and

(e) abolition of the Export duty on raw jute, as a measure of export promotion.

Details of the increases or decreases in Basic Customs Duty, made through the Bill or by notification, are given in Table I. Further, net additional revenue amounting to Rs. 4.29 crores is expected from countervailing duties consequent on changes in Central Excise Duties. Details of these are given in Table II.

2. The total additional Customs revenue in 1964-65 as a result of the proposals in the Finance Bill and those being given effect to by notification, is estimated at Rs. 6.37 crores, made up as under :

Customs Duty	Rs. Crores
(a) increase	2.55
(b) decrease	.47
Net	2.08
Countervailing Duty (net)	4.29
TOTAL	6.37

TABLE I.

DETAILS OF CHANGES IN BASIC CUSTOMS DUTY

S. No.	Reference in the Third Schedule to the Bill (Part and Sub-item No.)		Item(s) in the Tariff Schedule	Brief description of the article	Present rate of duty		Proposed rate of duty		Additional revenue expected (+) or loss likely to be incurred (—) per annum (in lakhs of rupees) including effect of surcharge
					Standard rate of duty	Preferential rate of duty	Standard rate of duty	Preferential rate of duty	
(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)
			Import Tariff						
1.	II		8(2)	Fruits dried (salted and all other kinds), not otherwise specified	50%	40%	60% (For some fruits rates converted into specific rates)	50%	+79
2.	..		Ex. 12(2)	Copra	**40%** Statutory 25% (By notification)	**30%** 15%	**No** change 30% (By notification)	**No** change 20%	+55
3.	I(i)		28(34)	Caustic Soda	40% Rs. 84.00 per tonne plus 5%	30% Rs. 50.00 per tonne plus 5%	80% Rs. 84.00 per tonne plus 25%	70% Rs. 50.00 per tonne plus 25%	+68
4.	I(ii)		63(32)	High carbon or spring steel wire.					+53
5.	..		75(1)	Motor cars including taxi cabs, completely assembled	150%	..	60% (By notification)	..	—32
			Export Tariff						
6.	..		1	Raw jute (i) cuttings	Rs. 4.50 per bale	..	Nil (By notification)	..	—15
				(ii) others	Rs. 15 per bale	..	Nil (By notification)	..	
				Total additional revenue					2,08

TABLE II

List of items in regard to which the additional revenue expected or loss likely to be incurred by way of countervailing duty is Rs. 5 lakhs or over.

No.	Item(s) in the tariff schedule	Brief description of the article	Additional revenue (+) or likely loss (—) (in lakhs of rupees)
1	2	3	4
1.	46(6)	Staple fibre	+ 50
2.	47(2)	Art silk yarn	+3,44
3.	Different items	Iron and Steel products	+1,35
4.	Different items	Coal-tar dyes	— 16
5.	44	Printing and writing paper	— 9
6.	72 & 75	Motor vehicles — (Earth-moving and weight lifting equipment)	— 70
7.	Different items	All other articles	— 5
		TOTAL	4,29

CENTRAL EXCISE

PROPOSED IN THE RATES OF DUTY UNDER THE CENTRAL EXCISES AND SALT ACT, 1944.

(a) Tobacco

Manufactured Tobacco — Cigarettes

Tariff Item	Description	Unit	Existing rate of duty (Basic)	Proposed rate of duty (Basic)	Estimated additional revenue for 1964-65
			Rs.	Rs.	(Rs. lakhs)
4 II(2) (iii)	Value exceeds Rs. 15 a thousand but does not exceed Rs. 25 a thousand	1000 cigarettes	8.50	7.50)	(—) 53
4 II(2) (iv)	Value exceeds Rs. 7.50 a thousand but does not exceed Rs. 15 a thousand	-do-	4.20	4.40)	

The proposal is intended to arrest the shift in production of cigarettes from value category (iii) which pays a higher duty to value category (iv) on which the duty is much lower.

(b) Pigments, Paints and Varnishes

Item	Unit	Existing rate of duty	Proposed rate of duty	Estimated additional revenue for 1964-65
		Rs.	Rs.	(Rs. lakhs)
14 Dispersed Organic Pigments	Kg.	0.17½	2.50	(+) 20

Certain types of dispersed organic pigments are being increasingly used for textile printing in place of some other organic dyestuffs which bear a higher incidence of duty. The proposal will remove this anamoly and also yield some additional revenue.

(c) Sodium Silicate (New Item)

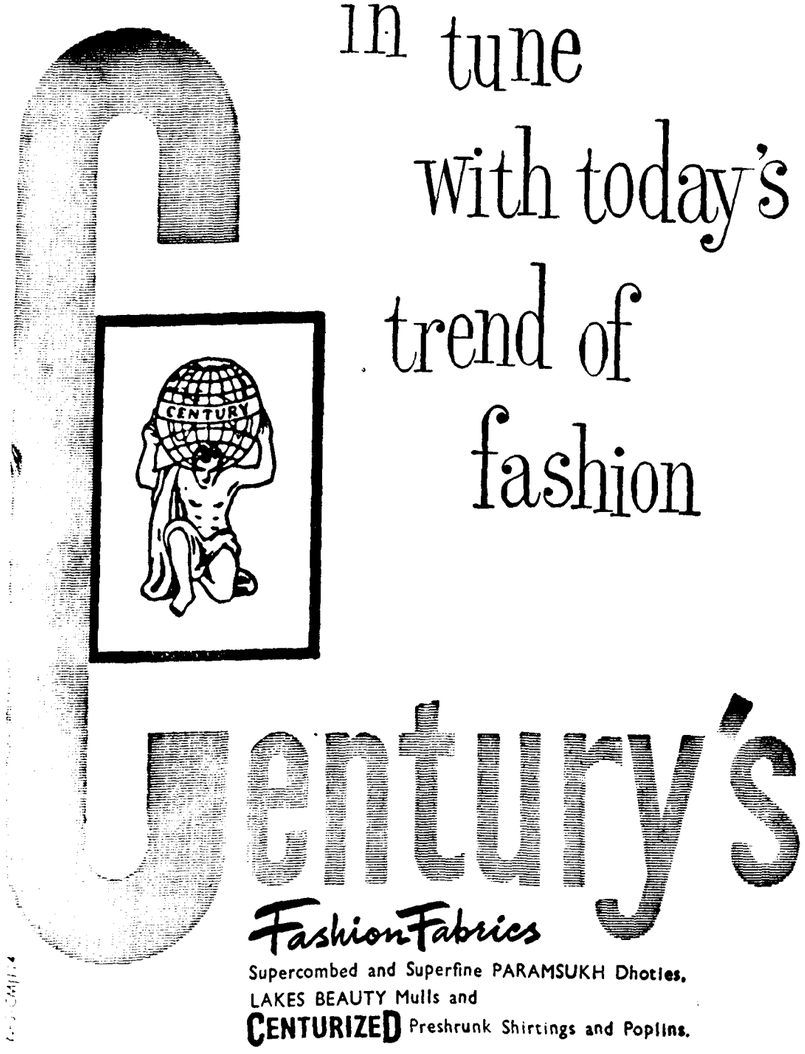
Item	Unit	Proposed rate of duty		Estimated Revenue
			Rs.	(Rs. lakhs)
		Tariff rate	Effective rate (by notification)	
Sodium Silicate 14BB	Quintal	8.00	4.00	(+)40

Sodium silicate is being introduced as a new item in the Central Excise Tariff. It is a measure intended to counteract the loss of revenue caused by the exemption from duty granted to all varieties of soap manufactured without the aid of power.

(d) Soap

Item	Unit	Existing rate of duty (Basic)	Proposed rate of duty (Basic)	Estimated additional revenue
		Rs.	Rs.	(Rs. lakhs)
15				
(1) Soap, house hold and laundry	Quintal	15.50) 18.00)	18.00	(a) On account of increase in rate of duty (+) 8.00
(2) Other sorts		37.55	38.00	(b) On account of exemption* from duty on soap produced without the aid of power (—)48.00
			* (By notification)	Net (—)40.00

The existing tariff has been rationalised and the present classificaions have been reduced to two. In addition all soap





manufactured without the aid of power is being exempted totally from payment of duty.

(e) Paper

Item	Unit	Existing rate of duty Rs.	Proposed rate of duty Rs.	Estimated additional revenue (Rs. lakhs)
17.				
(1) Cigarette tissue	Kg.	1.00	1.00	
(2) Blotting, toilet, target, tissue other than cigarette tissue, teleprinter, typewriting, manifold, bank, bond, art paper, chrome paper, tubsized paper, stamp paper, cartridge paper, parchment and coated board (including art board, chrome board and board for playing cards).		0.50	0.50	No change
(3) Printing and writing paper, packing and wrapping paper, strawboard and pulpboard including grey board, corrugated board, duplex and triplex boards, other sorts	Kg.	0.22) 0.35)	0.35	
(4) All other kinds of paper and paper board, not otherwise specified		0.50	0.50	

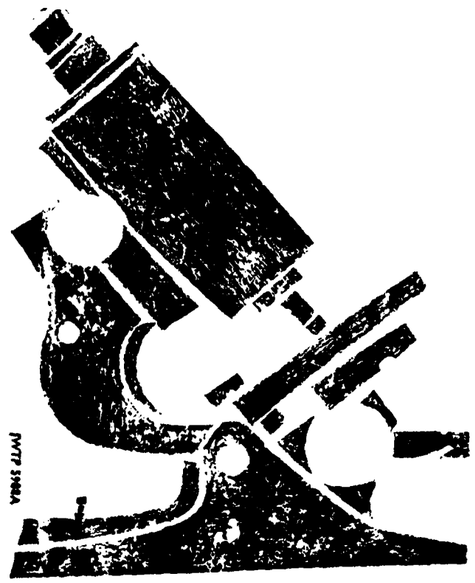
(1) The number of sub-items of paper and board is being reduced from ten to four. This measure is intended to rationalise this tariff on the lines recommended by the Central Excise Re-organization Committee.

(2) Certain varieties of writing and printing paper not exceeding 75 grammes in weight per square metre which fall in sub-item (3) will, however, continue to pay duty at the existing rate of 22 naye paise per kilogram made effective by notification.

(f) Rayon and Synthetic fibres and yarn

Item	Unit	Existing rate of duty Rs.	Proposed rate of duty Rs.	Estimated additional revenue (Rs. lakhs)
		Tariff rate		
18	Kg.	4.50	9.00	
		Effective rates (By notification)		
(1) Staple fibre				
(a) of cellulosic origin		1.00	1.00	
(b) of non-cellulosic origin		1.00	2.00	
(2) Yarn of cellulosic origin				
(a) below 75 deniers		4.00	6.00	
(b) 75 — 100 deniers		3.00	4.50	
(c) above 100 deniers		2.00	3.00	
(3) Yarn of non-cellulosic origin				(+) 396
(a) below 75 deniers		4.50	9.00	
(b) 75 — 100 deniers		4.50	7.50	
(c) above 100 deniers		4.50	6.00	
(4) High tenancity or industrial yarns (for manufacture of fishing nets, parachute cords)		2.25	3.00	
(5) Staple fibre yarn		Nil	Nil	

This tariff item covers all man-made fibres and yarn including the non-collulosic varieties (such as nylon, terylene),





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which are generally more highly priced than cellulosic varieties (such as viscose and acetate rayon and staple fibre). As a revenue measure, therefore, it is proposed to raise the tariff (ceiling) rate. The effective rates are being revised by notification in the manner indicated above.

(g) Cotton yarn

Item	Unit	Existing rate of duty Rs.	Proposed rate of duty Rs.	Estimated additional revenue (Rs. lakhs)
18A	Kg.	**Tariff rate**		
(1) Of counts 29 or more		0.30	1.00	
(2) Of counts less than 29		0.15	0 50	

Item	Proposed rate of duty Rs.	Estimated additional revenue (Rs. lakhs)
Effective rates have been revised by notification, as below:—		

French counts of and above	less than	In hanks nP./Kg.	Other than in hanks nP/Kg.	
—	6	—	10)	
6	14	—	15)	
14	22	—	25)	
22	29	5	35)	(+) 986
29	40	10	45)	
40	51	25	60)	
51	—	50	90)	

(1) The counts of yarn in the tariff item are being expressed in the French count system; this change has already been adopted by the Textile industry with the approval of the Textile Commissioner.

(2) Rates of duty on cotton yarn have been substantially enhanced not only to raise some additional revenue but also in the process, to transfer a larger portion of the total incidence to yarn from the fabric stage.

(3) In counts above 26s even though yarn in hanks will have to pay duty at rates higher than that paid at present for counts above 40s, the difference in effective rates of duty between yarn cleared in other forms and those in hanks have been substantially enhanced from the present level of about 10-18 naye paise to 10-40 naye paise per kilogram. This should provide differential support to the handloom sector.

(1) Worsted yarn

(h) Woollen yarn, all sorts including knitting wool

Item	Unit	Existing rate of duty	Proposed rate of duty	Estimated revenue (In lakhs)
18B		Ad valorem Tariff rate		
(1) Worsted yarn				
a) Less than 48s counts		15 per cent ad valorem	15 per cent ad valorem	
b) 48s counts and more.		15 per cent ad valorem	20 per cent ad valorem	
(2) Others		7½ per cent ad valorem	7½ per cent ad valorem	

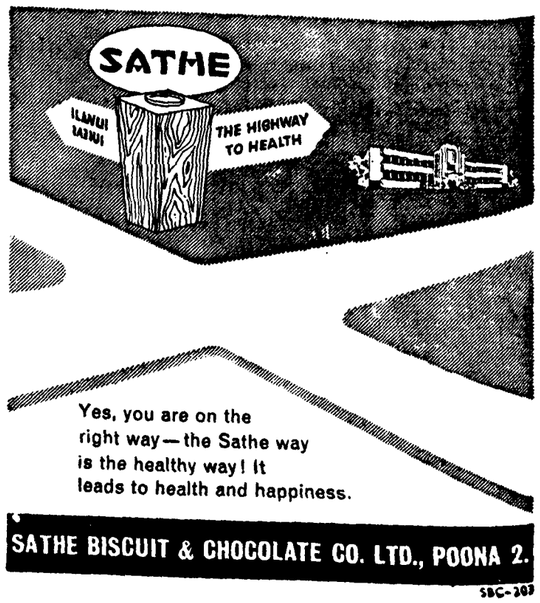
Effective rates (by notification)

Item	Unit	Proposed rate of duty		Estimated additional revenue
		Tariff value Rs. per Kg.	Duty Rs. per Kg.	
(1) Worsted yarn				
a) Less than 48s counts		18.00	2.70)	
b) 48s and above counts		26.00	5.20)	(+) 39
(2) Others		8.00	0.60)	

nP. (as at present).

(1) Besides having some revenue significance, this proposal will make the costlier varieties of worsted yarn bear a higher incidence of duty.

(2) For administrative convenience and simplification of





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* Cold Rolled Industrial Quality Copper Sheathings, strips & Coils (from 10 SWG to 45 SWG) in width from 7mm to 355 mm.

control, tariff values are being fixed for worsted and woollen yarn, as indicated above. This measure will also make the levy uniform.

(i) Pig Iron, steel ingots and iron or steel products

Item	Unit	Existing rate of duty Rs.	Proposed rate of duty Rs. Ceiling (by tariff)	Proposed rate of duty Rs. (Effective by notification)	Estimated additional revenue (Rs. lakhs)
			Rs.	Rs.	
25. Pig Iron	Metric Tonne	10.0	45.00	30.00	+240
26. Steel Ingots	-do-	39.35	50.00	50.00	
26AA. Iron and steel products	-do-				
(i) Semi-finished steel		69.35 (30 product duty plus 39.35 ingot duty)	90.00	90.00	
(ii) Bars, rods and structurals	-do-*		90.00	90.00	
(iii) Plates or sheets (other than skelp), and hoops and strips	7½% ad valorem plus ingot duty (57.50+39.35)*		200.00	110.00	

* By notification.

Item	Unit	Existing rate of duty Rs.	Proposed rate of duty Rs.		Estimated additional revenue (Rs. lakhs)
(iv) Skelp	..	7½% ad valorem plus ingot duty (52.50+39.35)*	200.00	150.00	(+) 941
	*By notification				
(v) Cast Iron Pipes and tubes	..	5% ad valorem plus Rs. 10 pig iron duty)	5% ad valorem plus Rs. 30.00 crude iron duty	Exempted if made from duty paid on iron in crude form	
(vi) Seamless Pipes and tubes	..	5% ad valorem plus Rs. 39.35 (Steel ingot duty)	5% ad valorem plus Rs. 50.00 (steel ingot duty)	110.00	
(vii) Other Pipes and tubes of steel	..	5% ad valorem plus Rs. 39.35 (Steel ingot duty)	5% ad valorem plus Rs. 50.00 (steel ingot duty)	Exempted if made from duty paid plates, sheet or skelp.	
(viii) Steel casting	..	5% ad valorem plus Rs. 39.35 (Steel ingot duty)	5% ad valorem plus Rs. 50.00 (steel ingot duty)	Exempted if made from duty paid ingots or semis	

The changes are mainly consequential to the abolition of surcharge on iron and steel.

Besides being a revenue measure, this proposal seeks to further simplify excise control.

(j) ALUMINIUM — ITEM 27(b)

It is proposed to amplify sub-item (b) of this Item so as to include 'aluminium extrusions" also which will now pay duty at Rs. 500 per tonne. At present such extrusion pay duty only at the crude stage duty of Rs. 300 per tonne. This change will yield an additional revenue of Rs. 15 lakhs.

(k) FOOTWEAR — ITEM 36

The tariff description of this item is being recast so as to remove all ambiguity and a common criterion is being fixed on the levy of duty on footwear as well as the dutiable component parts, which is not quite the case at present. This change is estimated to yield an additional revenue of Rs. 40 lakhs. The present statutory exemption in favour of complete footwear made in a factory employing less than 50 workers and using not more than 2 H.P. is being continued by a notification. Component parts for foam rubber chappals are also being exempted.

(l) COSMETICS, PLASTICS, ELECTRIC CABLES AND MOTOR VEHICLES — ITEMS 14F, 15A, 33B, 34

Proposals with regard to these items only involve modifications in their difinition so as to express them more clearly. They do not have any revenue significance.

II. CHANGES MADE BY NOTIFICATION

(m) PAINTS AND VARNISHES — ITEM 14

Concessional rates of duty in the case of oil paints and enamels are applicable to those manufacturers whose produc-

tion of these products does not exceed 1000 metric tonnes in a year. It is proposed—

(i) to reduce the concessional slab to 750 tonnes

(ii) to allow it on the first 750 tonnes cleared by any manufacturer whose output in the whole year does not exceed 3000 tones;

(iii) to lay down a conversion formula for vloume to weight for calculation of exemption limit.

2. This proposal is estimated to result in a loss of Rs. 10 lakhs a year.

(n) ACIDS

Item	Unit	Existing rate of duty	Proposed rate of duty	Estimated revenue (Rs. lakhs)
14G — Nitric, Hydrochloric and Sulphuric Acids (including fuming acids and anhydrides thereof all sorts)	Ad valorem	10 per cent ad valorem	Complete exemption to Hydrochloric and Nitric Acids	(—) 29

The proposed exemption is intended to give relief to small manufacturers and simplify administration.

(o) GASES

Item	Unit	Existing rate of duty	Proposed rate of duty	Estimated revenue (Rs. lakhs)
14 H — Compressed Liquified or Solidified gases	Ad valorem	10 per cent	Complete exemption to all gases except to carbon-dioxide used in the manufacture of aerated waters	(—) 189

These exemptions are given to provide relief to a large number of industries which use these gases in the process of manufacture.

(p) RUBBER PRODUCTS

Item	Unit	Existing rate of duty	Proposed rate of duty	Estimated revenue (Rs. lakhs)
		Tariff rates		
16 A — Rubber products	Ad valorem	20 per cent	20 per cent	
		Effective rates		
		Rs.	Rs.	
(i) Latex Foam Sponge	kilogram	1.55	2.15	(+) 25
(ii) Tread rubber, cushion compound, cushion gum and tread gum	kilogram	0.80	1.10	

Effective rates of duty have been enhanced on these rubber, products, whose prices have risen during the course of the year.

(q) PAPER — ITEM 17

(1) It is proposed to give a concession of 5 Naye paise per kilogram to paper containing not less than 50 per cent bagasse pulp.

(2) It is also proposed to give incentive to new units and to the expanded capacity of existing units for three years at the following rates :

First year	25 per cent of duty
Second year	20 per cent of duty
Third year	15 per cent of duty

(3) The scope of the slab exemption applicable to strawboard and pulp board has been extended to all manufacturers irrespective of their output on equitous considerations.

(4) The cumulative effecti of the changes is estimated to result in a loss of revenue of Rs. 29 lakhs.

(r) COTTON FABRICS

Proposals:

(i) Consequent on the transfer of an additional part of the burden of duty from grey fabrics to yarn, the effective rates of duty on the former have been reduced.

(ii) Processing duties have been rationalised. Processed

fabrics of superfine, fine and medium A varieties will now pay a duty increased by 5 Naye paise per square metre. Corresponding relief has been given to medium B and coarse varieties which undergo shrink-proofing and organdie processing.

(iii) Powerloom units with 50-300 powerlooms, who would have paid the same rates as payable by composite mills in respect of the basic and additional duties on grey fabrics from 1964-65, would now pay on 4/5th of these rates.

(iv) Simultaneously with the reduction in the rates on grey fabrics, rates of compounded duty for powerloom units with 5-49 looms have been substantially reduced, particularly for units producing only medium and/or coarse fabrics. The rates are given below :

	Existing rates per loom per shift per month		Proposed rates per loom per shift per month		
	Medium/ coarse Rs.	Fine/ S. fine Rs.		Medium/ coarse Rs.	Fine/ S. fine Rs.
(i) First 4 looms	10.00	12.50	(i) First 4 looms	Nil	Nil
(ii) Next 5 looms	15.00	37.50	(ii) Next 20 looms	2.50	37.50
(iii) Next 15 looms	25.00	75.00	(iii) Balance	5.00	75.00
(iv) Balance	35.00	175.00			

These proposals are estimated to result in a loss of Rs. 266 lakhs which would be more than made good by the increase proposed in rates of duty on yarn.

(s) ELECTRIC MOTORS

Item	Unit	Existing rate of duty	Proposed rate of duty	Estimated revenue (Rs. lakhs)
30	Ad valorem	15 per cent	Complete exemption to such motors which operate at a pressure not exceeding 50 volts	(—) 18

This will provide relief to the above types of motors (e.g., starter and toy motors) whose manufacture is a nascent industry.

(t) WIRELESS RECEIVING SETS

Item	Unit
33A	Ad valorem **Specific rates fixed by notification, as below :**

Existing rates			Proposed rates		
Price per set at the point of sale to the consumer		Duty per set	Price per set at the point of sale to the consumer		Proposed rate of duty per set
Exceeding Rs.	Not exceeding Rs.	Rs.	Exceeding Rs.	Not exceeding Rs.	Rs.
(i) —	150	Nil	(i) —	165	Nil
(ii) 150	250	15	(ii) 165	225	15
(iii) 250	375	30	(iii) 225	300	21
(iv) 375	500	75	(iv) 300	375	30
(v) 500	—	100	(v) 375	475	50
			(vi) 475	575	70
			(vii) 575	675	90
			(viii) 675	—	100

This proposal has no revenue significance.

(u) CINEMATOGRAPH FILMS EXPOSED — ITEM 37

The ceiling of 3,250 metres imposed on the length of films for entitling them to the lower concessional rates of duty is proposed to be enhanced to 4,000 metres. While its revenue implication is negligible, this proposal will ease to some extent the restriction on the producers of films some of whom are finding it difficult to cater to the taste of the public within the stipulated length.

(v) GRAMOPHONE RECORDS

Item	Unit	Existing rate of duty	Proposed rate of duty	Estimated Revenue (Rs. lakhs)
37 A	Ad valorem	15 per cent ad valorem	complete exemption	(—) 15

The proposed exemption is tended to arrest the fall in the production of these records.

(w) MATCHES

Item	Unit	Existing rate of duty	Proposed rate of duty	Estimated Revenue (Rs. lakhs)
38	Per thousand	Tariff rate	Effective rate per gross of 50s Rs.	
		65 nP. for every 1000 matches or fraction thereof (No change	'A' class factories 4.60 'B' class factories — 4.40 'C' class factories — 4.10 'D' class factories — 3.75 The ceiling for 'D' class factories to be raised from 50 million matches to 75 million matches	Change negligible

The proposed effective rates of duty are based in the recommendation of the Tariff Commission. In addition, with a view to conserve the soft wood resources in the country, additional concessions, as below, have been provided for factories using cardboard boxes and/or bamboo splints, and/or bamboo veneers :—

i) 30 nP. gross for card board boxes
ii) 30 nP. gross for bamboo splints) C & D Classes only)
iii) 20 nP. gross for bamboo veneers)

In addition B, C & D class factories will be allowed to pay the preferential duties applicable to their class even if their production exceeds the ceiling of their class by 20 per cent, 25 per cent and 33-1/3 per cent respectively.

III — CHANGES IN RATES OF SPECIAL EXCISE DUTY

Subject to the changes indicated below, it is proposed to continue as a revenue measure during 1964-65 special duties of excise, at the same rates which were levied by the Finance Act 1963:-

(1) The following articles of common use are being exempted totally by notification from payment of the Special Excise Duty, viz.,

i) printing and writing paper not exceeding 75 grammes per square metre;
ii) chinaware and porcelainware;
iii) electric bulbs up to 60 watts, except fluorescent tubes and miniature bulbs;
iv) cellophane;
v) glassware, other than sheet glass and plate glass;
vi) synthetic organic dyestuffs.

(2) In the case of cotton yarn, on which basic duties have been substantially increased, special duty will be charged on sized yarn; this change will be given effect to by notification.

(3) Partial exemption from payment of Special Excise Duty is proposed to be given by notification in the following cases:-

i) The Special Excise Duty on staple fibre of cellulosic origin is proposed to be reduced from 33-1/3 per cent to 15 per cent to facilitate clearance of stocks that have accumulated in the factories.

ii) Motor tyres and tubes are being exempted fully from Special Excise Duty on the first clearance of Rs. 50 lakhs and 50 per cent exemption on the next clearance of Rs. 50 lakhs for each factory producing such tyres in any financial year.

2. The net effect of all these concessions and the changes in the levy of Special Excise Duties consequential to the changes in the basic Excise Duties detailed in Parts I and II, will be a revenue loss of Rs. 119 lakhs from realisations of Special Duties of Excise.

IV — CHANGES IN ADDITIONAL DUTY OF EXCISE (IN LIEU OF SALES TAX)

Consequent on the downward revision of the compounded levy rates applicable to powerloom units with 5-49 powerlooms and the concession granted in the rates of additional duty on the fabrics manufactured in powerloom units with 50-300 powerlooms, there may be a loss in revenue to the tune of Rs. 20 lakhs a year.

SUMMARY

(Rs. lakhs)

	Centre's Share	States' Share	Total
I — Basic duty			
a) Existing items	+ 19,94	+ 59	+ 20,53
b) New items	+ 40		+ 40
II — Additional Duty		— 20	— 20
III — Special Duty	— 1,19		— 1,19
	+ 19.15	+ 39	+ 19,54



CHANGES IN ADDITIONAL EXCISE DUTY

(Rs. lakhs)

Commodity	Basic Excise Duty (+)	Basic Excise Duty (—)	Special Duty of Excise (+)	Special Duty of Excise (—)	Additional Duty of Excise (in lieu of Sales Tax) (—)	Total (+)	Total (—)
EXISTING							
1. Tobacco — Cigarettes	—	53	—	11	—	—	64
2. Paints and varnishes	10	—	2	—	—	12	—
3. Synthetic organic dyestuffs	—	—	—	18	—	—	18
4. Acids	—	29	—	—	—	—	29
5. Gases	—	189	—	—	—	—	189
6. Soap	—	40	—	8	—	—	48
7. Cellophane	—	—	—	10	—	—	10
8. Tyres	—	—	—	48	—	—	48
9. Rubber Products	25	—	5	—	—	30	—
10. Paper and Boards	—	29	—	59	—	—	88
11. Rayon and Synthetic Fibre and yarn	396	—	74	—	—	470	—
12. Cotton yarn	986	—	—	5	—	981	—
13. Woollen yarn	39	—	13	—	—	52	—
14. Cotton fabrics	—	266	—	—	20	—	286
15. Glassware (excluding sheet and plate glass)	—	—	—	22	—	—	22
16. Chinaware and Porcelainware	—	—	—	13	—	—	13
17. Pig Iron	240	—	—	—	—	240	—
18. Iron & Steel Products	941	—	—	—	—	941	—
19. Aluminium	15	—	3	—	—	18	—
20. Electric motors	—	18	—	4	—	—	22
21. Electric bulbs	—	—	—	18	—	—	18
22. Footwear	40	—	—	—	—	40	—
23. Gramophone records	—	15	—	—	—	—	15
Total of existing items	**2692**	**639**	**97**	**216**	**20**	**2784**	**870**
NEW Sodium Silicate	40	—	—	—	—	40	—
Grand Total	**2732**	**639**	**97**	**216**	**20**	**2824**	**870**
Net	**2093**			**119**	**(—)20**	**1954**	

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The Budget: An Official Exposition

THE BUDGET speech of the Finance Minister laid great stress on the growth of the economy and on the promotion of savings and investments. An attempt has been made by the official spokesmen to bring out the brighter aspects of the new proposals — both in the corporate and personal taxes — in the Budget. Each incentive has been examined in detail and various provisions of the Finance Bill, which were ambiguous, have been explained; the complete rendering of the official case is reproduced below:

The budget proposals for 1964-65 in regard to income-tax and other Central direct taxes have been formulated in the light of the imperative needs at this stage of the growth of our economy of infusing confidence in the capital market, providing a stimulus for the development of our basic industries, promoting the building up of reserves in the industry and also the growth of personal savings. Other important objectives which have been kept in view are to place a measure of restraint on the rising levels of consumption in order to keep the forces of inflation under check, and curb profiteering which contributes in no small measure to the spiralling of price levels. Also set before the country is the goal of a socialistic pattern of society in which due encouragement is to be provided to the growth of earnings through individual initiative, skill and hard work and any undue concentration and inequalities of wealth, particularly wealth which is passed on from one person to another by way of gifts or by inheritance from generation to generation are to be minimised. Further, in the field of administration of direct taxes, it was necessary to take steps for simplifying the tax structure, expediting the collection of taxes and taking the necessary powers under the law for effectively detecting hidden hoards of wealth, taxes on which have been evaded and which is circulating in the black market and for bringing to book such tax offenders whose activities result in a high burden to the honest taxpayer. The various fiscal measures contemplated in the budget proposals have been framed for achieving these objectives in a harmonised way, consistently with the need for raising adequate resources for financing our development programmes and meeting the needs of defence.

Corporate Taxation

The primary need now is to revive the capital market, to provide the necessary incentive for an increase in production, particularly in our basic industries, and to create the conditions for a plough back of a larger share of profits in the industry. At the present stage of the development of our economy it is also necessary to remove any disincentives to foreign investment in our industries and the utilisation of the services of foreign technicians and experts. The proposals made towards achieving these objectives are:

(1) Discontinuance of Super-profits Tax levied under the Super Profits Tax Act, 1963 and introduction of a modified levy of Surtax on excess profits of companies.

The Super Profits Tax was found to operate as an inhibiting factor in the growth of the corporate sector of the economy because the standard deduction allowed under its provisions was only 6 per cent of the capital base. The rate of the tax was also high, being 50 per cent of the excess profits up to 4 per cent of the capital base and 60 per cent of the balance. The capital base consisted only of the paid-up capital and reserves and not the loan capital. The result was that many well-established companies which had been able to build up large reserves were better off than comparatively younger units which had not been able to build up adequate reserves or other units which were working to a considerable extent on loan capital such as debentures or long-term loans. All this resulted in a high incidence of tax on many companies. Therefore, it is proposed to replace the Super Profits Tax by a new tax in a modified form, named the 'surtax' on the excess profits of companies. The Surtax will come into effect from the assessment year 1964-65.

Surtax — Main Provisions: This tax will operate when the profits of companies from all sources, as reduced by the income-tax and super-tax payable on them exceeds 10 per cent of their capital base or a sum of Rs. 2 lakhs, whichever is higher. The capital base will consist of the entire paid-up capital of a company, its reserves (including the development rebate reserve) and also its debentures and certain other loan capital. This loan capital will consist of moneys borrowed from the IFC, the ICICI, and any other financial institutions which may be approved by the Central Government and also loans from banking institutions for a minimum 10-year period and any money borrowed abroad for the creation of any capital assets in India. The capital will be computed as on the 1st day of the relevant accounting year of a company subject to adjustments for any increase or decrease of such capital during the course of the year. As a corollary to the inclusion of such loan capital in the capital base, the interest payable on it will be added back to the profits as was done under Excess Profits Tax.

Uniform Rate

Rate of Surtax and Relief in respect of Profits from Specified Industries: The surtax will be levied at a uniform rate of 40 per cent of the entire excess profits of a company as compared to the two-tier system of rates of 50 per cent up to 4 per cent of the capital base and 60 per cent of the balance under the Super Profits Tax Act.

Further, provision has been made for granting a rebate of 20 per cent of the surtax attributable to profits derived from a business of generation and distribution of electricity or the manufacture or production of any one of the articles pertaining to the basic industries listed in the Third Schedule to the Companies (Profits) Surtax Bill, 1964. This list covers important basic industries such as those of production of iron and steel (Metal) ferro-alloys, special steels, iron ore, industrial machinery, coal, bauxite, cement, fertilisers, paper and pulp and also some of our industries which account for a considerable part of our exports, viz., tea, coffee and rubber. The list can be revised by the Central Government.

All the tax concessions and incentives available under the Income-tax Act, such as the 5-year tax holiday and the deduction for development rebate etc. will be available for the purpose of surtax as well. In addition, banking companies will be allowed a special deduction from their chargeable profits of the amount of statutory reserves created by them under the Banking Companies Act or any other reserves created by them in India subject to certain limits. Non-resident companies will also be exempt from surtax on their income by way of interest, royalties and fees for rendering technical services. Capital gains, inter-corporate dividends and profits of a business of life insurance will also be exempt from surtax. As the chargeable profits for the purpose of surtax are required to be computed with reference to the total income computed under the Income-tax Act, any carried forward business losses and unabsorbed depreciation allowance will be automatically allowed to be set off against the profits tax for the purpose of surtax also.

As the capital base for surtax has been extended to cover loan capital and the statutory deduction has been increased from 6 per cent applicable to super profits tax to 10 per cent and as the rate of surtax is only 40 per cent subject to a

rebate of 20 per cent in respect of profits from specified industries, the incidence of surtax will be appreciably lower than the incidence of super profits tax. New or small companies will also be adequately protected from a high incidence of tax because the minimum statutory deduction has been fixed at Rs. 2 lakhs as compared to Rs. 1 lakh under the Super Profits Tax Act. Because of these features, there will be no liability to surtax unless the profits before tax of a company exceed Rs. 4 lakhs and are higher than 20 per cent of its capital base including reserves and the loan capital.

Because of the special features of the surtax and its comparatively light incidence, no provision has been made for granting relief by way of the carry forward and set off of a 'deficiency' i.e., a shortfall in the profits from the amount of the statutory deduction (10 per cent of the capital base or Rs. 2 lakhs, whichever is higher).

Income-tax & Super-tax

Income-tax: The rate of income-tax on companies is proposed to be retained at 25 per cent as before. However, a foreign company will be charged to income-tax at a concessional rate of 15 per cent on any dividends received by it from an Indian private limited company which is carrying on the business of generation and distribution of electricity or is wholly or mainly engaged in the manufacture or production of any one or more of the articles in the basic industries specified in the list in Part IV of the First Schedule to the Finance Bill, 1964. These industries are the same as are specified in the Companies (Profits) Surtax Bill. The object of this concession to foreign companies is to ensure that foreign participation in Indian private limited companies engaged in basic industries is not adversely affected by the proposed increase in the rate of super tax by 10 per cent on private limited companies which are governed by section 104 of the Income-tax Act of 1961 and have to make a compulsory distribution of a certain amount of their profits.

Exemption of inter-corporate dividends from super-tax: One of the important changes proposed is the exemption of all companies from super-tax on any dividends received by them from an Indian company or any other company which has made the prescribed arrangements for the declaration and payment of dividends within India.

This will have the effect of encouraging inter-corporate investment and would particularly attract the inflow of investment by foreign companies in the equity capital of Indian companies. Incidentally, it will also simplify the system of taxation of companies because so far there were fine distinctions in the levy of supertax on inter-corporate dividends. (Inter-corporate dividends from some Indian companies engaged in certain basic industries and satisfying certain conditions were hitherto exempt from super-tax and on dividends from other companies, super-tax was charged at various concessional rates ranging from 5 per cent to 20 per cent depending on the date of incorporation of the company concerned or whether it was an Indian subsidiary company or not and various other circumstances).

Rate of super-tax in the case of Indian companies and other companies which declare and pay their dividends in India on income other than dividends and capital gains:

(i) Companies in which the public are substantially interested and whose total income does not exceed 25,000.

In these cases, the rate of super-tax is proposed to be reduced from 20 per cent applicable under the previous year's Finance Act to 17.5 per cent only. This will have the effect of encouraging small or new companies.

(ii) Companies in which the public are substantially interested and whose total income exceeds Rs. 25,000.

The existing general rate of super-tax at 25 per cent in the case of such companies is proposed to be retained. However, an important concession is sought to be made in the case of such of these companies which derive income from the business generation and distribution of electricity or the business of manufacture or production of any of the articles relating to the important industries listed in Part IV of the First Schedule to the Finance Bill. On such profits super-tax will be charged at the reduced rate of 20 per cent instead of 25 per cent. This reduction of 5 per cent in the rate of super-tax works out to 10 per cent of the income-tax and super-tax normally payable by such companies (income-tax 25 per cent plus super-tax 25 per cent or 50 per cent). This concession is designed to encourage production in various industries which are of special importance for our industrial development and exports.

(iii) Rate of super-tax and other provisions in the case of companies in which the public are NOT substantially interested.

In the case of such private limited companies the rate of super-tax is proposed to be increased from 25 per cent by 10 per cent to 35 per cent. The overall rate of tax on such companies on their income (other than inter-corporate dividends which are being exempted from super-tax) will thus be 60 per cent (income-tax 25 per cent 'plus' super-tax 35 per cent). Such companies are mostly closely held corporations controlled by a few wealthy persons. An analysis made by the Taxation Enquiry Commission (1953-54) in respect of 3005 companies of this category revealed that as many as 2589 of these (or 86 per cent) were controlled by four or fewer persons. Out of these, there were 944 companies (31.4 per cent of the total) in each of which the majority of shares were owned by one shareholder and 937 companies (31.2 per cent) in each of which the majority of shares were held by two shareholders. Wealthy assessees often use such companies as a medium for reducing the incidence of tax in their personal assessments by transferring their assets to companies controlled by them and accumulating their profits in the hands of the companies to the extent permissible under the Law.

Concession to Power Companies

Although the general rate of super-tax on such companies is sought to be increased to 35 per cent as mentioned before, it is proposed to give a concession to such of these companies which derive income from a business of generation and distribution of electricity or a business of the manufacture or production of any of the articles listed in Part IV of the First Schedule to the Finance Bill. On such profits, the rate of super-tax will be 29 per cent instead of 35 per cent. This concession of 6 per cent works out to 10 per cent of the normal rate of tax on such companies (income-tax 25 per cent plus super-tax 35 per cent or 60 per cent).

Exemption of Indian private limited companies wholly engaged in manufacturing or processing of goods or mining etc. from the requirement under section 104 of the Income-tax Act of compulsory distribution of dividends and relaxation of this provision in the case of non-investment companies.

While the rate of super-tax in the case of Sec. 104 companies is proposed to be increased, it is also sought to make certain concessions for them in regard to the statutory requirement of compulsory distribution of a specified percentage of their profits in order that they may be enabled to plough back a larger share of their profits in their industry and trade.

For this purpose it is proposed to exempt Indian companies whose business consists wholly in the manufacture or processing of goods, or in mining or the generation or distribution of electricity or any other form of power from the requirement of compulsory distribution of dividends. In regard to private limited companies (other than investment

companies), i.e. trading companies, it is proposed to make a provision in the IT Act enabling the Central Board of Direct Taxes to reduce the amount required to be distributed by them as dividends compulsorily to the extent of 20 per cent of the statutory percentage of distribution, if such reduction is justified having regard to the current requirements of the development of the business of the company.

It is also proposed to take powers for the Central Government to exempt by issue of a notification, any class of companies from the requirement of compulsory distribution of dividends, subject to any conditions, if it considers such a step necessary or expedient in the public interest.

The above provisions are designed to create the required conditions for the development of industry and trade in the private limited companies' sector consistently with the safeguarding of the interests of revenue.

(iv) Levy of an extra super-tax on Indian companies and other companies declaring and paying their dividends within India with reference to distribution of dividends on equity capital.

It is also necessary to discourage companies from frittering away profits by large distribution of dividends on their equity capital and to induce them to build up reserves for meeting their developmental needs in the future. It is, therefore, proposed to adopt the simple expedient of levying an extra super-tax calculated at the rate of 7.5 per cent of the amount of equity dividends distributed by them. Dividends on preference shares will not be subject to this levy as companies are under an obligation to pay such dividends at the stipulated rate. Companies which are required under the provisions of the Income-tax Act to distribute dividends compulsorily will also not be subjected to this levy. Further, as a new company takes some time to produce adequate profits for distributing any dividends on equity shares, it is proposed to grant them a concession. It is this: If more than 5 years have not elapsed since the declaration of their first dividend, no super-tax will be levied on the amount of their equity dividend up to 10 per cent of their paid up equity capital.

Rate of super-tax in the case of companies which have 'not' made the prescribed arrangements for the declaration and payment of dividends within India (i.e. foreign companies operating in India through branches or agencies) on income other than dividends and capital gains.

Increase in Super-tax

In the case of such companies, it is proposed to increase the rate of super-tax by 2 per cent from 38 per cent to 40 per cent. The overall rate of tax on such companies will then be 65 per cent (IT-25 per cent plus ST-38 per cent) under the previous year's Finance Act. A small increase in the rate of super-tax on such companies is justified as, intercorporate dividends have been exempt from super-tax, and that, by and large, such companies will not be liable to surtax because of the exemption from surtax of interest and royalty income and income from rendering technical services.

However, in order that foreign collaboration in our industries may not be adversely affected, it is proposed to provide that in respect of royalty income received by such a company from an Indian concern under an agreement after 1-4-1961 (when the Finance Act, 1961 was adopted) and fees for rendering technical services, received from an Indian concern under an agreement after 29-2-1964 approved by the Central Government, the rate of super-tax will be 25 per cent only. On such income the overall rate of tax will thus be 50 per cent only (IT-25 per cent and ST-25 per cent).

Rates of deduction of tax at source from dividends paid by an Indian company and any other company which declares and pays its dividends within India.

In the case of non-company shareholders who are resident in India, income-tax was deducted at source under the provisions of the Finance Act of the previous year at the rate of 30 per cent. It is proposed to reduce this rate by 10 per cent to 20 per cent only. This will give relief to resident shareholders whose income is of an amount which does not attract a high rate of income-tax. The shareholder will be enabled to have in his hands a higher immediate return from his share investments than before. This will minimise the hardship which sometimes arises when the issue of refunds happens to be delayed and render investment in shares more attractive.

In the case of companies the rate of deduction of income-tax at source from dividends will remain at 25 per cent as before. The only exception will be in the case of foreign corporate shareholders receiving dividends from an Indian section 104 company wholly or mainly engaged in a business of generation and distribution of electricity or the business of manufacture or production of any of the articles specified in Part IV of the First Schedule to the Finance Bill. On such dividends income-tax will be deducted at 15 per cent only because this is the rate at which income-tax is chargeable thereon on regular assessment in the case of foreign corporate shareholders.

In the case of company assessees, 'no super-tax will be required to be deducted at source from the dividends payable to them,' because, as stated before, inter-corporate dividends are proposed to be exempt from super-tax.

Export Incentive

It is proposed to continue the existing tax concession in relation to exports, to all assessees except foreign companies. These concessions are (i) a 10 per cent rebate of income-tax and super-tax payable on profits derived from the export of goods and merchandise outside India and (ii) a rebate of income-tax and super-tax calculated on 2 per cent of the amount of goods exported by a manufacturer or sold by him to another person in India and exported by such person directly.

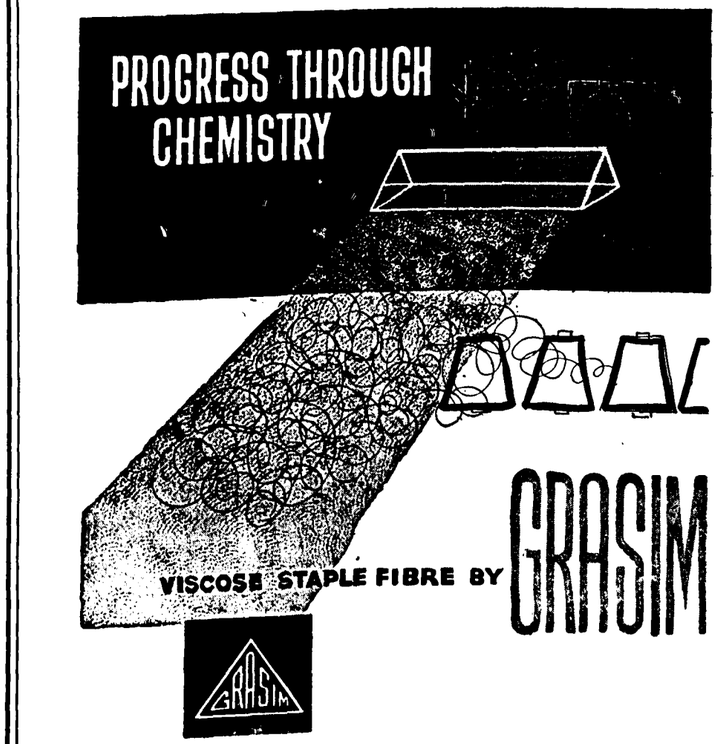
It is, however, proposed to extend the second mentioned concession to 'non-jute' textiles exported after 29-2-1964 and to discontinue it in respect of certain articles such as arms and ammunition, photographic raw films and newsprint etc.

Abolition of restriction over salaries of Indian employees of companies to Rs. 5,000 per month and introduction of a new provision restricting the perquisites of employees of companies to 20 per cent of their salary.

The Finance Act, 1963 had introduced a provision in the Income-tax Act, 1961 under which any expenditure incurred by a company on the remuneration and perquisites of their 'Indian employees' in excess of Rs. 5,000 per month for each employee was required to be disallowed in computing the assessable income of the company. It is proposed to remove this provision as it is not only discriminatory against Indian employees but could also be circumvented in various ways such as payment of a salary to the same employee from more than one unit in a group of companies. There are already some provisions in the Companies Act regulating the remuneration of certain categories of office bearers of companies.

On the other hand it is proposed to restrict the expenditure incurred by companies after 29-2-1964 on providing perquisites to their employees, whether Indian or foreign nationality, to 20 per cent of their salary. Any expenditure in excess of this limit will not be allowed as a deduction in computing the assessable income of companies. This will put a healthy check on the proliferation of perquisites in the case of high paid employees and executives of companies. In computing this expenditure, payments by way of gratuity or contributions to recognised provident funds or approved superannuation funds and gratuity funds will not be taken into account.

Restrictions over excessive expenditure incurred after



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There is a tendency among companies towards the incurring of excessive expenditure on advertisement and particularly on maintenance of expensive guest houses, unnecessary bookings in railways and planes and hotels and payments on a very high scale in respect of travelling and lodging and boarding allowances to big executives and directors. Such unproductive expenditure contributes in no small measure to an increase in the cost of living and is also incurred partly at the expense of the Exchequer and partly of the shareholders of the company. It is, therefore, proposed to make a provision laying down that such expenditure incurred after 31-3-1964 will be allowed as a deduction in the assessment of the business or professional income of an assessee only to the extent and subject to certain prescribed conditions. The circumstances in which such expenditure may be incurred are so many that it was not practicable to make specific provisions in the Income-tax Act itself. Necessary provisions will be made in the Income-tax Rules.

Provisions for encouraging investments by non-residents in securities in India and facilitating the import by Indian industrial undertakings of capital plant and machinery from abroad on credit facilities granted by non-residents.

In order to encourage foreign investments in approved securities (including debentures) in India, it is proposed to make a provision in the Income-tax Act exempting non-residents from tax on income from interest on approved securities.

Tax Exemptions

There is already a provision in the Income-tax Act under which a non-resident who advances moneys or allows credit facilities to an Indian industrial undertaking for acquiring capital plant or machinery or raw materials from abroad is exempt from tax on the interest that can be received by him from the industrial undertaking, provided the loan agreement has been approved by the Central Government. However, under this provision there could be no partial exemption of the interest calculated at a rate lower than that stipulated in the agreement. It may, however, not be desirable in many cases to allow exemption from tax on the interest calculated at the full rate stipulated in the agreement. Where the rate of interest is high and the entire amount is exempt from tax, the benefit passes on to the Exchequer of the home country of the non-resident where he is subjected to tax without allowing any double taxation relief because of the exemption allowed in India. It is, therefore, proposed to amend the existing provision so as to enable the Central Government to accord approval for exemption of the non-resident from tax on interest calculated at a rate lower than that stipulated in the loan agreement.

Liberalisation of the provision regarding exemption of foreign technicians from tax on salary income in India.

Under the existing provisions in the Income-tax Act, a foreign technician is entitled to exemption from tax on his salary income in India for a period of thirty six months, if his contract of service has been approved by the Central Government 'before the commencement of his service'. However, there are instances where the services of foreign technicians have to be engaged by Indian industrial undertakings at short notice which leaves no time for obtaining the prior approval of the Central Government to their contract of service. In order to get over this genuine difficulty, it is proposed that the exemption from tax will be available to the foreign technician even if the contract of his service has been approved by the Central Government within one year of his arrival in India.

Exemption of non-resident from tax on income attributable to purchase of goods in India which have been processed before export.

Under the existing provision in the Income-tax Act, a non-resident who purchases goods in India for export and maintains any office or agency in India for the purpose or subjects the goods to a manufacturing process before exporting them is liable to tax on the income attributable to such operations. It is proposed to do away with this provision as it acts as a disincentive in promoting the export of our goods outside India.

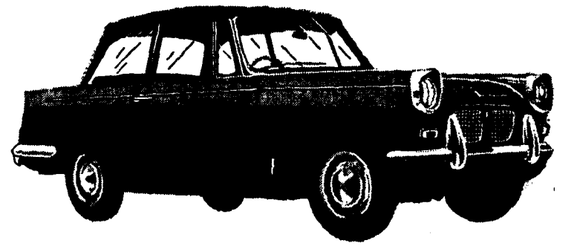
Exemption of foreign visiting professors and teachers from tax on salary income.

Professors and teachers of foreign nationality visiting our universities and other educational institutions play an important role in the progress and advancement of specialised studies in the fields of science, technology and arts in our country. Our high rates of progressive personal taxation give rise to difficulties in free utilisation of the services of foreign specialists and experts, particularly because the financial resources of our educational institutions are not large. It is, therefore, proposed to exempt from tax the salary income of professors and teachers of foreign nationality, subject to the approval of the contract of their services by the Central Government, on the same conditions as are applicable to the exemption of foreign technicians.

Rebate of tax to resident individuals of foreign nationality

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on amounts spent for education of children in a foreign country.

Foreign managerial personnel and specialists who take up employment in companies and business firms in India have generally to educate their dependent children in foreign countries as boarding house students which involves considerable expenditure. Under the taxation laws of several countries, an allowance is given from the assessable income for meeting the cost of education of dependent children. For instance, in the UK, an individual is entitled to a deduction of £150 for the education of each dependent child receiving full time education. Having regard to the expenditure which foreigners resident in India have to incur on the education of their children abroad, it is proposed to allow them a rebate of income-tax and super-tax on such expenditure out of their assessable income, on an amount limited to Rs. 4,000 (Rs. 2,000 for each child up to 21 years of age, up to two children) or 25 per cent of their total income, whichever is less.

Direct Taxation

The rate structure of taxation of personal incomes and the incomes of unregistered firms, associations of persons etc. has been in need of overhauling because of its haphazard development through successive years with frequent sporadic increases and occasional reductions in the rates and changes in the income slabs. Also, it has been overburdened, in this process, by a multiplicity of overlapping surcharges. The large number of surcharges also results in too many refinements in calculations which are inconvenient both to the assessees and the Department. Apart from the aspect of simplification of the system, some of the important factors have to be kept in view. These are: the burden of taxation on earned income should be appreciably lighter than on unearned income above a certain lower limit; the overall burden of taxation at all levels of income should be so regulated that it leaves scope for the generation of savings and promotion of investment for a healthy growth of the economy. The tax burden on the assessees in the lower and middle income groups which went up considerably due to the imposition of the additional surcharge calculated on the whole of their residual income without any exemption also needed to be tempered down. In the context of our developmental and defence needs, it was also necessary to adopt measures for a systematic mobilisation of savings from amongst assessees of the middle income group upwards. The proposals in the budget regarding taxation of personal incomes and of the incomes of unregistered firms, association of persons etc. have been drawn up in the light of these objectives and purposes.

Changing of rate structure of income-tax and super-tax and replacement of the numerous existing surcharges by a single Union surcharge on income-tax and on super-tax.

The existing structure of income-slabs and basic rates of income-tax and super-tax have been replaced by a new simplified rate schedule of income-tax and super-tax, with a smoother progression curve. The maximum rate of income tax above the income slab of Rs. 20,000 remains at 25 per cent as before but in the schedule of rates of super-tax, the maximum rate of 47.5 per cent applicable under the Finance Act of the previous year to income above Rs. 70,000 has been rounded off upwards to 50 per cent.

The existing diverse surcharges on income-tax including the additional surcharge introduced last year and also the existing surcharges on super-tax are proposed to be abolished.

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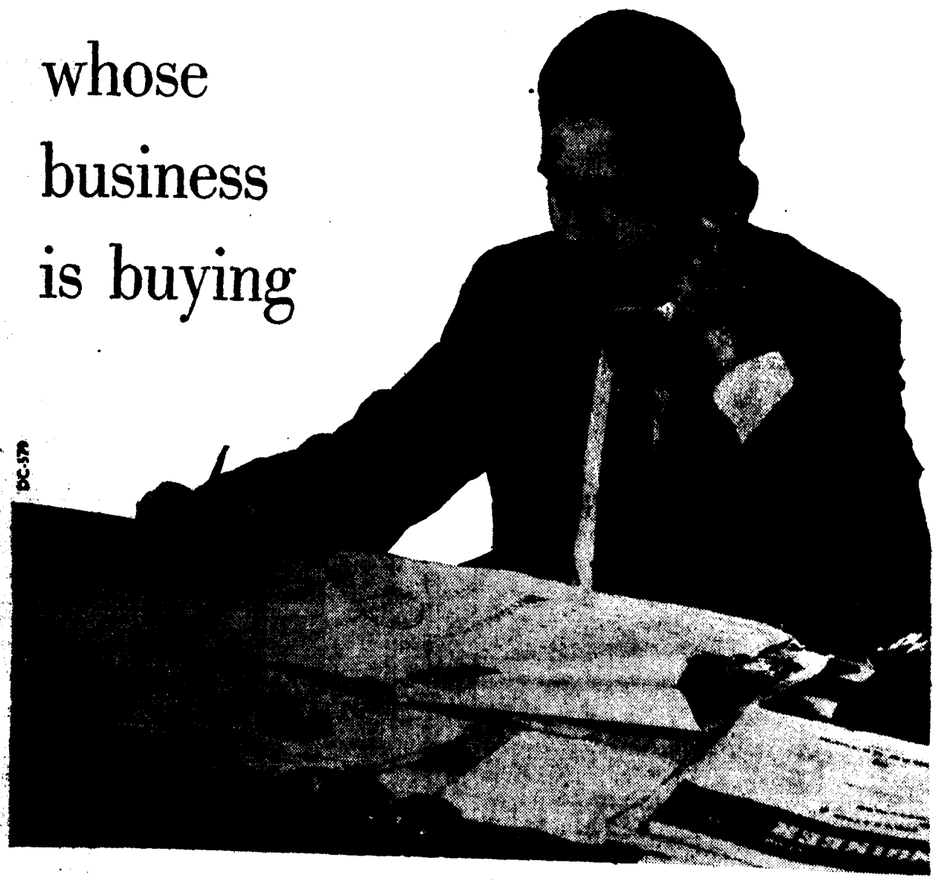
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and replaced by a single Union surcharge on income-tax and on super-tax. Earned income up to Rs. 1 lakh will not attract any surcharge. Only where such income exceeds Rs. 1 lakh, a surcharge will be leviable at the rate of 10 per cent of the income-tax and super-tax chargeable on the excess amount.

Unearned income not exceeding Rs. 10,000 will also not be liable to surcharge. However, where such income is above Rs. 10,000 but does not exceed Rs. 25,000, a surcharge will be leviable at 12.5 per cent of the income-tax/super-tax payable on the whole of the unearned income subject to marginal relief on unearned income between Rs. 25,001—75,000 the rate of the surcharge will be 15 per cent, and in a case where such income exeeds Rs. 75,000, the rate will be 17.5 per cent.

With the abolition of the additional surcharge on income-tax for the assessment year 1964-65, the requirement of making deposits under the Compulsory Deposit Scheme Act, 1963 will automatically cease to operate. Assessees who have made advance deposits during the financial year 1963-64 in respect of income 'other than salaries' assessable for the assessment year 1964-65 will be entitled to a refund of the deposit with interest. However, in respect of salary income earned during 1963-64 and assessable for the assessment year 1964-65, deposits made during the financial year 1963-64 will not be refundable. This is because salary income assessable for the assessment year 1964-65 will be chargeable to tax under the operation of the Finance Act, 1963.

Annuity Deposit Scheme

It is proposed to make a provision from the assessment year 1964-65 onwards for the making of compulsory 'annuity deposits' by all assessees resident in India having an income exceeding Rs. 15,000. Exceptions are individuals who are not citizens of India and registered firms, local authorities, co-operative societies, companies and corporations established under a Central, State or Provincial Act.

The amount of the annuity deposits will be calculated on the 'adjusted total income' of an assessee at the rates prescribed under the clause 3 of the Finance Bill. The rates of annuity deposits are 5 per cent in the case of assessees whose total income is between Rs. 15,001—20,000; 7.5 per cent between Rs. 20,001—40,000; 10 per cent between Rs. 40,001—70,000 and 12.5 per cent over Rs. 70,000. An assessee whose total income includes any gratuity may, at his option deposit an additional amount of 50 per cent of such gratuity. Musicians, authors, artists, playwrights may also, at their option, deposit an additional amount of 15 per cent of their total income.

The 'adjusted total income' on which the amount of annuity deposit required to be made is calculated is arrived at by deducting from the total income certain items such as any past arrears of salary, balances in a provident fund transferred to the credit of an employee participating in a recognised provident fund, and any share of income from an unregistered firm or association of persons, where such firm or association is liable to make a deposit. For the assessment year 1964-65, any salary income earned during the financial year 1963-64 will also be excluded in arriving at the 'adjusted total income'. (This is because salary income earned during the financial year 1963-64 is assessable for the assessment year 1964-65 under the provisions of the Finance Act, 1963).

The amount of annuity deposit which an assessee is liable to make for an assessment year will be allowed as a deduction in computing his assessable income for that assessment year.

The deposits will be repayable in ten annual equated instalments of principal and interest at the rate notified by the Central Government. The annuity (both principal and interest) will be chargeable to tax as the income of the depositor for the year in which it is due to be paid.

Annuity deposits will be required to be made in advance during each financial year in respect of the assessee's income assessable for the assesment year next following that financial year. In the case of existing assessees who are liable to make deposits, notices for making advance deposits will be issued by the Income-tax Officer on the basis of the latest completed regular assessment for the assessee. The amount can be reduced if the assessee estimates that his current income would be less than the income on the basis of which the Income-tax Officer has issued the notice for advance deposit. New assessees who may be liable to make a deposit will be required to send an estimate of their total income and the amount which they are liable to deposit to the Income-tax Officer concerned before 1st March, and to make the deposit by the 15th March at the latest.

In calculating the advance tax payable under the Income-tax Act, the advance annuity deposit which an assessee is liable to make will be deducted from his income subject to payment of advance tax. Likewise, in calculating the amount of tax required to be deducted at source from salary income, the amount of annuity deposit calculated in respect of that income at the rates prescribed in the Finance Act will be deducted, whether the deposit has actually been made or not.

In respect of the income assessable for the assessment year 1964-65, annuity deposits are required to be made at the time when the tax is payable, but not later than the 31st March, 1965.

Any arrear dues of annuity deposit are recoverable like arrears of taxes under the provisions of the Income-tax Act. If a person fails to make the annuity deposit in due time, he will be liable to the imposition of a penalty not exceeding

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50 per cent of the amount he was liable to deposit.

The Central Government is enabled under the provisions relating to annuity deposits to frame a scheme to provide, 'inter alia', for the manner in which such deposits shall be made, the manner and intervals of payment of the annuities, the authorities by whom the annuities may be issued and all other matters which may be necessary or proper for the effective implementation of the scheme.

Features distinguishing the annuity deposit scheme from the compulsory deposit scheme.

(1) Annuity deposits will be required to be made by assessees whose total income exceeds Rs. 15,000.

(2) Persons in the higher income brackets are required to make a larger amount of deposit than persons in the lower brackets.

(3) The annuity deposits are deductible in computing the assessable income of an assessee.

(4) The annuity due to a depositor is chargeable to tax, both as to principal and interest as his income for the year in which it is due to be paid.

An assessee gets an initial advantage of a saving in tax due to the deduction of the annuity deposit in computing his assessable income but he is liable to pay tax on it over a deferred period of 10 years.

(5) Compulsory deposits are refundable after five years but annuity deposits are repayable annually in 10 equated instalments of principal and interest.

The effect of the revision of the rate structure of income-tax and super-tax, replacement of the existing surcharges by a single surcharge on income-tax and super-tax, and the introduction of the annuity deposit provisions is that there will be a reduction in the amount of tax payable at most levels of income. However, in the case of assessees in the income bracket above Rs. 15,000 who are required to make annuity deposits, the aggregate of the tax payable and the annuity deposit will be a little higher than the aggregate of the tax payable under the rates for 1963-64 and the element of compulsory deposit. This difference is due to the fact that the annuity deposits work out at an amount higher than the amount of compulsory deposit.

Grant of a rebate of super-tax in respect of sums paid as life insurance premiums etc.

So far, a rebate of income-tax alone was admissible in respect of sums paid as life insurance premiums, contributions to recognised provident funds, approved superannuation funds and deposits in the Post Office under the Cumulative Time Deposit Scheme. In order to encourage long-term small savings by individuals and Hindu undivided families, it is now proposed to allow a rebate of super-tax also in respect of such payments. The total amount of the income-tax and super-tax rebate allowable will, however, be limited to a maximum of 50 per cent of the payments qualifying for relief. The existing limits of the payments qualifying for relief are not being changed.

Taxation of Capital Gains

Several important changes in the existing system of taxation of capital gains are proposed to be made in order to remove some anomalies and shortcomings in the present provisions.

Long-term capital gains: Such capital gains, i.e., gains relating to capital assets held by the assessee for more than one year are usually taxed at a concessional rate because the

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accretion to the value of such assets takes place over a period longer than a year. Under the existing provisions, the tax on long-term capital gains in the case of non-company assessees is, therefore, limited to 25 per cent of the amount of such gains. This limit, however, results in a benefit only to those assessees whose total income is high so as to attract an average rate of tax above 25 per cent. Assessees having a small total income attracting an average rate of tax equal to or below 25 per cent do not get any benefit as the ceiling does not operate in their cases and they have to pay tax on long-term capital gains at the full average rate applicable to their total income, which is inequitable. It is, therefore, proposed to provide that in the case of assessees 'other than companies', the tax on long-term capital gains relating to 'lands and buildings' will be charged 'at 75 per cent of the average rate' applicable to their total income and in respect of other types of long-term capital gains, tax will be charged at '50 per cent of such average rate'. A higher tax on long-term capital gains relating to lands and buildings is fully justified because of the sharp rise in the prices of lands and buildings in recent times partly due to the limited availability of lands and buildings and increasing industrialisation and urbanisation and partly due to the activities of speculators.

Long-term Capital Gains

In the case of company assessees, the rate of income-tax on long-term capital gains will be 25 per cent as before. However, in respect of long-term capital gains relating to lands and buildings, it is proposed to increase the super-tax from the existing rate of 5 per cent to 15 per cent. In respect of other types of long-term capital gains, the rate of super-tax on companies will remain at 5 per cent.

Tax on capital gains in respect of bonus shares on accrual basis.

At present, tax is charged on capital gains in respect of bonus shares (as in respect of any other capital asset), only when such shares are actually disposed of by an assessee. However, the distribution of a bonus share by a company to an equity shareholder results in an immediate and definite accretion to his share capital and thereby it distinctly adds to his taxable capacity. In the circumstances, there is no valid justification for postponing the charging of tax on such capital gains till the time of actual transfer of the bonus shares by the assessee. It is, therefore, proposed to charge tax on capital gains in respect of bonus shares held by an investor in equity shares as if such shares were transferred by him at their fair market value on the 31st day from the date of their distribution. When the bonus shares are actually transferred by the assessee subsequently, their fair market value on 31st day will be taken to be their cost to the assessee for the purpose of determining the amount of capital gains or loss arising to him from the actual transfer.

Provision for countering the under-statement of the full value of consideration of a capital asset.

Often the full value of the consideration received for the transfer of a capital asset is grossly understated by unscrupulous assessees in order to reduce their liability to tax on capital gains. The additional amount of the consideration is received in such cases in cash, off the record, and it becomes very difficult to establish by evidence that the full value of the consideration has been understated. In order to get over this difficulty, it is proposed to make a provision that if in the opinion of the Income-tax Officer the 'fair market value' of a capital asset 'as on the date of its transfer' exceeds the full value of the consideration as 'declared' by the assessee by an amount not less than 15 per cent of such declared value, the capital gains in respect of such asset will be computed with reference to such fair market value. The Income-tax Officer will be required to obtain the previous approval of the Inspecting Asstt. Commissioner before applying this provision. If the assessee is not satisfied with the determination of the fair market value, it will be open to him to have the dispute referred to a committee of valuers for arbitration, at the stage of his appeal against the assessment before the Appellate Tribunal.

Development Rebate

Under the existing provisions of the Income-tax Act, assessees who acquire and instal new machinery or plant in their business are entitled to a deduction from their assessable income by way of development rebate at a uniform rate of 20 per cent of the cost of such machinery, except in the case of coal mining machinery plant installed during the period 1-4-1963 — 31-3-1966 for which the rate is 35 per cent. In respect of a new ship acquired by an assessee, the rate of development rebate is 25 per cent of its cost. It would be desirable to replace the existing system of allowing development rebate to all industries on a uniform basis by one of granting the rebate to selected industries on a graduated basis depending on appraisal of the developmental needs of important groups of industries. However, a sudden change would cause hardship to concerns which have already undertaken expansion programmes on the assumption that development rebate will continue to be available. In view of this position, a provision is proposed to be made enabling the Central Government to withdraw the deduction of development rebate by giving a '3-year' notice. The effect of the provision for the 3-year notice will be that any ship acquired or machinery or plant installed 'during a period of three years from the date of the notification issued by the' Central Go-

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vernment' will continue to qualify for the development rebate.

Allowance of development rebate in respect of second hand ships acquired from a non-resident or machinery or plant newly imported from abroad, under certain conditions.

Under the existing provisions, a ship or machinery or plant should be new in order to qualify for development rebate. However, it would, sometimes, be desirable and expedient (from the point of view of quicker delivery and also economy in expenditure of foreign exchange) to allow development rebate in respect of second hand ships acquired from a non-resident or second hand plant or machinery in a good condition newly imported from abroad. It will, however, be necessary to lay down necessary conditions in order to ensure that this concession is not abused by assessees by importing second hand machinery which may be obsolete or not in a good condition at inflated prices from connected concerns in order to obtain the benefit of development rebate. It will also be justified to lay down a differential rate of development rebate for second hand ships or machinery or plant. Provisions for this purpose will be made in the Income-tax Rules after a careful examination of the issues involved. A provision enabling the grant of development rebate in respect of second hand ships or machinery or plant and empowering the Central Board of Direct Taxes to make provisions in the Income-tax Rules has been incorporated in the Finance Bill.

Provisions for expediting tax collections, countering tax evasion and bringing tax offenders to book more effectively.

'Requirement of payment of tax on self-assessment on the basis of the return filed'. The Finance Act of the previous year introduced a provision in the Income-tax Act under which an assessee who paid the tax dues on the basis of his return of income or on assessment by the Income-tax Officer by the 31st December of the relevant assessment year was entitled to a discount of 1 per cent of the tax so paid. Conversely, an assessee who does not pay his tax dues before the 1st January of the relevant assessment year was liable to pay interest at 2 per cent per annum on the amount of the tax due from him from 1st January to the date of payment. The inducement of 1 per cent discount is, however, not effective enough to ensure payment of tax on self-assessment basis. The provision for charging interest at 2 per cent per annum also resulted in an unproductive increase of calculation work involving small amounts.

It is, therefore, proposed to replace it by a new one. Under this provision an assessee whose net tax liability on the basis of his return exceeds Rs. 500 will be required to pay the tax on self-assessment within thirty days of filing the return of income. If he fails to do so, a penalty not exceeding 50 per cent of the tax payable by him will be imposed. The margin of Rs. 500 has been kept in order that small assessees and non-residents having a small income in India may not be put to inconvenience. This provision is designed to expedite the collection of taxes.

Assessment of value of any benefits or perquisite received by a person in excercise of his business or profession.

At present, there is no provision in the Act enabling the assessment of the value of a perquisite or benefit secured by a person engaged in a business or profession from another person in return for valuable consideration or services rendered, e.g., the rental value of a rent-free house availed of by a lawyer from a firm in return for his professional services to

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the firm. This loophole for avoidance of tax is now sought to be plugged.

Assessment of unexplained money or valuable articles.

In order to bring hidden hoards of wealth under assessment, it is proposed to make a provision to the effect that if an assessee is found, in any financial year, to be the owner of any money, bullion, jewellery or any other valuable articles not recorded in the books of account and fails to explain satisfactorily the source of acquisition of such money, bullion etc., the money and the value of such articles may be deemed to be his income for that financial year.

Levy of penalty for concealment of income.

Under the existing provisions in the Act, an assessee can be penalised for concealment of income only if the Income-tax Department is able to establish through positive evidence that the assessee had concealed his income or deliberately furnished inaccurate particulars. However, in practice, it becomes very difficult for the Department to discharge the onus of proving a deliberate concealment of income because the relevant facts and evidence remain with the assessee and the Department can proceed only on the basis of whatever evidence it can marshall in the face of opposition and manipulations by the assessee. It is now proposed that where the income declared by an assessee in his return is less than 90 per cent of the assessed income (reduced by expenditure incurred 'bona fide' for earning the income, but disallowed in the assessment), the assessee shall be deemed to have concealed his income or furnished inaccurate particulars and will be liable to penalty accordingly, unless he produces proof to establish his 'bona fides'. The onus for proof of the correctness of the return will thus be shifted, and rightly so, on the assessee. This will be in line with the law in Britain.

Income-tax Officer's powers of survey.

The Income-tax Officer should be able to make a survey for new assesses and to detect undisclosed books of accounts. Under a new provision proposed the Income-tax Officer (or an Inspector of Income-tax authorised by him) may enter any premises in his jurisdiction where any business or profession is carried on by an assessee and to inspect any books of account or documents there, to take extracts and to place marks of identification on them.

Search & Seizure

Powers of search and seizure: It is proposed to replace the existing provision in section 132 of the Income-tax Act. This enables the Commissioner of Income-tax to authorise an Income-tax Officer to search any premises for any books of account or documents which may be useful for any proceedings under the Act and to seize them. Under the new provision, the Commissioner can authorise any Inspecting Assistant Commissioner or Income-tax Officer to search any premises if he has reason to believe (based on information) that a person has failed to produce account books or documents or is not likely to comply with a requisition or is in possession of any articles or things (including money) wholly disproportionate to his known sources of income. The officer so authorised can seize any account books or documents, place marks of identification on them and make a note or inventory of any articles or things or money found in the premises which in his opinion will be relevant to any proceedings under the Act.

Returns of income to carry an affirmation as to their correctness.

In the form of return of income prescribed in the Income-tax Rules, verification is in the form of a declaration by the assessee that to the best of his knowledge and belief, the information given is correct and complete and that the income shown has been truly stated. It is now proposed to substitute the 'declaration' by an 'affirmation' by the assessee so as to induce in a greatest measure of care and truthfulness in the declaration of the particulars required to be given in the return.

Abolition of provisions in the Income-tax Act and other direct taxes' enactments prohibiting the disclosure of information contained in assessment records.

The Income-tax Act, the Wealth-tax Act and other direct tax enactments contain provisions prohibiting the disclosure of information contained in the assessment records of an assessee. These secrecy provisions give rise to manifold difficulties in furnishing information in the public interest to courts and various departments of Government and other bodies and for making inquiries in matters relating to tax offences or enquiries about the wealth of assessees in connection with disciplinary proceedings started against them by the Department in which they are employed. To overcome these difficulties a large number of exemptions to these provisions have been made from time to time, making them quite cumbersome. The ban on disclosure of information still however persists and it stands in the way of proper investigation of concealed income and wealth. It also stands in the way of publication by the Central Government of relevant information about assesseees, if such publication is considered by it to be in the public interest. It is, therefore, proposed to do away with the secrecy provisions altogether in the Income-tax Act and all other direct tax enactments. It is also proposed to enable the Commissioner (the Controller in respect of Estate Duty) to give information about any assessee in regard to assessments to any person on his application and on payment of the prescribed fee, if the Commissioner (or Controller) is satisfied that the information sought need not be refused. It is also proposed to enable the Central Government

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to publish the names of any assessees and any particulars relating to assessment proceedings in respect of such assessee, if it is considered necessary or expedient in the public interest to do so. However, publication of the imposition of a penalty or any conviction for an offence connected with any proceedings for assessment would be made only after the expiry of the time limit for filing the first appeal or after the disposal of the first appeal.

Punishment of tax offenders, on conviction, for making false statements in declaration or abetment of false returns etc.

Under the existing provisions, the punishment for such offences is simple imprisonment up to six months or a fine up to one thousand rupees or both. It is now proposed that the punishment should be rigorous imprisonment for a minimum term of six months (unless special and adequate reasons to the contrary have been recorded in the judgment delivered by the Court) and a maximum term of two years.

Amendments to the Wealth-Tax Act.

The following changes are proposed to be made in the Wealth-tax Act, 1957:

(i) Exemption from wealth-tax of the value of a residential house or part of it.

Residential Houses

The existing exemption, in effect, applies only to a residential house situated in a village or a small town. It is desirable to allow this exemption in respect of a house or part of it belonging to the assessee and exclusively used by him for residential purposes even where such a house is situated in a large town or city, subject to a suitable limit on the amount qualifying for exemption. A provision has been made accordingly. If, however, such house is situated in a place with a population exceeding ten thousand, the amount to be excluded from the assessable wealth of the assessee will not exceed Rs. 1 lakh.

(ii) Changes in the rate schedule of wealth-tax.

Under the existing rate schedule of wealth-tax individuals are entitled to a basic exemption on the first Rs. 2 lakhs of the value of their assessable wealth. In the case of Hindu undivided families, the amount so exempt is Rs. 4 lakhs. These limits are too high in the context of our social and economic conditions. It is, therefore, proposed to reduce them to Rs. 1 lakh and Rs. 2 lakhs respectively in the cases of individuals and Hindu undivided families. The rate of wealth-tax on the next slab of Rs. 4 lakhs (Rs. 3 lakhs in the case of Hindu undivided families) has been fixed at 0.5 per cent only, as against the existing rate of 1 per cent. The rate of wealth-tax on the slab between Rs. 10—20 lakhs has been raised from 1.75 to 2 per cent. On wealth in the slab over Rs. 20 lakhs, the existing rate of 2.5 per cent is proposed to be continued.

Revival of the levy of Expenditure Tax, proposed amendments.

As has been stated earlier, it is necessary to adopt measures for putting a healthy restraint on the rising level of consumer spending in order to keep the forces of inflation under control and prevent further increases in the price level. To achieve this purpose, it is proposed to revive the levy of expenditure-tax with effect from the assessment year 1964-65.

The previous Finance Minister had discontinued the levy on the ground that it was unproductive and ineffective. This, is, however, due to the fact that the Act contains too many provisions for exemptions, deductions and allowances. It is, therefore, proposed to remove some of these exemptions and deductions such as expenditure on purchase of products of cottage industries and work of art, purchase and maintenance of livestock, celebration of marriages, medical treatment, purchase of household goods, payment of customs duty on articles imported for personal use etc. It is also proposed to withdraw the deduction of 75 per cent of the average annual expenditure for 3 years prior to the previous year for the assessment year 1958-59 which was admissible to assessees who made a claim before making the return for the assessment year 1958-59.

Changes in the rates of expenditure-tax.

The existing rate schedule of expenditure-tax applicable to individuals and Hindu undivided families is to be substituted by a new rate schedule. The rates under the new rate schedule are considerably lower than the existing rates. The first slab of Rs. 36,000 of taxable expenditure has been exempt from expenditure-tax. This exemption takes the place of the basic allowance available to individuals and Hindu undivided families under clause (h) of section 6(1) of the Act which is now sought to be withdrawn. Under the revised rate schedule, the highest rate for the assessment years 1964-65 and 1965-66 which will be attracted on expenditure over the slab of Rs. 72,000 will be 15 per cent and from the assessment year 1966-67 onwards the highest rate which will be attracted on taxable expenditure over the slab of Rs. 84,000, will be 20 per cent.

Restraint on Spending

The expenditure tax, it is emphasised, is intended to be more of a measure for placing a restraint on excessive spending than to bring in large returns of revenue.

Proposed amendments to the Estate Duty Act.

The main changes proposed to be made in respect of estate duty are

(i) Levy of estate duty in respect of agricultural lands situate in Orissa, passing on deaths taking place on or after 23rd September, 1963.

Following a Resolution dated 23rd September, 1963 by the State Legislature of Orissa under terms of Article 252 of the Constitution, it is proposed that estate duty shall be leviable in respect of agricultural lands situated in the State. The amendment will take effect from the date of the Resolution.

(ii) Exemption from estate duty of the principal value of a house or part thereof used exclusively for residence by the deceased.

It is proposed that the principal value of a house or part of it which was exclusively used by the dead person for his residence will be exempt from estate duty, subject to the condition that if the house is situated in a place with a population exceeding ten thousand, the amount on which exemption will be available will not exceed Rs. 1 lakh.

(iii) Changes in the rates of estate duty: Under the existing rate schedule, the first Rs. 50,000 of the value of the estate is free from duty and, therefore, the rates rise from 4 per cent on the slab of Rs. 50,000 through a slow progression to 40 per cent; that is highest rate applicable to the value of an estate over Rs. 50 lakhs. These rates are very low, as compared with the rates of estate duty in advanced western countries such as Britain where the maximum rate is 80 per cent. In order to reduce inequalities in wealth acquired adventitiously by succession or inheritance, it is necessary to raise these rates considerably. The rate schedule of estate duty has, therefore, been recast. Under this schedule, the rate of 40 per cent will be reached on an estate's value above Rs. 10 lakhs. The rate will go up to 50 per cent on the next slab of Rs. 5 lakhs and the maximum rate on an estate's value above Rs. 20 lakhs will be 85 per cent.

Gift Tax Act

The gift-tax is complementary to estate duty. Its purpose is to put a restraint on the passing of wealth by wealthy persons to their relations, nominess or other beneficiaries by way of gifts within their life time. By making such gifts, assessees not only reduce their tax liability on the income which would have otherwise arisen to them from the gifted wealth, but also reduce the liability to estate duty on the estate passing on their death. By mopping up a portion of the wealth passed on in this manner the gift tax effectively achieved an important social purpose also. The main amendments proposed are:

(i) Reduction of the amount of exemption in respect of value of gifts by an individual to his or her spouse.

It is proposed to reduce the amount of the exemption from gift-tax in respect of gifts by an individual to his or her spouse in one or more previous years, from the existing aggregate limit of Rs. 1 lakh to Rs. 50,000.

(ii) Aggregation of gifts made to the same donee during the relevant previous year and the four years immediately proceeding that year.

It is proposed that where an assessee has made taxable gifts to the same donee during the relevant previous year and during any one or more of the four years immediately preceding such previous year, the value of the gifts made to such donee during these four years will be aggregated with the value of the taxable gifts made by the assessee during the relevant previous year. The value of taxable gifts made to such a donee in the four earlier years, prior to 1st April, 1963 will be taken into account in the assessment of the assessee only for rate purposes. The value of taxable gifts to such a donee (during the earlier four years) after 31st March, 1963 will be taken into account both for rate purposes and charging gift-tax on the assessee for the relevant assessment year. However, any gift-tax paid by the assessee in

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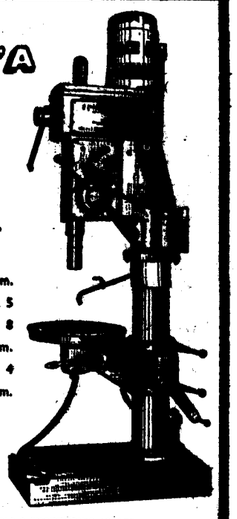
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respect of the value of such gifts (made after 31-3-1963) for any of the four earlier years will be allowed as a deduction in computing the amount of gift-tax payable by the assessee.

(iii) Changes in the rate schedule of gift-tax. It is proposed to substitute the existing rate schedule of gift-tax by a new schedule. Under the existing schedule, the maximum rate is 40 per cent which is applicable on the value of gifts in the slab over Rs. 50 lakhs. The highest rate proposed now is 50 per cent, which will apply to the slab over Rs. 3,45,000. On the value of gifts falling in the slab between Rs. 1,45,000 and Rs. 3,45,000 the rate of gift tax will be 40 per cent.

Relief for Lower Incomes

A statistical analysis shows the comparative incidence of tax at different levels of earned and unearned personal incomes, between Rs. 4,200 and Rs. 20,000 at the rates of income-tax and surcharges (including the additional surcharge) applicable for the assessment year 1963-64 and the rates of tax and surcharge proposed for the assessment year 1964-65, taking into account also the annuity deposits in respect of incomes above Rs. 15,000.

Comparing the tax including the surcharges payable for the assessment year 1963-64 before deducting compulsory deposit with the tax and surcharge payable for the assessment year 1964-65, the burden for 1964-65 up to incomes of Rs. 15,000 is considerably lower than the burden for 1963-64.

In respect of earned income, (as compared with the tax liability for 1963-64 after deducting the element of compulsory deposit,) the incidence of tax for 1964-65 will be lower at all levels except those at Rs. 6,000, Rs. 9,000, Rs. 10,000, Rs. 11,000, Rs. 14,000 and Rs. 15,000. The maximum difference is Rs. 19 which occurs at the level of Rs. 10,000. At Rs. 15,000, the difference is Rs. 13 only. In respect of unearned income also, the incidence of tax for 1964-65 is lower at all levels except the levels between Rs. 11,000 and Rs. 15,000, the difference being from Rs. 16 to Rs. 47. These small variations of isolated levels of income are consequential to a revision of the rate structure.

On incomes exceeding Rs. 15,000, an annuity deposit is required to be made by the assessee. As this deposit is deductible in arriving at the income chargeable to tax, the assessee gets the benefit of a tax saving in respect of the year for which the deposit is made. However, the total amount which assessees with incomes above Rs. 15,000 have to pay by way of tax together with the annuity deposit works out to an amount which is a little higher than the tax together with the amount of compulsory deposit for the assessment year 1963-64.

The result is that the "take-home-pay-packet" in the case of assessees upto Rs. 15,000 will generally be fatter this year and the burden on incomes in the lower brackets will be substantially lower than what it is now.

COMPARATIVE STATEMENT SHOWING THE TAX PAYABLE AT SELECTED LEVELS OF INCOME FOR THE ASSESSMENT YEAR 1963-64 AND FOR THE ASSESSMENT YEAR 1964-65 AT THE PROPOSED RATES, BY A MARRIED INDIVIDUAL WITH MORE THAN ONE CHILD

(WHOLLY EARNED INCOME)

Income	1963-64		1964-65		
	Tax including gross additional surcharge	Tax including net additional surcharge i.e. the additional surcharge is reduced by the full relief on account of compulsory deposit.	Tax	Annuity deposit	Total
(1)	(2)	(3)	(4)	(5)	(6)
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4,200	185.99	60.00	36.00	..	36.00
4,800	237.99	84.00	72.00	..	72.00
5,000	242.10	93.10	84.00	..	84.00
6,000	352.00	176.60	184.00	..	184.00
7,200	548.00	304.00	304.00	..	304.00
7,500	548.74	338.73	334.00	..	334.00
8,000	622.00	409.11	409.00	..	409.00
9,000	782.10	549.91	559.00	..	559.00
10,000	940.00	696.00	709.00	..	709.00
11,000	1,119.00	951.97	859.00	..	859.00
12,000	1,297.00	1,012.00	1,009.00	..	1,009.00
12,500	1,387.00	1,093.00	1,084.00	..	1,084.00
13,000	1,483.00	1,188.70	1,184.00	..	1,184.00
14,000	1,681.00	1,380.00	1,384.00	..	1,384.00
15,000	1,907.00	1,571.00	1,584.00	..	1,584.00
16,000	2,184.00	1,813.00	1,684.00	500.00*	2,184.00
17,000	2,664.00	2,062.00	1,814.00	850.00	2,664.00
18,000	2,904.00	2,304.00	2,004.00	900.00	2,904.00
19,000	3,019.00	2,621.00	2,194.00	950.00	3,144.00
20,000	3,333.00	2,809.00	2,384.00	1,000.00	3,384.00

*This has been arrived at after applying the provisions contained in the Second Schedule to the Finance Bill, 1964 in regard to marginal adjustments at certain levels of income.

COMPARATIVE STATEMENT SHOWING THE TAX PAYABLE AT SELECTED LEVELS OF INCOME FOR THE ASSESSMENT YEAR 1963-64 AND FOR THE ASSESSMENT YEAR 1964-65 AT THE PROPOSED RATES, BY A MARRIED INDIVIDUAL WITH MORE THAN ONE CHILD

(WHOLLY UNEARNED INCOME)

Income	1963-64		1964-65		
	Tax including gross additional surcharge	Tax including net additional surcharge i.e. the additional surcharge is reduced by the full relief on account of compulsory deposit	Tax	Annuity deposit	Total
(1)	(2)	(3)	(4)	(5)	(6)
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4,200	188.60	63.60	36.00	..	36.00
4,800	233.20	90.20	72.00	..	72.00
5,000	248.40	100.40	84.00	..	84.00
6,000	368.40	192.40	184.00	..	184.00
7,200	533.20	334.20	304.00	..	304.00
7,500	574.74	369.96	334.00	..	334.00
8,000	661.14	447.56	409.00	..	409.00
9,000	833.94	602.76	559.00	..	559.00
10,000	1,006.00	757.00	709.00	..	709.00
11,000	1,202.10	936.20	959.00	..	959.00
12,000	1,397.00	1,114.00	1,135.12	..	1,135.12
12,500	1,495.14	1,203.56	1,219.50	..	1,219.50
13,000	1,609.74	1,310.00	1,332.00	..	1,322.00
14,000	1,839.00	1,522.76	1,557.00	..	1,557.00
15,000	2,068.00	1,735.00	1,782.00	..	1,782.00
16,000	2,354.00	2,006.00	1,894.00	*500.00	2,394.00
17,000	2,642.00	2,279.00	2,041.00	850.00	2,891.00
18,000	2,959.00	2,581.00	2,254.00	900.00	3,154.00
19,000	3,294.00	2,901.00	2,468.00	950.00	3,418.00
20,000	3,627.00	3,220.00	2,682.00	1,000.00	3,682.00

Union Excise Duties

This year's Budget proposals envisage an additional taxation of Rs. 25.91 crores in indirect taxes of which the Customs duties would account for Rs. 6.37 crores and the balance of Rs. 19.54 crores from Union Excise duties. No part of the increase in Customs revenue is shareable with the States, whereas Rs. 39 lakhs out of the increase in excise duties has to be deducted as the States' share thus giving a net revenue of Rs. 19.15 crores of Union Excise duties as the Centre's share.

This is due almost entirely to the increase in the levies on the following three items, namely :

(i) Iron and Steel (in crude form and products),
(ii) Cotton textiles, and
(iii) Rayon & synthetic fibre and yarn.

Iron and Steel Products : The increases in the effective rates of duty made are principally on pig iron, steel ingots, semi-finished steel including rolled products and all flat products. The cumulative effect of the increase would yield an additional revenue of Rs. 11.81 crores. These increases are consequential to the abolition of the surcharge on iron and steel. The accruals to the Iron & Steel Equalisation Fund in the financial year 1963-64 were on an average at the rate of Rs. 1 crore per month. The increase in the excise levies would thus just counter-balance the financial effect of the abolition of the surcharge. There should thus be no perceptible overall increase in the prices of iron and steel products. The ceiling rates of some of the iron and steel products are substantially higher than the effective rates fixed at present and it should still be possible for the Government to increase the effective rates further should it become necessary to do so because of market prices rising unduly, following the decontrol of prices of several iron and steel items announced recently.

By rationalisation of the tariff and effective rates of duty the excise control is being further simplified by withdrawal of control on the vast majority of the manufacturers other than the primary and the secondary steel makers. The effective rates

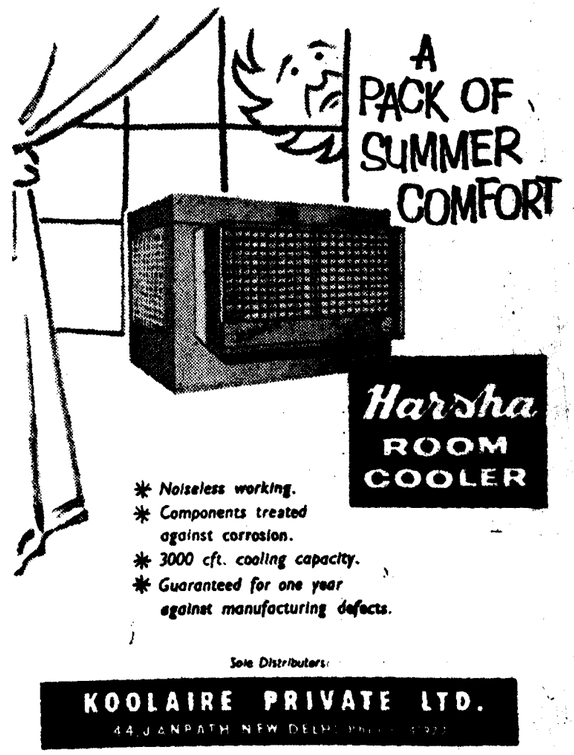
TABLE A.

EFFECT OF BUDGET CHANGES ON SOME ITEMS OF IRON AND STEEL PRODUCTS

(In Rs. per tonne)

S. No.	Item	Prior to 1-3-64	As proposed from 1-3-64
1.	Pig Iron	10.0	30.00*
2.	Steel Ingot	39.35	50.00
3.	Semi-finished Steel	69.35	90.00
4.	Bars and rods	69.35	90.00
5.	Flat products other than skelp		
	(i) Black sheets	96.85	110.00*
	(ii) Galvanised sheets	99.35	110.00*
	(iii) Hoops and strips	99.35	110.00*
6.	Skelp	91.85	150.00*
7.	Seamless pipes & tubes	5% Ad Val. + Rs. 39.35	110.00*
8.	Other pipes & tubes of steel	5% Ad Val. + Rs. 39.35 (Ingot duty)	Exempted if made from duty paid plates, sheets or skelp. Hence net duty comes to Rs. 110 or Rs. 150 per tonne.
9.	Cast Iron pipes & tubes	5% Ad Val. + Rs. 10.00 (Pig Iron duty)	Exempted if made from duty paid iron in crude form. Net duty comes to Rs. 30 per tonne.
10.	Steel casting	5% Ad Val. + Rs. 39.25 (Ingot duty)	Exempted if made from duty paid Ingots or semis. Hence net duty comes to Rs. 50 per tonne.

*Effective rates by notification.



of duty on the major items of iron and steel products as a result of the Budget changes as compared to the effective rates before 1-3-64 are shown in Table A (p. 563).

Cotton Textiles: The adjustment in the rates of duty on cotton textiles is expected to bring in an additional revenue of Rs. 6,95 crores. The changes made are consequent on the process of transferring the excise levy from grey cotton fabrics to yarn; this year part of the burden has also been transferred to processed fabrics of superior varieties. No doubt the increase on yarn has been substantial, but this additional incidence is sought to be mostly offset by the reduction on all varieties of grey fabrics particularly in the coarse and medium categories. Care has been taken to see that in regard to yarn supplied to the handloom sector in hanks, the margin of preference already enjoyed is not only retained but also in most cases enlarged. That is why duty on yarn in hanks has been fixed at much lower rates. Similarly the total incidence of duty on the finished and grey fabrics is more on the finer varieties than on the coarser ones. The cumulative effect of the changes on the grey fabrics manufactured in the different sectors of the textile industry are set out in Table B. Theoretically and in terms of averages the Budget changes should cause the following changes in the grey and process fabrics on different varieties as follows :

	Grey per Sq.M. nP.	Processed per Sq.M. nP.
Superfine	(+)0.25	(+)5.2
Fine	(+)1.54	(+)5.5
Medium A	(+)0.34	(+)5.4
Medium B	(+)0.24	(+)0.25
Coarse	(—)1.24	(—)1.2

It will thus be seen that the burden of the increase will be principally borne by the finer varieties; there is in fact reduction on the coarse varieties and only a marginal increase on the medium ones. The likely increases as a result of the Budget changes on selected popular varieties of fabrics are shown in Table C.

Synthetic fibres and yarn: The increases made in synthetic fibres and yarn would yield an additional revenue of Rs. 4.7 crores. The increases are relatively higher on non-

TABLE B.

COMBINED INCIDENCE OF YARN AND GREY FABRIC DUTY ON COTTON FABRICS PRODUCED IN DIFFERENT SECTORS OF INDUSTRY

(In nP. per Sq. metre)

S. No.	Description	Existing total yarn & fabric duty (grey stage) before 1-3-64	Proposed total yarn & fabric duty (grey stage) from 1-3-64
1.	**Handloom sector**		
	(i) Superfine	1.47	3.25
	(ii) Fine	1.55	1.45
	(iii) Medium A	Nil	0.61
	(iv) Medium B	Nil	Nil
	(v) Coarse	Nil	Nil
2.	**Powerloom sector**		
a.	**Units with 1-4 powerlooms**		
	(i) Superfine	2.33	7.01
	(ii) Fine	3.48	7.82
	(iii) Medium A	1.98	4.70
	(iv) Medium B	2.26	3.82
	(v) Coarse	2.80	3.85
b.	**Units with 49 powerlooms**		
	(i) Superfine	23.73	17.45
	(ii) Fine	24.88	18.26
	(iii) Medium A	8.03	6.74
	(iv) Medium B	8.36	5.86
	(v) Coarse	8.90	5.89
3.	**Composite Mills**		
	(i) Superfine	47.56	47.80
	(ii) Fine	33.16	34.70
	(iii) Medium A	16.86	17.20
	(iv) Medium B	13.86	14.10
	(v) Coarse	9.94	8.70

Note: Yarn duty includes basic and special excise duties. Fabric duty includes basic, additional (in lieu of sales-tax) and handloom cess.



cellulosic synthetic yarns such as 'Terylene', 'Nylon and Dacron.' These yarns are used in higher priced fabrics which are not in any case, among the common man's requirements. No doubt a 50 per cent increase has been made also on rayon yarn, but here again the effective increase may not be felt so much on the coarser varieties of rayon fabrics. Staple fibre fabrics which are really the common man's fabrics, should now get some relief by the reduction of more than 18 nP per Kg. on staple fibre of cellulosic origin. The estimated effect of the increase in the excise duty on some of the varieties of Rayon, Nylon, Terylene and staple yarn fibrics are as follows :

	Per metre
(1) Printed Acetate Rayon fabrics ..	17.6 nP.
(2) Rayon Satin	18.0 nP.
(3) Nylon sarees	26.0 nP.
(4) Terylene shirting	38.7 nP.
(5) Terylene suiting	47.0 nP.
(6) Staple yarn (Cellulosic fabrics) ..	(—)1.7 nP.

Other changes: Besides the major revenue items discussed above, some changes have been made in the Central Excise tariff principally to rationalise the description and for the rates of duty, a few of which may cause marginal increases in the levy. The more important of the changes are discussed below:

(i) **Worsted woollen yarn:** The increase will be borne mostly by the finer counts of yarn which go into the manufacture of worsted fabrics; the duty on yarn as also fabrics other than worsted will remain unchanged.

(ii) **Aluminium:** Although aluminium extrusion will now pay the same duty as all aluminium manufactures, if such extrusions are made out of other duty paid forms of aluminium, then appropriate set off will be given.

(iii) **Rubber Products:** The additional revenue of Rs. 30 lakhs will be the result of the increase in duty on Latex foam sponge' and 'tread rubber'.

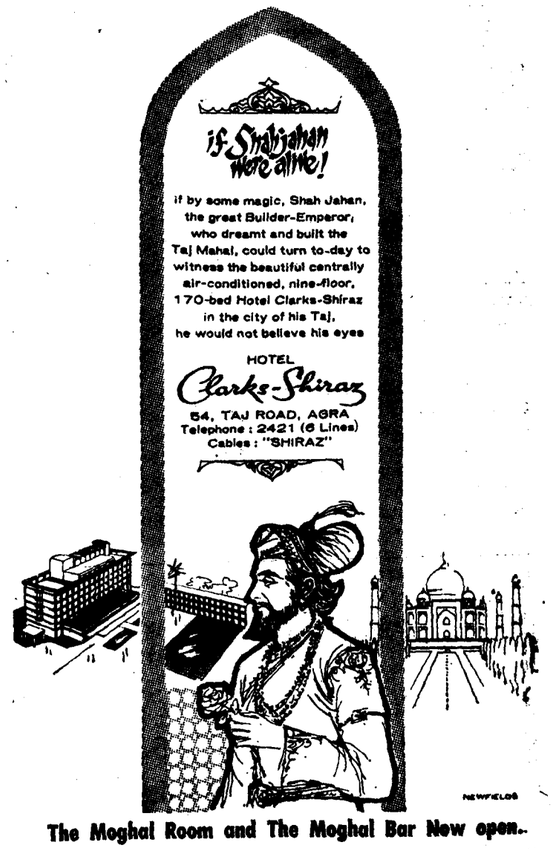
(iv) **Footwear:** Although the scope of the tariff has been widened somewhat, action has been taken to maintain the 'status quo ante' in respect of complete footwear. Only some specified parts of footwear manufactured with the aid of power will pay duty but here again, rubber soles for the so-called Hawai chappals will be exempted from payment of duty.

(v) **Matches:** The rationalisation of the categories and the revision of rates is essentially based on the recommendations of the Tariff Commission and is designed to encourage an increase in production as well as some consolidation of the manufacturing units, especially in the small-scale sectors. Special concessions have been given for the use of card board and bamboo in the manufacture of match boxes. These are designed to conserve the soft wood resources of the country. The nature of variations made in the effective Central Excise

TABLE C

EFFECT OF THE BUDGET CHANGES ON SOME VARIETIES OF COTTON FABRICS SELECTED AT RANDOM

S. No.	Description	Width	Addition to ex-mill price on account of excise duty per metre of fabric	
			Before 1-3-64	After 1-3-64
1.	Coarse, Printed (Tapestry) ..	124 cms.	18 nP.	17 nP.
2.	Coarse, dyed ..	67 cms.	7 nP.	9 nP.
3.	Coarse, grey ..	72/73 cms.	7 nP.	6 nP.
4.	Medium B, bleached ..	69 cms.	13 nP.	13 nP.
5.	Medium B, grey	91 cms.	12 nP	13 nP.
6.	Medium B, printed	89 cms.	16 nP.	17 nP.
7.	Medium A, printed	91 cms.	20 nP.	25 nP.
8.	Fine, printed ..	93 cms.	45 nP.	51 nP.



rate structure on manufacturing units with different production capacity is exemplified in Table D.

TABLE D.

EFFECT OF BUDGET CHANGES ON THE RATE STRUCTURE OF MATCHES PRODUCED IN FACTORIES OF DIFFERENT PRODUCTION CAPACITIES

S. No.	Annual production of factory	Weighted average duty per Gr. Boxes of 50s before 1-3-1964 Rs.	Proposed duty per Gr. Boxes of 50s from 1-3-1964 Rs.
1.	50 mn matches or 6940 Gr. Boxes of 50s	3.75	3.75
2.	100 mn. matches or 13880 Gr. Boxes of 50s	3.75	3.75
3.	200 mn matches or 27760 Gr. Boxes of 50s	3.92	4.10
4.	300 mn matches or 41640 Gr. Boxes of 50s	4.03	4.10
5.	400 mn matches or 55520 Gr. Boxes of 50s	4.12	4.10
6.	600 mn matches or 83280 Gr. Boxes of 50s	4.41	4.10
7.	1000 mn matches or 138800 Gr. Boxes of 50s	4.45	4.40
8.	4800 mn matches or 666240 Gr. Boxes of 50s	4.52	4.40

Reduction in excise duty: The reduction in excise duty has been quite substantial and would account for a total sum of Rs. 5.84 crores. These reliefs have been spread over a number of consumer goods (such as writing paper, glassware, chinaware, electric bulbs up to 60 watts.) and a substantial relief to the extent of over Rs. 3 crores on Acids and Gases Some of the reductions are also designed to encourage the production of smaller units or newly established units. The relief to the extent of over Rs. 2 crores on Acids and Gases would help to reduce the cost of production of certain nitrogenous fertilizers and heavy chemicals like Soda Ash.

On cigarettes, the reduction is in the category which include brands like 'Four Square', 'Scissors', 'Cavenders', 'Panama', 'May Pole' etc. and the increase is in the category which cover brands like 'Honey Dew', 'Passing Show', 'Red Lamp', 'Char Minar' etc.

The net additional revenue from customs duties is estimated at Rs. 6.37 crores. The bulk of this, namely, Rs. 4.29 crores, would come from countervailing duties, that is, additional duties imposed on imported articles to off-set increases in Central Excise duties on similar indigenous articles, and thus prevent the indigenous importer being placed at a disadvantage. Countervailing duties on art silk yarn and staple fibre account for about Rs. 4 crores. Countervailing duty on iron and steel products amounts to Rs. 1.35 crores, but this is largely offset by losses on articles such as coal-tar dyes, paper, tractors etc., on which there have been reductions in Central Excise duty.

The increases in the customs duties account for only Rs. 2½ crores. Most of this amount (about Rs. 2 crores) comes from articles on which the effective rates of duty fell sharply as a result of implementing certain provisions of the new Custom Act. The tariff values on these articles, which are fixed by notification, decreased considerably from 1-9-1963. For instance, the tariff value on a particular variety of dates fell from Rs. 145 per quintal to Rs. 105 per quintal, so that the incidence of import duty chargeable fell from Rs. 72.5 to Rs. 52.5 per quintal. Similarly, the incidence of import duty on copra (from preferential areas) fell from Rs. 19.5 to Rs. 15.75 per quintal, and on solid caustic soda, from Rs. 24.4 to Rs. 11.2 per quintal (plus countervailing duty in each case). The changes proposed in respect of dried fruits, copra and caustic soda seek to make up for this fall in the actual incidence of duty. The only other article on which import duty has been raised is high carbon or spring steel wire, where the duty has been raised by 20 per cent in order to place the indigenous product on a competitive basis. The additional revenue from this would be only Rs. 53 lakhs.

Incidence on Cars

The basic rate of import duty on motor cars has been reduced from 150 per cent to 60 per cent. The total duty, including countervailing duty and surcharges, was over 200 per cent, and will now be about 90 per cent as compared with 75 per cent prior to 1954. The high rate of duty had led to much hardship. Imports of cars by other than diplomatic personnel are subject to strict import control and ordinarily licences are given only to genuine and deserving cases of persons wishing to bring in used personal cars. It is not correct to think that luxury cars alone are imported into this country, as a monetary limit is also observed in granting licences. In many Western countries, a car is almost a necessity and even moderately paid persons, such as the staff of our missions abroad or businessmen are obliged to acquire them. Unusually they cannot sell them except at a heavy loss, as in most Western countries used cars have a very poor re-sale value. The supply position of Indian cars is tight and foreigners like Press correspondents, who need cars for their work but have no diplomatic privilege, had to import them after paying a very high duty. In view of the import licensing position which ensures that licences are given only in genuine cases, the very high rate of import duty was felt to be harsh. This has been ameliorated by the reduction in duty. There is no danger of abuse by such cars being sold for fantastic prices, because under the conditions of the licences issued, the cars cannot be sold in the open market without permission from the licensing authorities. Permission is ordinarily given only for sale to the State Trading Corporation.

In keeping with the general policy of reviewing the effect of export duties, the duty on raw jute has been abolished. This is estimated to result in a loss of Rs. 15 lakhs.

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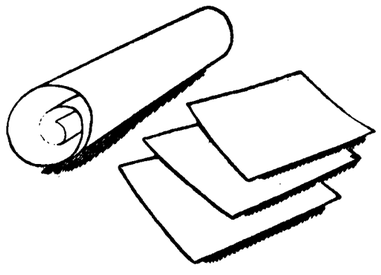
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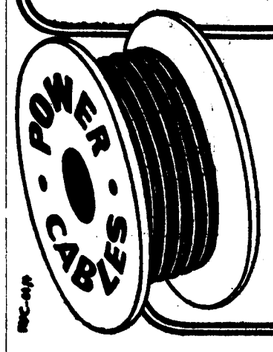
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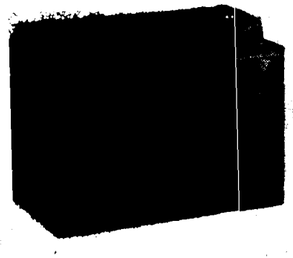
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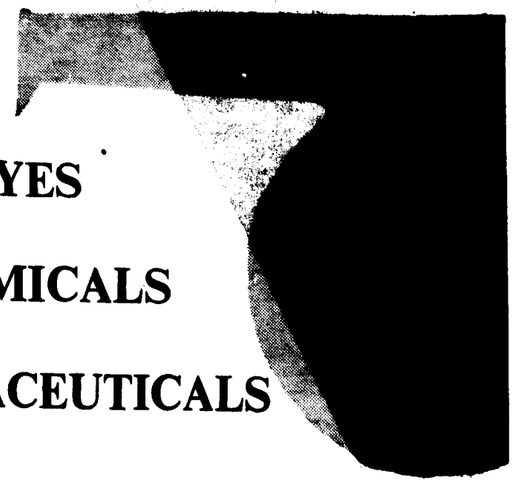
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Budget Talked Out

THERE WAS too much shadow boxing in the general debate on the Central budget in the Lok Sabha for the public to be really impressed. The short question that had to be put to Mr. Krishnamachari, but was not, was whether the budget proposals taken as a whole would reasonably be expected to stimulate the economy by stepping up current production as well as investment in expansion. To the credit of the Finance Minister it must be said that even if this question was not asked on the Floor of the House, he himself did not fail to assume that it had been asked—and his answer was in an assertive affirmative. Mr. Krishnamachari, however, was expressing an opinion or perhaps a wish rather than facing facts.

Finance Ministers, disappointed with market reactions, are often found to say that the stock exchanges do not matter and may be ignored. On the present occasion, the holder of that high office is in the unenviable position of having discovered that it is the stock exchanges which are ignoring him. It may of course be readily conceded that the absence of a speculative boom in the wake of the Central budget should normally be taken as a tribute to its soundness. But what has gone wrong on this occasion is that there has not been a boom, but there has scarcely been any life in the markets. This is not a situation which can be glossed over, especially when the Finance Minister has been saying repeatedly that it is the Government's policy to stimulate the economy and that he believes that his budget will serve this purpose. The Finance Minister apparently believes that through the substitution of the surtax for the super profits tax he has substantially improved the investment climate and that he has extended considerable relief to the finances of industry. But this is a reading which has not been found convincing in the business world. In his reply to the debate, Mr. Krishnamachari claimed that an examination made in his Ministry of the balance-sheets of 31 of the bigger companies showed that 20 of them, which were paying super profits tax in the previous year, would probably be paying, under the budget proposals, a lower percentage of total income as tax. He did not indicate even broadly what would be the extent of the relief. The fact is that investigation of the revised tax incidence carried out on a far more extensive scale than has been attempted in the Finance Ministry has shown that the easing of the tax burden is likely to be only marginal in a large number of cases. It can surely not be claimed that for companies reporting earnings of a crore of rupees or more, a net reduction in tax liability of three or four lakhs of rupees could have any value either as a booster of morale or as a more material incentive.

The Finance Minister, moreover, has himself admitted that out of the 31 companies examined in his Ministry, 11 which were not liable to super profits tax may now have to pay surtax. In other words, so far as companies in this category are concerned, there has not only been no relief but there has been a fresh burden. In the circumstances any claim that the surtax, substituting for super profits tax, has provided general relief to industry from the abnormal financial burden imposed on it by the SPT must now be promptly abandoned. The Finance Minister has tried to explain away the situation by saying that the surtax, at any rate, has the virtue of mitigating the uneven burden imposed as between industries or enterprises by the operation of the SPT. This might at best be a

technical gain, but surely it is irrelevant to the basic purpose of revising fiscal policy to stimulate the economy. The objection of industry to the super profits tax was not on the score that the tax was lacking in technical tidiness. If industry resented the super profits tax it was because it objected to it as a pernicious principle of company taxation. The Finance Minister in his budget speech had himself acknowledged the psychological resistance to that tax. Does he really believe that this resistance was caused by the absence of aesthetics from the looks of the super profits tax? Had he really wanted to break down that psychological resistance, he should surely have done more than revamp the super profits tax into a surtax.

Actually, the change has made matters worse because the entirely unsound dogma that the principle of progression could be applied to the earnings of companies in the same way as it could be applied to the earnings of individuals — that is, on the consideration of equity — has now been reasserted and etched into the tax laws of the nation. This is all the more regrettable since, unlike Mr. Morarji Desai, the present Finance Minister has had the advantage of the impropriety of this form of company taxation having been discussed in a national forum for nearly 12 months. Mr. Krishnamachari seems to believe that by merely putting in a provision about a 10 per cent return on an enlarged capital base, he has done all he can or ought to do to make this highly discriminatory form of taxation acceptable. We would suggest that there has been a great deal of confusion over this question of a 10 per cent return. When this slogan was sought to be popularized by the Deputy Chairman of the Planning Commission some time before the budget, there were people, even in the business community, who were inclined to hail it as a nugget of economic wisdom. But what matters is not the notional return an industry may be allowed on its capital base for purposes of fanciful schemes of taxation but the dividend the ordinary investor, who risks his capital in that industry, is ultimately enabled to obtain.

Mr. Krishnamachari, somewhere in his reply to the budget debate, spoke of the need for a national incomes policy, but the mere fact that such a policy is not there at present, and may be indefinitely in gestation, is no justification for him as the Finance Minister of this country for not attempting to have some broad policy regarding dividends on equity capital which shareholders may reasonably expect, taking into account the admitted need for more rapid expansion of industry, especially in the priority sectors. It may perhaps be said in reply that the Finance Minister has at least taken note of the need for providing preferential tax treatment to priority industries, but even in their case a study of the total tax incidence, after taking into consideration the benefits given, seems to show that in comparison with the abnormal load imposed by the super profits tax, the budget proposals have not presented any substantial relief. In other words, the excessive taxation of companies initiated in the last budget has now been given a deceptively respectable form and the inference must necessarily follow that if some part at least of the slackening in industrial growth witnessed in recent months was due to the impact of this extraordinary measure of company taxation, it would be pointless to expect now that the situation could improve much or soon. This is precisely why the stock exchanges have failed to react enthusiastically to the budget proposals in general and the replacement of the super profits tax by the surtax in particular. The Finance Minister's legerdemain in this area of his budget proposals is hardly likely to help him perform the magic of restoring vigour and cheer to the economy. We realise that his intentions are good and that the Government's policy is in earnest about stimulating the economy. We, therefore, do not desire that the business community should scare itself. On the contrary, we would rather that it puts the best construction possible on everything that has been done or has been claimed to have been done in the budget for promoting industrial investment or expansion. At the same time, we woud be failing in our duty if we do not underline the point that this budget is, by no means, a budget of incentives. At best it might mark only a marginal improvement on the status quo in a situation where a bold and imaginative fiscal policy for enthusing the economy is so clearly called for.

It is to be hoped that when the Finance Bill and the Surtax Bill are taken up for consideration, Parliament will be able to give more informed and detailed attention to their repercussions on the climate for investment and business activity. In his reply to the general discussion in the Lok Sabha, Mr. Krishnamachari has no doubt been careful to discourage expectations of major or even substantial changes in any of the tax proposals. Such modifications as he had indicated his intention to effect are marginal. Nevertheless, the total effect of the surtax in its present form, added on to the dividend tax and the proposal to apply the capital gains tax to bonus shares, is so clearly likely to prejudice the investment climate and industrial growth — in spite of other reliefs and concessions including those given to the priority industries — that Parliament will be failing in its duty if it does not make an earnest effort to induce second thoughts in the Finance Minister and the Government. As it is, only Mr. Masani in the Lok Sabha had expressed himself in some detail on the inappropriateness and harmfulness of taxing dividends on capital appreciation in bonus shares. As he pointed out, it is indeed a strange way to seek to put more resources into industry by making investments in equity shares even less attractive than they are already.

Mr. Masani again, was virtually alone in criticizing the arbitrariness and utter lack of restraint exhibited in the sharpening of the fiscal axe against wealth by inheritance. In the circumstances, it is really very kind of the Finance Minister to have at least offered to consider the representations made for moderating the rates or the heavy progression which he has proposed. Mr. Krishnamachari could very easily have refrained from making even this gesture and it is to his credit that he has given some encouragement to hopes that better counsel might prevail. As Mr. Masani emphasized, the issue raised by the proposals relating to the estate duty and gift tax is not whether a few people should be allowed to enjoy great personal wealth through inheritance or not, but whether there should not be some restraint and moderation in dealing with the rights relating to property if the objective is to maintain an economic climate favouring the formation of capital and its investment for productive purposes and for enriching the resources of the community.

To Mr. Masani, again, must go the credit for raising another important issue of principle when he pointed out the limitations to the approach favoured in the budget of giving preferential tax treatment to selected industries. Here, as we argued in the Budget Number of *Eastern Economist*, there is need to distinguish between genuine tax concessions and those which are less than genuine. Genuine tax concessions are reliefs given in the light of certain specified deficiencies or adverse factors which cannot be provided for in the normal tax system. An example of such genuine tax preference could be fiscal concessions given, say, for industries started in depressed areas. Fiscal reliefs may be less than genuine when their purpose is merely to moderate for a few beneficiaries the adverse impact of a basically oppressive tax system, since the general blight of a repressive tax system on the economy as a whole would then remain and the result is that the aggregate economic growth is less than what it might be or what it should be. The so-called tax concessions given to priority industries in the present budget belong to what may be called the less-than-genuine category. That is why Mr. Masani's contention that the preferential tax scheme is, in fact, a discrimination against many industries rather than a discrimination in favour of some is so valid.

Apart from the fact that the choice of industries for preferred tax treatment must necessarily remain arbitrary and is apt to be a matter for horse trading, the selection could often lead to unforeseen absurdities. Thus, even in the list now proposed by the Finance Minister, the inclusion of coffee and rubber plantations seems pointless since income tax liabilities in both cases are wholly liabilities in respect of agricultural income taxes of State Governments. In the case of tea again, only 40 per cent of the tax on income is tax falling on the manufacturing part of the industry and, consequently, the relief intended by the Finance Minister will be limited to that percentage. In the case of electricity generation and distribution, again, so long as the statutory restriction on dividends, which is applicable to the industry, remains the investor is not in a position to benefit from any tax preference. These anomalies are pointed out only to show that the principle of selective preference, however useful it may seem in theory, is apt to be riddled with defects and difficulties in practical application.

From this point of view, the Finance Minister's clarification of his intentions regarding the development rebate is bound to have a mixed reception. It is good that he has made it clear that it is not proposed to scrap the scheme altogether after 1966-67 or even trim its benefits where priority industries are concerned. But he has also emphasized that, in the case of industries which the Government does not consider sufficiently important or deserving, the rebate may be reduced or perhaps even totally denied. Here again, is it not a fact that the development rebate, as we had pointed out in the Budget Number, is not so much a genuine concession as a necessary mitigation of the aggregate repressiveness and unreasonableness of the tax structure? Mr. Krishnamachari is credited with the intention of gradually bringing down corporate and personal income taxation to more normal levels according as he succeeds in speeding up tax collection and reducing tax evasion. It is amusing that having decided against gradualism in the case of stepping up the estate duty, he is all for gradualism where moderating the corporate and personal income tax structures are concerned. That apart, it is a moot point whether the efficiency of tax collection could be expected to improve ahead of a reasonable recasting of the tax structure or whether it may be expected only to accompany it. In any case, so far as a revision of the development rebate is concerned, the Finance Minister might well wait until he has succeeded in remodelling and redesigning the overall burden of corporate taxation and he should certainly not be in a hurry meanwhile to take away any part of the mitigatory or compensatory advantage of the development rebate for industrial expansion in general.

It is curious that, in the budget debate, issues of general economic policy seem to have occupied more time and attention than purely budgetary policies or proposals. This is because of the modern myth that the Government's budget is like the Sacred Tree or the Sacred Cow of less sophisticated societies to which simple men turn in prayer and have their wishes fulfilled. Mr. T. T. Krishnamachari was taken to task for, among other things, not having established an egalitarian society, although as many as 80 days have passed since Bhubaneswar. More than the Communists, Mr. K. D. Malaviya, of the ruling party, seems to have been most disappointed over this lapse. Not for him was the logic of another Congress member, Mr. Ravindra Varma, who had rhetorically asked earlier whether the gift tax, the wealth tax, the expenditure tax and the "85 per cent" estate duty did not add up to socialism.

Inevitably, the proposal for a Monopolies Commission was debated in terms of whether it was intended to put the fear of God into the man-eaters of the private sector or throw dust into the eyes of simple-minded socialists. Mr. Masani, in an effort to be sweetly reason-

able, agreed that monopolies were bad, pointed out that his party was all for free competition and helpfully suggested that monopolies might also be found to exist in the public sector. He, therefore, wanted a full, free and impartial investigation of this question of monopoly to be followed up by action to establish an Erhardian free-market economy. The Finance Minister was, however, not to be taken in. After all, had he not in Part "A" of the budget speech himself indulged much earlier in an even more impressive philosophic dissertation on the anatomy of monopoly power? In his reply to the debate, Mr. Krishnamachari, therefore, was content with reminding his audience of the distinctions he had drawn between ownership, control and management. His thesis seems to be that while "ownership" is not a problem, "control" is and "management" could be. Others, of course, have other ideas and Mr. Krishna Menon, it may be recalled, giving his own version of what it is all about, had said in Bhubaneswar that the issue was not one of monopoly versus competition—being a good Marxist, he evidently has as little use for the capitalist concept of "competition" as he has for "monopoly". The point, as he sees it, is the excessive power over the economy and the life of the community allegedly wielded through concentrations of wealth or business control. It is true, of course, that Mr. Menon, consequently, ought to be more than satisfied with the estate duty as proposed by the Finance Minister, for this levy should certainly succeed in dispersing concentrations of either kind within a few generations. From this point of view, the Monopolies Commission would certainly be a superfluity. But since Mr. Menon, fortunately or otherwise, is not the Finance Minister, while Mr. Krishnamachari is, there is to be this Monopolies Commission which, at best, may remove some misconceptions or, at the worst, render the existing confusion worse confounded and possibly lead to correspondingly misguided action. Meanwhile, the thought is difficult to resist that the project for the Monopolies Commission is rather inconsistent with all those exciting exertions in drastically amending (and planning to amend further even more drastically) the Companies Act. The country has been told *ad nauseum* that the progressive tightening up of the Companies Act is for the purpose of eliminating or dealing with the abuses of ownership or control or management of companies. That the Government should show such lack of confidence in the efficacy of even their most lavishly advertised enactments throws an interesting sidelight on the psychology of the new despotism.

Next only to the interest shown in the Monopolies Commission during the budget debate in Lok Sabha was the concern displayed over the price level. Here, the Finance Minister could certainly have made some very large claims, but for some reason or the other he did not do so. So far as the budget is concerned, it can certainly be said in its favour that it is the most pronouncedly anti-inflationary budget in all the years since 1939. The emphasis in this budget has throughout been on the withdrawal of purchasing power from and the curtailment of disposable incomes in the community. In fact, there is even a clear risk that, in the context of a slackening of the economy which the budget proposals, unfortunately, are not doing enough to put right, there is a grave risk of the net effect of this budget proving to be even deflationary. But so far as the argument about inflation is concerned, the Finance Minister could certainly say that his budget is blameless.

In a larger area of economic policies, his known preference for dismantling price controls wherever possible is certainly a positive influence for stimulating production so that the increased availability of goods and services might have the natural effect of restraining increases in prices, or even bringing them down to the extent made possible through lower costs of production. This is not to say that the Government's policy for production or prices is not without dangerous defects. Much was said in the debate about agriculture and food prices. But the fact remains that unless the unit of cultivation is permitted to be of an economic size so that adequate capital investment could be made in the form of fertilizers, improved implements and intensive agricultural practices generally, agricultural production is unlikely to respond to the desired extent. The Finance Minister gave impressive figures of the growth of government-sponsored co-operative credit. Those statistics, however, cannot hide the fact that net personal investment in building up productive capital assets in agriculture has been steadily declining over the years. The findings of the National Sample Survey have clearly established this tendency. While it is true that public

Eastern Economist 20 Years Ago

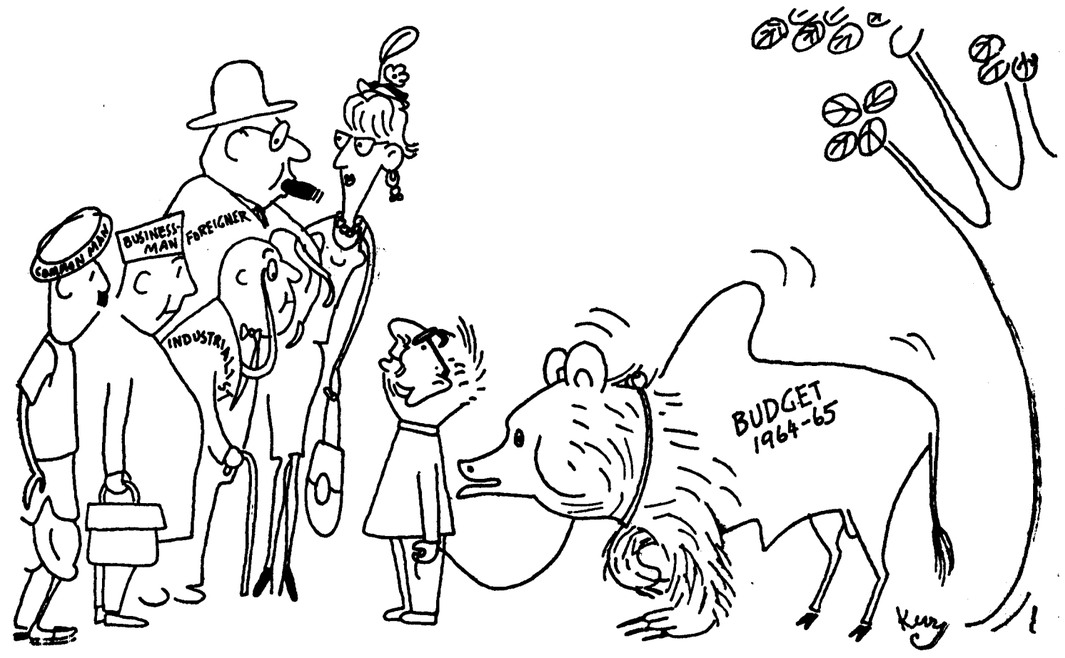
MARCH 10, 1944

The seventeenth annual meeting of the Federation of Indian Chambers of Commerce and Industry held last weekend at New Delhi was in many ways a notable event. It endorsed unanimously and enthusiastically the industrialists' plan or, as Mr. G. D. Birla happily put it, the non-official plan for the Economic Development of India not only with a clear sense of responsibility but with a full awareness of the implications of the plan in its varied aspects. The horizon of the Indian business community has undoubtedly widened in recent years, and the acceptance of the Fifteen-Year Plan is an expression of this widened outlook. The emphasis on agriculture and rural prosperity in the speech of the President and in the resolution was happily laid. The recognition that despite the predominantly agricultural character of our economy, agriculture is yet very backward and unable to meet the demands made on it by the masses of the population for its food and other requirements was very significant coming from the business community who, one might expect, would only think of industry and industrialistion. On the other hand, the opinion was quite definitely expressed that only on the basis of prosperous agriculture with guaranteed fair minimum prices to the cultivator could the structure of industrial construction be strongly built.

investment in agriculture in the form of irrigation projects and the like is going up, the matching personal investment on individual farms is lacking. Until this situation is recognised and dealt with by restoring incentives for the ploughing of capital and good management into land, this country must continue to present to the world the ridiculous position of not being able to make up even over a period of years its marginal deficits not only in foodgrains but also in raw materials such as raw cotton.

The mention of raw cotton brings us to the subject of cloth, its prices and availabilities and their relevance to the cost of living. It is strange that despite the Government's and the nation's concern over the price line, the Finance Minister has failed to indicate either in his budget speeches or elsewhere any positive programme for increasing the production of cloth. Not very long ago, wrong-headed policies in the Food and Agriculture Ministry had led to an artificial decline in sugar production and to the present situation where the country has been made to lose export opportunities besides having to struggle with a domestic shortage. It is possible that even a worse muddle might emerge in the case of cloth if the present indifference of the Government to the developing cloth shortage persists. The problem is to add to the supply of raw cotton since there is enough manufacturing capacity for working extra shifts. It is necessary that the Government should take steps immediately to secure raw cotton from abroad, possibly under PL-480 and direct (as well as give assistance to) the industry to step up the output of cloth as early as possible. It is, in fact, necessary that a general policy of increasing production should be enjoined on all consumer goods industries since this is the only effective way of dealing satisfactorily with the price situation. The budget shows legitimate concern for the development of basic industries. But it is wrong to think that such concern can only be at the expense of similar concern for the full production in and expansion of consumer goods industries. On the contrary, to the extent that the Government is concerned with holding the price line and is keen on increasing the resources available for development, the full utilisation of existing capacities in consumer goods industries and the expansion of those capacities in the light of expanding consumer needs is as much an economic desideratum as it is a social imperative.

We need not have to belong to the communist party or to be its secret sympathizers to agitate or to be agitated about the price situation. The importance of increasing agricultural and consumer goods production through a series of positive policies and programmes is the first and foremost task for the Government and the community. The budget controversies may be stilled in a few weeks' time but these basic problems of increased production all round will continue to grow increasingly important. Even the budget will be tested ultimately not by what is now being said in its favour or against it, but by the contribution, small or big, that it may make in stimulating production in the 12 months during which its writ is to run.



Highlights of the Week

BHUBANESWAR IN REVERSE

THIS YEAR the annual session of the Indian Chambers of Commerce and Industry was not the impressive affair that it usually is. This is in spite of an excellent presidential address, much above the general standard of the FICCI presidential addresses, which Mr. Bharat Ram delivered much better than is normally the case. He dealt with most of the topical issues which were of concern to the business community, such as 'monopolies', 'nationalisation', 'prices', 'corruption in the administration'. 'controls' and 'restrictions on business'. Although the address said nothing that was exactly new — indeed it could not have done so since these subjects have been matters of perennial discussion —, the way Mr. Bharat Ram presented industry's view-point on every one of the questions was not only logical and forthright but also had the virtue of being positive and persuasive.

If, despite that fine start, the annual session did not quite manage to get off the ground, it was not wholly because the magic of the Nehru presence was denied to its inauguration this year. As a matter of fact, Mr. G. L. Nanda met the demands of a difficult assignment rather well. Although he is no orator and in spite of the fact that he was obviously being exceedingly careful about what he might say and what he might not, the Home Minister was certainly impressive in his apparent sincerity and his evident desire not to create an impression that he is doctrinaire, rigid or unrealistic. Mr. Nanda, in fact, spoke responsively about government co-operation with industry in promoting the development of the country and if he, nevertheless, found it necessary to emphasise the sanctity of democratic socialism, he cheerfully conceded the important contribution made by the private sector in increasing production. Although the Home Minister naturally did not wish to deal at length with the budget proposals or criticisms of those proposals, he made the important point that the selective approach to development reflected in some of the fiscal proposals must be accepted as an integral part of the Government's economic policies. At the same time, he tried to maintain that the Government's thinking was not being unduly influenced by the psychology of scarce resources".

The two main speeches at the inauguration of the session, in other words, were neither inappropriate nor inadequate. On the contrary, they did give a constructive direction to the proceedings that were to follow and it was because the hint was not taken that this year's annual session seems to have left behind an impression of inadequacy. For instance, the resolutions and the discussions centring in them, broadly speaking, dealt more with sterile controversies and narrow issues than with the current and urgent developments which have involved the destiny of the nation. It is true that the Federation, by its very nature, ought to attempt to draw the Government's attention to the complaints and grievances of the business community, but even in doing so, it must certainly strive at all times not to ignore the larger context. It is now fashionable to talk of presenting an image to the public. The Government, the business community, and in fact, every group or individual wants to project an image. But the language of Madison Avenue has its imitations and, unfortunately, there is no magic mirror gifted by some benevolent fairy which could be made to provide pleasant images at will.

The judgment of the public, whether of the Government or of the business community, will ultimately be determined not by publicity but by performance. It is always open to and possible for the Federation to carry on a running debate with the Government or politicians of varying degrees of responsibility on such issues as nationalisation or the place of the co-operative sector. But there is surely little to be gained by turning the entire annual session into a Bhubaneswar in reverse as was done on this occasion. These are not normal times. National security has been challenged and is being threatened on two fronts. The influx of refugees from East Pakistan is pregnant with possibilities of dangerous repercussion. The two great assets which this country has been able to enjoy over the last 16 years are the integrity of its territory and the stability of its social and political order. The continuance of that enjoyment cannot be taken for granted any longer. The business community, as much as any other section of the people has always been sensitive in its response to the needs and interests of the nation and the necessity for that high degree of sensitivity is greater now than it ever was since India became independent.

Mixed Bag

The resolutions discussed and adopted at the FICCI annual session were, indeed, a mixed bag and covered topics ranging from the forthcoming conference on world trade and development to be held in Geneva to the monstrous growth of population in this country. The main resolution, which was on "democracy, economic welfare and fiscal policy" blamed the slow rate of economic growth in the country on the doctrinaire approach shown in the fiscal and other economic policies of the Government. Discussion on this resolution gave an opportunity to business men to emphasise the dangers of and pitfalls in indiscriminate nationalisation, whether of banks or rice mills. It was also urged that it would be unrealistic to play up the notion of "co-operative sector" as experience has shown that this policy only leads to wastage or misuse of public funds besides leading to stagnation in production and dislocation of trade. An interesting feature of the discussion was the suggestion made by several business men that only broad public support and not narrow group influence could enable the business community to make its voice felt in the making of Government policies. This, no doubt, is a truism, but it, nevertheless, has enough force in it to sound impressive. In fact, it moved at least one speaker sufficiently to make him declare enthusiastically that the business community should get into politics in a big way.

On the present budget, the consensus was that the new surtax on company profits was only the existing super profits tax in a new form and with a new name. Incidentally, a statement on the budget proposals issued by the Committee of the Federation on the eve of the annual session, has been widely welcomed as a moderate and constructive representation of the Business angle. There was also a resolution on agricultural production and productivity, underlining the desirability of price incentives for the farmer and a stock-piling programme. Opinion, however, was strongly against state trading in foodgrains, which was firmly opposed in the speeches on another resolution calling impartially for more freedom for the trading community as well as greater discipline on the part of the trading community in the exercise of that freedom. The resolution on population asked for the study and adoption of methods followed in other countries for the control of population growth and recommended larger allocation of public funds for family planning programmes. Welcoming the Geneva meet on world trade, the annual session expressed the view that the objective of the conference could be realized only if the more developed countries could, as a result, be persuaded to pursue such commercial policies as would help the entry into the international market of processed, semi-processed and manufactured goods emerging from the developing nations.

SMALL CAR

THE RECENT statement by the Union Minister for Steel and Heavy Engineering, Mr. C. Subramaniam, regarding the possibility of Government deciding to take over one of the three automatic units and make an experiment for boosting production has created considerable interest in Madras State. It is even indicated in some sections of the press that Standard Motor Products of India Limited might be chosen for this experiment as it is the only integrated and unattached unit and can be geared more easily to achieve a higher level of production. While it is not clear how the Government can dictate the course of demand and supply and how the other two units will be affected, it is interesting to note that the foreign interests collaborating with Standard Motor Products have not reacted violently to this proposal. Indeed, Mr. Turnbull, Managing Director of Triumph-International Limited of Coventry (UK), who was on a short visit to the City, was inclined to be of the view that his management might be prepared to collaborate with the Government in any expansion scheme if the position was clear and the terms acceptable. He had, however, a feeling that the problems at issue are rather difficult as there may be initially new bottlenecks in regard to the import of plant and machinery and raw materials and components and parts for boosting production in the absence of adequate arrangements and the development of ancillary industries. These problems will have to be handled in any case and irrespective of the ultimate scheme for raising output to 50,000 units, which would cost anything up to £15 million without taking into consideration the outlay that would be necessary in creating related facilities in the ancillary industries. The immediate programme of expansion might be taken up as it would not cost more than £2.5 million. Even now, Standard Motor Products is in a position to step up output to 6,000 units only after the new press plant being installed comes into operation and with the Government agreeing to provide the necessary additional foreign-exchange for importing raw materials, components and parts. The expansion programme will relate to the further increase in capacity to 10,000 units and it may be possible to come up to 20,000 units without incurring any large additional expenditure. Now it is said that the first part of the programme can be completed in three years.

While the reaction of the British interests has not been adverse, it is difficult to understand how the Government, without giving invidious treatment to other two companies, can embark on a large-scale expansion of Standard Motor Products. There will probably be need for intense thinking on this subject before the scheme takes a definite shape. But Mr. Turnbull has said that he would be prepared to draw up a detailed project report after getting more precise details in this regard. Meanwhile, it has been emphasised that only an increase in the output of cars can be achieved with a larger capital outlay. But it may not be possible to reduce costs of production appreciably for sometime because of the necessity to incur large capital expenditure and the importance of integrated growth of ancillary industries. According to him, the initial reduction in selling price can be brought about only with reduced taxes.

ICICI

PERHAPS THE Government of India's decision to set up a development bank has prompted Mr. G. L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India, Ltd., to define the role of the ICICI which also he rightly regards as a development bank. The role of a development bank, Mr. Mehta has said in his statement to the shareholders of the Corporation, is to ensure planning at the project level. The need for planning at the project level has been forcefully brought out by the manner in which production facilities already built up have been yielding results. That we are not using these resources to the maximum extent is common knowledge. But it is not clear whether it is equally evident to all that here is a woeful waste of capital resources, a luxury which a poor economy like ours can ill afford. Hence the especial relevance of Mr. Mehta's plea for an inventory of our production facilities unit by unit as a preliminary to taking steps to ensuring the maximum output. The ICICI Chairman need not be apologetic in describing this task as "unglamorous". The country needs today more of such "unglamorous" tasks than futile displays of the so-called big and showingly glamorous projects.

A mere cataloguing of its achievements may not mean much to the public. A more vivid picture would be possible if we referred to the latest results of working of the ICICI which have been just released. The gross assistance of nearly Rs. 25 crores sanctioned by the ICICI in 1963 constitutes a record. This assistance, needless to say, comprises both foreign currency loans and rupee assistance. The underwriting sanctions given by the ICICI in 1963 aggregated Rs. 3.68 crores. Of the issues actually made on the market amounting to Rs. 1.77 crores, the ICICI had to take up as much as Rs. 83 lakhs, a little less than 50 per cent, thanks to the state of the capital market in that year. This gives a real insight into the policy of the ICICI of coming forward and providing timely assistance to enable industries not to suffer for lack of funds. Notwithstanding a certain degree of risk that such a policy might entail, the ICICI has ended its last year's working with increased income all-round. Its profit figure for 1963, both before and after tax, compares favourably with the corresponding figure for 1962, so much so that the Corporation has raised its dividend to 7 per cent, the highest to be declared so far. Although it has to pay more tax as a result of the 1964-65 budget — the net additional tax liability has been estimated at about Rs. 1.50 lakhs — it is noteworthy that the ICICI looks forward to enlarged business in the current year and has already armed itself with adequate resources, both rupee and foreign currency, to meet the demand. The fact that the Government of India has given to the ICICI a further loan Rs. 10 crores and the World Bank has extended a fifth line of credit to the tune of 30 million dollars, the largest extended so far, provides an irrefutable evidence, if evidence were at all needed, of the appreciation of the vital role of this development bank. Being in able hands, its future is not only bound to be bright but equally assured.



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FROM THE PRESS GALLERY

Dogmas in Debate

by Our Parliamentary Correspondent

IDEOLOGICAL CONSIDERATIONS dominating the general debate on the Central Budget in the Lok Sabha last week, Mr. T. T. Krishnamachari's grievance that the Opposition had not tried a "straightforward hit at the bull's-eye" is apparently justified. A large number of issues having no direct bearing on the budget proposals were introduced into the discussion. As a result, the principal issues involved were most of the time lost sight of. Although almost all the Members who participated in the debate expressed concern over the rising prices, yet most of them failed to support the Finance Minister in his attempts to extricate, through fiscal measures, the economy out of morass it has got seeped in since the launching of the third Plan.

The incentives given by Mr. Krishnamachari for fostering the growth of the economy, though not commensurate with what the occasion demanded, were interpreted, not only by the devout Communists, but also the leftists among the Ruling Party, as betraying the spirit of the Congress policy to usher in a socialistic order in the country. They decried the Finance Minister's proposals, suggesting that Mr. Krishnamachari had attempted to bypass the Industrial Policy Resolution of 1956 and his scheme of taxation ran counter to the principles adopted by the Ruling Party at the Bhubaneswar session. A former Union Cabinet Minister, Mr. K. D. Malaviya, even went to the extent of urging that a revised budget should be brought before the House in the next few months to make amends for the wrong done by the one under discussion.

These critics conveniently turned the proverbial Nelson's eye on the steep increases proposed by the Finance Minister in estate duty and gift tax and reimposition of expenditure tax, besides the attempts he made to take back from the corporate sector by the left hand what he had given by the right.

Push to Economy

The other extreme view was expressed by Mr. Rameshwar Tantia who characterised the Budget as a "super-socialistic one". The moderates and the rightists complimented the Finance Minister for his anxiety to give a forward push to the economy and his thought-provoking analysis of the contemporary economic situation. While welcoming the incentives given to foreign investors and the abolition of the super-profits tax, some of them, notably Mr. M. R. Masani, vehemently criticised the replacement of SPT by surtax on profits and a 7.5 per cent levy on all dividend declarations by the established companies. In the latter two measures they saw disincentives which ran counter to the Finance Minister's professed aim to stimulate the growth of the economy. Mr. Masani also opined that the concessions given to attract foreign capital did not go far enough. He as well wanted that the incentives given to the 14 capital-intensive key industries in the form of lower corporate taxation should be extended to the labour-intensive consumer industries in the interest of containing the price spiral. Mr. R. R. Morarka expressed the view that the proposals regarding gift tax and estate duty left no incentive for an honest man to work and earn.

The Finance Minister's proposals to abolish Compulsory Deposit Scheme and to set up a Monopolies Commission, of course, received general approbation. But the replacement of the CDS by Annuity Deposit Scheme in the case of incomes above Rs. 15,000 per annum was considered by some Members as a hindrance to capital formation in the private sector. The unenviable position in which Mr. Krishnamachari was placed in view of the necessity to find resources for defence and development and the urgency to give relief to the lower and middle classes evoked full sympathy only from a few. Among these were Mr. Ravindra Verma and Mr. K. C. Pant.

The agriculturist found a number of supporters of his cause in the Lok Sabha, although this subject could be related to the budget proposals only indirectly in the context of the general price level.

The Finance Minister's reply to the debate was effective. He stuck to his guns and yielded very little ground. Unlike his predecessor, Mr. Morarji Desai, he refrained from announcing any concession in the budget proposals, but hinted that he might modify the proposals in regard to estate duty, tax on capital gains and the Annuity Deposit Scheme in the light of the criticism offered and the representations made. The two specific issues which Mr. Krishnamachari said were being examined by him were: (i) the impact of estate duty, capital gains tax and other incidental costs which might have the effect of depriving a person entirely of his inherited money; and (ii) the distinction to be made in respect of bonus shares to be issued out of share premium moneys for the purposes of capital gains tax on such shares. In regard to the Annuity Deposit Scheme, the Finance Minister said he could make this scheme optional for old persons beyond the age of 70 and in the case of any other provided such a person paid taxes which would be higher than the ones normally payable by him.

Development Rebate

Clarifying the position about development rebate, Mr. Krishnamachari told the House that it would be available in the present form up to March 31, 1967. Beyond that date, this system would be revised in such a way so as to make available development rebate to selected industries; the system would not be scrapped altogether. In regard to gift tax, the Finance Minister said that he was taking steps to move an amendment to the Finance Bill to keep the exemption limit at Rs. 5,000.

While dwelling upon the proposed Monopolies Commission, Mr. Krishnamachari went further from what he had stated in his budget speech. The Commission, he said, would be expected not only to collect facts, but also to prepare a draft law and to exercise the law on the basis of its experience. About the soaring foodgrains prices, he opined that the only solution was to increase governmental control over the system of distribution at strategic points. The State Governments, he asserted, must be prepared to enforce the various regulations affecting transactions by wholesalers and those engaged in processing of foodgrains. If shortages persisted, the country must be prepared for the imposition of some controls over distribution, however unpleasant they might be.

While the general debate on the Union Budget monopolised attention in the Lok Sabha, the Rajya Sabha debated the Railway Budget. Most of the Members who participated in the latter criticised the railways for their operational inefficiency, wasteful expenditure, over-crowding, increasing incidence of accidents, poor departmental catering and substandard cleanliness. The debate, of course, was generally of a fairly high order, except when jarring notes were struck by some Members asking for improved railway facilities in their respective areas. This indicates that parochial sentiments do sometimes blur the vision.

A very cogent case was put forth by Mr. K. Santhanam against the 2 per cent increase in freight surcharge. He dismissed as unsound the argument that the incidence of the increased freight rates would be marginal on consumers and



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contended that the additional surcharge when ultimately passed on to the consumers would, undoubtedly, accentuate the inflationary tendencies in the economy. Mr. Gurupadaswami pointed out that the railways had been able to show improvement in operational efficiency against the background of a relative stagnation in the economy. If the economy had been uniformly buoyant, the transport needs to be met would have been of a higher order. Mr P. N. Sapru stressed the need for encouraging research, if necessary with the help of foreign experts, and pleaded for the acceptance of the Kunzru Committee's recommendation that the head of the Railway Inspectorate should be of the status of the General Manager. Mr. S. S. Patil wanted the railways to cut down waste and extravagance to achieve the laudable objective of 10 per cent return on capital outlay. A plea was also made for grant of representation to the public on the Railway Board.

Convention Committee

The reply of the Minister for Railways, Mr. H. C. Dasappa, contained the important announcement that a Railway Convention Committee would be set up next year to go into the financial position of the railways. He assured the House that a golden mean would be struck between perspective planning and emphasis on short-term development in building up the country's transport system. While stressing the difficulties in anticipating far in advance the transport needs of the different regions of the country in view of the industrialisation that is taking place, he promised that at the time of preparation of the fourth Plan, the long-term transport requirements of the country, especially during the next ten years, would not be lost sight of. In defence of the 2 per cent increase in freight surcharge, Mr. Dasappa pointed out that railways were not only a utility service, but also a commercial proposition. The increase in freight rates had to be effected in view of the mounting working expenses, especially labour costs. In percentage terms, the increase in passenger fares and freight rates since 1957 had been substantially lower than the increase in working expenses. This showed improvement in railways' operational efficiency.

The Deputy Minister, Mr. Shah Nawaz Khan, held out the hope that over-crowding on some sections of the railways would be decreased with the introduction from April 1, 1964, of four more broad-gauge and 16 metre-gauge trains. The additional broad-gauge trains would run two each between Mangalore and Cannanore and Bombay Central and Bulsar. On certain other routes the number of coaches would be raised to relieve over-crowding. The suggestion for representation of the general public on the Railway Board was dismissed summarily by the other Deputy Minister for Railways, Mr. S. V. Ramaswamy. He said that trade, industry and the public were already associated with the railway administration at all strategic levels in advisory capacities. Mr. Ramaswamy had a dig at his critics in dealing with the suggestion that railways should try to achieve at least 10 per cent return on capital. He asked how it was possible in the face of stout opposition to any increase in passenger fares and even to rationalisation of freight rates.

The official spokesmen asserted that the efficiency of Indian railways compared very favourably with those of the other advanced countries of the world. They, however, recognised the need to improve it further. In regard to catering on the railways, the explanations offered left much to be desired.

The two Houses of Parliament also debated two other important matters — the threat to the country from China and the growing influx of refugees from East Pakistan. The former subject came up for discussion at some length in both the Lok Sabha and the Rajya Sabha in the form of two unofficial resolutions, sponsored by Mr. Tridib Choudhury in the Lower House and Mr. Bhupesh Gupta in the Upper House, calling for an end of the State of Emergency. The Home Minister, Mr. G. L. Nanda stoutly defended continuance of the emergency and pointed out that the threat from the enemy was not a whit less than what it was in November, 1962, when the State of Emergency was proclaimed. He drew attention to the Chinese entrenching themselves across the border and the intransigence of Peking towards Colombo proposals. He also dismissed as untenable the idea of confining the emergency to the border areas. The enemy, he said, had to be met not only on the border, but also through keeping up of supplies, stepping up of production and building up of the morale of the people. The loose talk that the emergency had outlived its purpose, Mr. Nanda pointed out, would be a damper to the nation's morale.

Grave concern was expressed by both the Houses over the plight of the minorities in East Pakistan. It was suggested by the Opposition in the Rajya Sabha that India should raise in the United Nations the question of killing and maltreatment of non-Muslims in East Pakistan. Mr. Nanda reiterated the Government's policy in this regard and asserted that the responsibility of Pakistan to protect its minorities was clear and unambiguous. India wanted Pakistan to realise this and live up to its responsibilities. On her part, India would have to accept all those who sought shelter here. No doubt this meant great hardship for both the migrants and the people of India, but we would have to put up with it. In the light of elucidation of the Government's policy by Mr. Nanda, it was clear that the Pakistani charge of India tempting minorities out of Pakistan was absurd. It amounted to adding insult to injury. The mass migration of the Christian minority from the district of Mymensing in East Bengal, the Home Minister pointed out, gave an edge to the grimness of the situation. It was encouraging that both the Opposition and the Treasury Benches looked at this new refugee problem as a non-party issue.

Question Hour

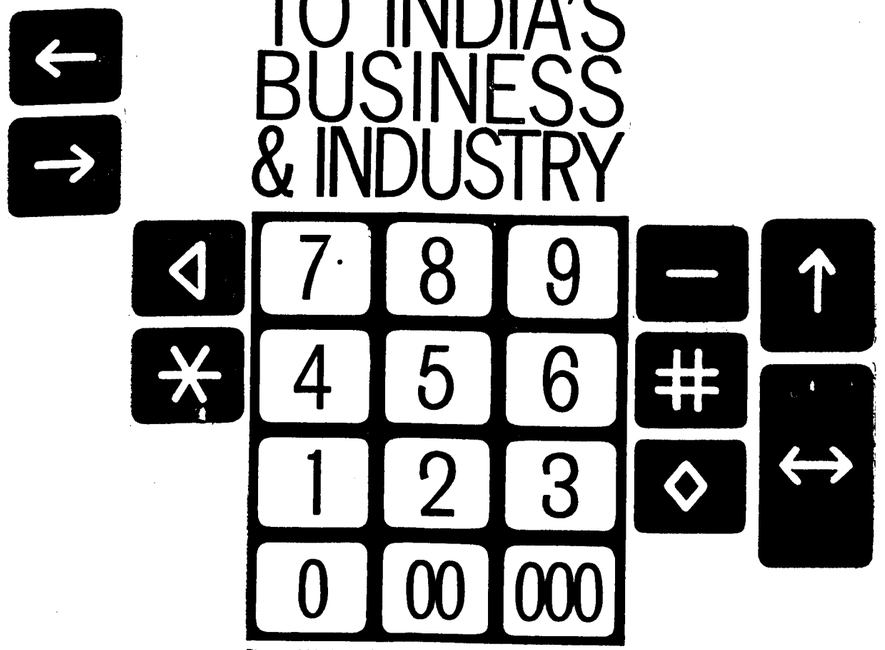
Buffer Stock of Grains: The Minister for Food, Mr A. M. Thomas, disclosed in the Rajya Sabha on March 9 that the Union Government proposed to build up a buffer stock of foodgrains to the tune of 6 million tonnes — 4 million tonnes of wheat and 2 million tonnes of rice — for bringing down food prices and meeting any crisis. The buffer stock of wheat would be built mainly from imports under PL 480 as local procurements would not be helpful in this regard due to shortage of production. The present imports of wheat, Mr. Thomas said, were of the order of 0.45 million tonnes per month. These were proposed to be increased to half a million tonnes. The current demand would be met from imports, leaving the existing reserve stock untouched. The buffer stock of rice would be built to the tune of one million tonnes from internal procurement (both by the Centre and the States) and to the extent of the remaining one million tonnes through imports.

Rice Mills: The Minister for Food stated in the Rajya Sabha on March 2 that it was not possible to introduce state trading in foodgrains. It was also not feasible to bring all the 46,000 rice mills in the country straightaway under co-operative management, he added. The proposal to take over rice mills progressively, Mr. Thomas went on to say, was discussed in general terms with the Food Ministers and Secretaries of the States at a conference held in New Delhi last month. These were proposed to be increased to half a million mills would be given only to those under co-operative management. The matter would be discussed in greater detail again after the State Governments had given thought to the question of how best the proposal of taking over rice mills progressively would be implemented in the respective States.

Sugar Exports: As regards sugar exports, Mr. Thomas told the Rajya Sabha on March 9 that contracts had been renewed for export of 200,000 tonnes of sugar during 1964—100,000 tonnes to the United States and 100,000 tonnes to the Far Eastern countries, mainly Japan. The expected realiza-

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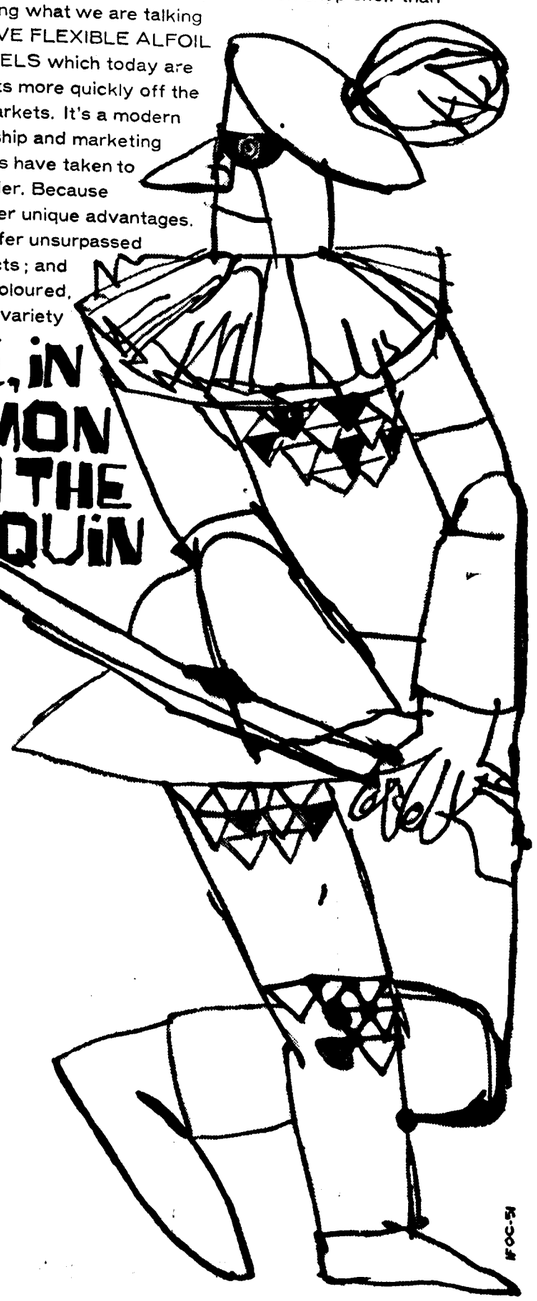
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tions in terms of price and profit or loss involved to the Government in these deals would be known at the close of the pricing period and after completion of exports.

Scrap Prices: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, told the Lok Sabha on March 6 that prices of scrap had gone up after decontrol. The Government had received representations from scrap using industries for reviving control on prices and distribution of scrap. It was, however, not considered necessary to do so as the prices of products manufactured from scrap were not under control and the manufacturers were free to adjust their prices to market conditions.

The following other information was provided by Mr. Subramaniam in the Lok Sabha that day.

Structurals Plant: The Government is considering the possibility of setting up a Heavy Structurals Plant in collaboration with Voest of Austria.

Demand for Coal: The demand for coal at the end of third Plan is likely to be less than the revised estimate of 90 million tonnes. The coal production target for the third Plan had been fixed earlier at 97 million tonnes after taking into account the estimates of demand as then intimated by the sponsoring authorities of the consumers of coal.

Coal Transport: Though sufficient rail capacity is now available and the transport of coal by rail is cheaper, it has been decided to continue moving this commodity by sea to the southern and western parts of the country to meet the industrial and other demands. The coastal shipping has been strengthened to carry two million tonnes of coal. If the traffic is withdrawn, it will create difficulties.

Oil Imports from Russia: The Minister for Petroleum and Chemicals, Mr. Humayun Kabir, informed the Lok Sabha on March 4 that the Indian Oil Company was negotiating a new agreement with the Soviet Union for import of oil products. Details of this agreement, however, had not yet been finalised. The private sector refineries, the Minister added, had already been permitted to operate at the maximum capacity available with them. No further expansion of their capacity appeared to be called for.

Newsprint Manufacture: The Minister for Industry, Mr. Nityanand Kanungo, revealed in the Rajya Sabha on March 4 that of the three private sector projects licensed for the manufacture of newsprint, the one licensed in Maharashtra had not shown any progress. This licence had, therefore, been revoked. The two other projects were licensed to be set up in Punjab and Uttar Pradesh. In the case of the Punjab scheme, the report of raw material survey and the project report were under the consideration of the Government. In respect of the Uttar Pradesh plant, the collaboration terms has been received from the party and were under scrutiny.

Tirupura Paper Mills: Mr. Kanungo also stated in the Rajya Sabha on March 4 that it had been decided to undertake the survey of raw material resources in Tirupura with a view to setting up a paper mill there.

The following other information was given by the Minister of Industry last week in the two Houses of Parliament.

Bhilai Cement Unit: The Government is considering an application from Hindustan Steel Limited for the grant of an industrial licence for the manufacture of 600,000 tonnes of portland blast furnace cement per annum at Bhilai.

Textile Machinery: The Government was negotiating with a British firm for the import of textile machinery. Among the items to be imported were included carding and finishing machines.

Coffee Exports: The Minister for International Trade, Mr. Manubhai Shah disclosed in the Rajya Sabha on March 4 that India was applying to the International Coffee Board for almost doubling the present quota of 21,384 tons allotted to it under the International Coffee Agreement. In 1963, India exported 30,000 tons of coffee out of a total production of 65,000 tons. Mr. Shah further stated that the prices of some varieties of Arabica coffee had gone down, but those of Robusta were going up. Exports of coffee from India were effected practically to all the parts of the world.

Coffee Plantation: Mr. Shah revealed in the Lok Sabha on March 6 that the United Planters' Association of India had submitted a scheme for grant of financial assisance, partly in the form of subsidy and partly as loan, to enable coffee planters to undertake replanting of 120,000 acres of low-yielding plants over a period of 12 years. The total outlay envisaged was approximately Rs. 24 crores. The Coffee Board had limited the amount to Rs. 10 crores. The scheme, as recommended by the Coffee Board, was under the examination of the Government.

Haldia Project: The Minister for Transport, Mr. Raj Bahadur, told the Lok Sabha on March 3 that India had applied for a loan of Rs. 14 crores from the World Bank for covering the foreign exchange expenditure required for the development of Haldia under the first phase of the project. Considerable progress had been made on the detailed planning of the various facilities to be provided at this port during the first phase of its development.

New Shipping Company: Mr. Raj Bahadur disclosed in the Rajya Sabha on March 2 that the specifications of the tankers to be purchased by the shipping company, proposed to be set up in the private sector in collaboration with Phillips Petroleum of the United States, for bringing oil to the Cochin Refinery, would be settled by consultation between the refinery and the shipping company managements. These would be submitted to the Director-General of Shipping for approval before the orders were placed. Phillips Petroleum would have 40 per cent share in the equity capital of this new shipping venture.

Avro Cost: The Minister for Defence Production, Mr. K. Raghuramaiah, informed the Lok Sabha on March 9 that the cost of the first aircraft in series II of Avro 748 had been estimated at about Rs. 32 lakhs. Of this, the foreign exchange content was Rs 20 lakhs. The actual cost of the basic aircraft and its indigenous content, however, were still being compiled.

Avadi Tank: Mr. Raghuramaiah told the Rajya Sabha on March 2 that the first batch of the tanks to be produced at the Avadi Heavy Vehicles Factory was expected to be ready in 1965-66. It had been decided to establish the heavy earth-moving equipment manufacturing factory at Kolar in Mysore.

Private Foreign Investments: In a written reply to a question put in the Lok Sabha on March 5, the Union Minister for Finance, Mr. T. T. Krishnamachari, gave the following figures about the outstanding foreign investments in the country from private sources:

As at the end of June 1948: Rs. 255.8 crores;
As at the end of December, 1953: Rs. 392 crores;

As at the end of December 1955, 1956, 1957, 1958, 1959 and 1960, respectively: Rs. 453.4 crores, Rs. 478.2 crores, Rs. 496.1 crores, Rs. 500.4 crores, Rs. 511.5 crores and Rs. 566.4 crores.

In 1961, 1962 and 1963, the fresh private foreign investments approved by the Government of India in Indian companies totalled Rs. 35.4 crores, Rs. 29.6 crores and Rs. 34.4 crores, restively.

Trading for Development

H. E. JEAN PAUL GARNIER
(French Ambassador in India)

The Soviet Ambassador in India, H.E. I. A. Benediktov, discussed in our issue of November 8, 1963 the purposes which, in his view, the forthcoming World Trade Conference to be held in Geneva should seek to serve and the means it could adopt. The British High Commissioner in India, H.E. Sir Paul Gore-Booth, presented in the issue of February 29, 1964 an appraisal of the British approach to questions of international trade expansion. Here the French Ambassador in India, H.E. Jean Paul Garnier, gives an account of the French role in promoting the expansion of the trade of developing countries and states what might be done at an international level to achieve this objective. The French Government's proposals for Geneva are discussed elsewhere in this issue by our Special Correspondent in Western Europe.

AMONG THE problems which confront the world community today, the expansion of the trade of the developing countries is one of the most essential, considering its importance in the process of economic progress. In industrialized countries as well as in the developing countries, one becomes increasingly aware that the present pattern of world trade does not provide the second group with sufficient opportunities for obtaining the resources they need to achieve substantial rates of growth. New solutions are required to face the challenge which the widening gap between the rich countries and the poor countries is creating for all of us.

For many years, France has devoted particular attention to this problem and has made several, and specific proposals to deal with it, as far as possible at the world level. Meanwhile, she has been doing what she could to arrive at, at least, partial solutions, in her relations with the countries of the Franc area, not without significant results. In this respect, French policy has not been derived from theoretical considerations but rather based on lessons of experience and aimed at finding practical remedies for practical difficulties.

First, it does not appear to us that it could be possible to rely only on free trade to solve the problems of the developing countries. If between highly industrialized countries, the free trade system is certainly the most suited to maintain prosperous and efficient economies, between countries or areas of different stages of development it would mean unequal and therefore dangerous competition, at the expense of the less-advanced. One has to remember that, only in recent years, after completing their post-war reconstruction, have the Western European countries and Japan been able to achieve full convertibility of their currencies and a high level of trade liberalization.

While it is an ultimate goal to achieve, free and full competition between all nations of the world would not benefit the developing countries, but rather lead to a worsening of their already weak position in international trade. This applies to trade in primary commodities as well as to trade in manufactured goods.

Market Organization

Moreover, as regards agricultural commodities, there is little and less question of unlimited competition, which would only result in a disastrous effect on producers, as most countries turn more and more to policies of managed domestic markets, ensuring fair prices to their farmers. In some cases, as in the Franc area, and to a lesser extent in the Commonwealth, industrialized countries have succeeded in providing similar advantages to certain producing countries. What is needed is to apply market organization at the international level as it has been at the national, and thus ensure to all developing countries opportunities which are now offered only to some of them.

From recent history, it appears also that economic development and especially industrial development has to be based on large domestic markets, protected from excessive outside competition, as a fundamental requirement for rapid growth. Everybody knows the part which the national market is playing in the economic achievements of big industrial countries such as the United States of America and the Soviet Union. In most other cases, however, national markets being too narrow, this leads naturally to regional groupings. For developing countries in particular, it does provide the best solution to the problems of industrialization by offering the enlarged outlets they need to expand their production of manufactured goods.

Regional economic groupings are now coming into existence in almost every part of the world, in Western countries as well as in state-controlled economies, in industrialized countries as well as in developing countries: Common Market, EFTA, COMECON, Latin America Free Trade Association, Central American Common Market, African Organisations, efforts undertaken by ECAFE countries to expand their regional trade—already quite sizable — and to co-operate in the planning of industrial development.

Starting from these brief considerations we shall summarize the French position on the two trade problems of developing countries, first regarding primary commodities, and secondly, manufactured goods.

Of all the problems with a decisive importance for the future of the developing countries, that of primary products is undoubtedly the most important. These products — foodstuffs from the temperate and tropical zones, agricultural raw materials, mineral products — account for 90 per cent of the export earnings of the underdeveloped countries; and for most of them, exports are practically limited to a very small number of products.

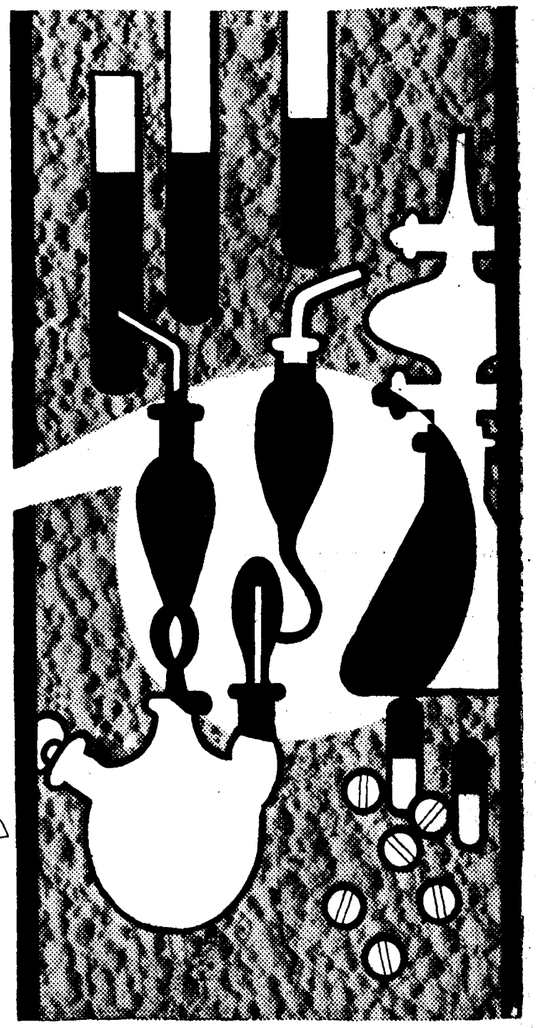
Such a situation will change only when the process of development brings about a progressive diversification of the economy. But this is a time-consuming process which itself depends on the export earnings from primary products. Foreign exchange resources are needed not only to pay for development imports, particularly of capital goods, but also to provide producers' incomes, which in their turn determine the level of living standards and of domestic savings. Foreign aid in any case cannot provide more than a limited supplement to local resources.

It is well known that the present conditions in the world market for primary products do not permit developing countries to earn sufficient incomes, with the result that these countries move in a vicious circle.

Speaking at the meeting of the FAO held in Rome in November 1963, M. Pisani, French Minister for Agriculture, outlined the problem as follows: "Faced with the twin problems of agriculture—feeding the hungry millions of the world and providing good living standards to the farmers—many people would want us to speak only of trade. The-

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market system as it functions in agriculture, has nevertheless proved itself incapable of finding an effective solution to the problems of prices as well as for the production of food, incapable of fighting against famine, incapable of fighting against abundance, incapable of fighting against high prices, incapable of fighting against the slump in prices. The market system has never provided the farmer with the living standards which he has the right to expect, nor has it brought the much needed security to the consumer, in many parts of the world".

Various regional and international arrangements have of course been instituted to remedy this situation for certain products and for certain countries. Though they sometimes constitute the beginnings of more effective solutions, and though their role is not negligible, they do not yet mean anything more than partial and often provisional remedies. Hence the need to search for fuller and more lasting solutions.

The producers of industrial countries have generally succeeded in getting various laws of price support and protection of the domestic market to their benefit (agricultural production, copper, petrol) passed by their governments. Some industrialized countries, on the other hand, have tried to safeguard the interests of developing countries with which they had closest relations and traditional links: for instance, preferential system of the Commonwealth and especially Commonwealth Sugar Agreement, US Sugar Act and preferences to Philippines, preferential arrangements in the Franc zone.

French Concessions

France has gone farthest in this respect by granting to the producers of the Franc Zone advantages similar to those enjoyed by the national (French) producers. This means that for the majority of products, prices much higher than international prices have been guaranteed for the following items of commerce: wine and wheat from the Maghreb, sugar from Antilles, coffee, bananas, oil and oilseeds from French-speaking Africa. Such a system of price support has made it possible for these countries to earn an additional income of more than US $200 millions in 1961. Further, the Stabilisation Funds (Caisses de Stabilisation) have protected the African producers of tropical goods from the short-term price fluctuation in their exports to the international market.

The association of African countries to the EEC has no different purpose, although the technical system in some respects is not the same. While lowering the level of preferences formerly enjoyed by these countries, such a system is designed so as to provide them with advantages equivalent to those they were previously granted.

Besides regional arrangements, international agreements have been concluded in order to attain a certain measure of price stabilisation through the acceptance of common discipline by producers and importers. As everybody knows, France has always been in favour of this kind of arrangement. First there were the agreements on wheat, sugar, and tin. More recently, the agreement on coffee and the negotiations for an agreement on cocoa have shown that producing and consuming countries are becoming increasingly aware of the problems raised by the trade in primary commodities. The agreement on coffee, however, does not provide for a price system and one may fear it would not be efficient enough to cope with excessive downward trends, as in some previous years, or excessive upward trends, as occuring now.

Unfortunately, it has not been possible to reach an agreement on cocoa, which was to include a price system. These negotiations failed on the problem of fixing price levels, due to the opposition of certain consuming countries to accept anything but a very low scale of price.

Considering this situation, the French Government has proposed that international market for agricultural commodities should be organized so as to stabilize prices at a fair and equitable level, by taking into account the evolution in terms of trade. For certain commodities this could mean more or less stabilisation at levels not too far from the present prices (coffee, sugar, cocoa), for some others this could mean raising prices to some extent (wheat, oil seeds and vegetable oils). in other words, such a scheme — the so-called Baumgartner - Pisani Plan, first outlined by the two French Ministers, the former at GATT ministerial meeting in 1961, the latter at FAO Conference the same year — aims at applying to the commodities exported by all developing countries, the system of price-support which the richer countries have established for their own agriculture or for the exports of overseas producers enjoying preferential arrangements.

Reducing the Gap

For foodstuffs from temperate lands, (wheat, other grains, milk products, meat) and foodstuffs exported by temperate as well as by tropical areas (sugar, rice, oilseeds, and vegetable oils), international commodity agreements would provide for adjustment of commercial exports to requirements of importing countries, so as to keep prices within a fixed scale (as for instance in the present wheat agreement). Such prices would be established at levels near to the internal prices of the big producing countries (United States, EEC countries) so eliminating or at least reducing the gap which exists between the prices in the internal and the international markets. Surplus in excess of the normal commercial demand would be devoted to food assistance programmes to the benefit of developing countries, these programmes being financed by all industrialized countries as part of their effort in development aid.

As regards tropical foodstuffs it would be possible to rely on the usual commodity agreements on the pattern of the present coffee agreement or of the draft cocoa agreement. These agreements would have to provide for a price system, this implying an improvement on the coffee agreement, which, as stated before, does not include such a system. An agreement on tea, more or less along the same lines as for coffee or cocoa could also be envisaged, with a view to raising the price of this commodity. It would offer the possibility of providing a fair treatment to producing countries of South East Asia, the price of tea having in the long run (since 1924-28) lagged behind, compared with the increases which occurred for coffee and cocoa.

In the case of agricultural raw materials and mineral products, it would seem, on the contrary, unreasonable to envisage a systematic increase in prices which might accelarate the substitution process in the buyer countries. The best solution lies perhaps in the conclusion of the international agreements of stabilisation against short-term fluctuations on lines of the agreement on tin for other products such as copper, lead, zinc, rubber, jute.

Manufactured Goods

Up to now sales of manufactures have had only a very small share in the total exports of developing countries, with however a few important exceptions, as in the case of India. Nevertheless, with the process of economic diversification exports of manufactures are due to expand at an increasing rate.

But as far as they are directed to already industrialized countries, they have to face serious difficulties. The competition of national producers in the importing countries and of producers of other industrialized countries, often tends to prevent developing countries from expanding their sales to any substantial level: Take, for instance, the exports of India

to the United States and the competition of Japanese goods in this market.

Moreover, if the developing countries try to lower their prices at the expense of wages — which is indeed an objectionable solution as regards standard of living — or to grant subsidy to their exporters — which amounts to a subsidizing of rich countries by poor countries—, the importing countries rightly or wrongly would consider it as abnormal competition and react by restricting imports.

Developing countries are becoming increasingly aware of such difficulties and they seek to obtain preferential treatment for their exports in industrialized countries. Indeed, this solution could probably be an answer to the problems. As is known, EEC countries, including France, are considering favourably the possibility of evolving some scheme of this kind. One will remember that, at the recent ministerial meeting of GATT, last May, the Belgian Minister, Mr. Brasseur, outlined a plan by which the industrialized countries could grant special preference to developing countries on a "selective, i.e., according to the specific requirements of exporting countries, retrogressive and temporary basis". The idea will certainly be fully discussed at the forthcoming UN Conference for Trade and Development.

However, one has to bear in mind that such a preferential system does not fit quite well with a general reduction of tariffs, as contemplated in the Kennedy round, and as often claimed by the developing countries. If tariff reduction is granted on a world-wide basis, according to the most favoured nation clause, preferences enjoyed by developing countries would be so much reduced and in some cases to a very nominal rate.

Growth of Domestic Markets

Anyway, even in the best conditions, it seems unlikely that developing countries could rely essentially on exports to industrialized countries. As already stated, their most promising opportunity appears to lie first and foremost in the growth of their own domestic markets, on the national and regional scale. Import substitution, so achieved at the optimum scale would secure far more possibilities in foreign exchange earnings. According to past experience, this is quite probably the only way to foster a balanced and well-sustained process of industrialization.

Provided the advanced countries accept the regional discrimination so created against their own exports, it affords the possibility of building up strong industrial capacities especially for heavy industries and to attract more largely and more efficiently foreign capital, public and private. So has been the story of OEEC in post-war Europe and of EEC in recent years. So has already started the process of regional integration in Latin America.

Instead of being heavily dependent on remote and difficult markets, as in colonial days, the developing countries might be able to achieve a greater control of their industrial progress, and attain a greater security in their economic planning. This would lead to a true and sound division of labour, allowing for full industrial diversity and averting the likelihood that the less developed countries would be left mainly with light industries, while advanced countries would keep for themselves the more sophisticated productions.

This is not by any means the same thing as saying that exports of manufactures to industrialized countries ought not to increase more and more. On the contrary, such a process is to take place normally and must be encouraged, may be through some special devices, as preferential treatment. In course of time, and after having reached the "take-off" stage, these countries would take their full share of world trade in manufactures, as already industrialized countries are now able to do. But to achieve such a goal, developing countries need a strong domestic industrial basis which could gradually enable them to complete successfully in the world markets. Increased participation in international trade has to be the result of an efficient process of industrialization, and not its prerequisite.

So are, briefly outlined, the French views on both the trade problems confronting the less developed countries in today's world, that of primary commodities and that of manufactured goods. Beyond deceptive appearances and dangerous illusions, they try to reach the core of these problems. They are derived from hard facts, which no country, industrialized or developing, could ignore, if it wished to improve to any substantial degree the situation of the latter in world economy.

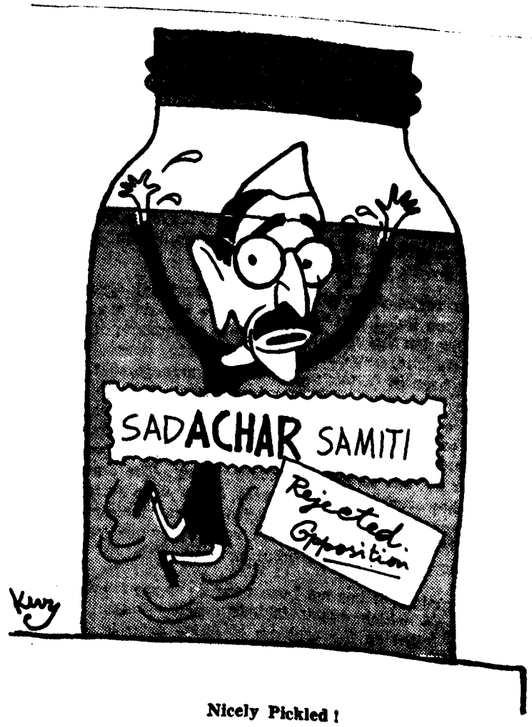
First, that it is neither sensible nor realistic regarding agricultural commodities to rely on market organizations at the national level and to avoid any organization at the international level.

Secondly, that the problem of terms of trade needs an equitable and reasonable solution so as to expand export receipts of the developing countries and to increase their share in world trade.

Thirdly, that exports of manufactured goods by these countries require special measures and ought not to be subjected to the same rules as for the already industrialized countries.

Fourthly, that only enlarged internal markets, achieved in most cases through economic groupings, could provide the conditions needed for a rapid and healthy process of growth, especially as regards industrialization.

Being keenly aware of the structural deficiencies that characterise today's international relations, France is trying to contribute her share to the solution of the problems. But the task facing us cannot concern only some countries or a group of countries. Each step towards a better world has to be the common endeavour of all and every nation within the human community.



Nicely Pickled !

WINDOW ON THE WORLD

A Plan for the World Trade Conference

From our Special Correspondent

PARIS :

THE FRENCH Government has sent to the United Nations, for translation and distribution among the 2,500 delegates expected in Geneva on March 23 for the UN world trade conference, a document of 40 pages that summarises French ideas on the reform of international commerce. The study does not constitute a "plan" comparable to those that will be presented by the Russians (essentially the project of a new world trade organisation), by the Anglo-Saxons (the "seven-point declaration" adopted by GATT in December 1961) and by various groups of developing countries. But if, during the three months of the world trade conference, it appears that the Common Market Six are being put in the dock by the other 119 nations present, it is probable that the French document will be officially put forward as a plan designed to meet the principal demands of the developing nations. So the French memorandum could well be at the centre of the discussion before the conference closes in mid-June.

That is to suppose that there is any consecutive discussion in Geneva, and that the Tower of Babel of thousands of delegates from 125 countries is capable of getting down to debating any solid project. For the most evident danger is that complete confusion will emerge from the clash of quite contradictory points of view and the battle of propaganda, hypocrisy and envy. If that reef is avoided, if any comnion theme comes out, it is bound to be an impeachment of the Common Market. This is natural, after all. When the Americans began to fear the impact of that association on their trade, they called the Kennedy Round of negotiations, which will begin in Geneva under GATT's auspices before the world trade conference is over. Countries not belonging to GATT (and in the first place, Russia) and countries that regard GATT as a "rich nations' club" then took up the idea of a world trade conference, with roughly the same end in view; they are seeking, like the Americans, to cushion the blow to their trade that they expect to come from the Common Market.

Tangled Affair

Of course, lots of other issues have immediately become entangled in the affair: the rivalry between the UN and GATT, between the Communist bloc and the capitalist group, between the Six and the Free Trade Association and the Anglo-Saxons, between rich and poor nations, and so on. Hence the danger of fruitless confusion just referred to. If the meeting is to get anywhere, however, it must reflect the initial intentions: the Common Market is seen as a menace by outsiders, and the Six will be asked (just as in the Kennedy Round by the USA) what they propose to do about it.

The French document in question, which attempts a reply, consists of four proposals, relating respectively to trade in temperate-zone foodstuffs, to trade in commodities exported by developing countries, to the exports of manufactures by those same developing nations, and finally to the formation of regional groups (like those of the industrialised countries of Europe) within the developing world.

The first of these is the by now familiar Baumgartner-Pisani plan for the disposal of Western food surpluses. In substance, it means that the advanced nations as a group would implement something very like the US "Food for Peace" scheme. The market in temperate-zone foods would be organised in such manner that rich importers like Britain, Japan and West Germany would pay the full value of their imported food, as consumers already do inside rich exporting countries like the USA, France and Australasia. Exports from these latter would then not have to be subsidised by local taxpayers, who thus indirectly subsidise their industrial rivals in the first group of countries. Food equal in value to the extra revenue that Western farmers secured by selling to Britain etc at higher prices (instead of at the present dumping prices) would be contributed to a global "Food for Peace" fund. It would be given, as gifts, loans or other aid, to the developing countries. Thus there would be a net transfer of resources from the industrialised to the developing world, largely at the expense of the consumers in the rich countries.

"Fair" Prices

The proposal on commodity exports from the developing world is more original. For the existing system of "free" markets where supply and demand determine wildly fluctuating prices would be substituted an organised market where "fair" prices for tropical produce were fixed by agreement between virtually all the exporting and importing nations. The "fair" price for each commodity might be existing market prices plus a percentage equal to the above-mentioned gain that Western farmers would make when all their Western customers were obliged to pay non-subsidised prices for temperate-zone food. How to ensure that exporters of tropical commodities receive this higher, fair price? Well, markets would continue to function as now, but at the moment of importation of tropical produce into the West it would pay an import duty that would bring its cost up to the agreed fair price. This import duty would be returned to the exporting nation. (Thus it would not be an import duty at all but a "prelevement" such as the Common Market now effects on agricultural imports.) To avoid encouraging over-production, this import levy or "prelevement" would not go direct to the actual producers of tropical produce but to their government, which could pass on part of it to the producers and use the rest for development projects. Better still, the import levies collected in the West on tropical produce would go to a central fund managed by a group of developing countries, who would thus be required to co-operate as the West European nations did in sharing out American Marshall Aid.

On the manufactures exports of developing countries, the French study adopts the Brasseur plan put forward several times lately by the ex-Belgian Commerce Minister: Western nations would allocate specially favourable treatment to these industrial goods, more favourable than to similar goods from other industrialised countries. This could be done by tariff-quotas, for example. Such privileges would be selective, temporary and degressive, to ensure that the young industries of Asia and Africa did not go to sleep over their guaranteed outlets but sought to make themselves competitive. The French insist that such preferences are needed if Asian manufactures are to win markets in the West, because merely to abolish tariffs would be inadequate. Western consumers are prejudiced against Asian manufactures, and the Asians do not have sales networks in the West. In other words, the "liberal" solution of the Americans and British, which depends on universal tariff reduction, would not benefit the Asians, who need organised preferences. Of course, the Asians would have to be logical with themselves, and not demand both a "liberal" market (reduction of tariffs) and an "organised" market (guaranteed quota preferences).

The last suggestion is to apply to various regions of the

developing world the techniques of regional co-operation that have worked so well since the war in Europe, with American blessing. The European Payments Union and the Organisation for European Economic Co-operation enabled the West Europeans, during the period of reconstruction, to discriminate against dollar goods, to stimulate trade inside their region and to pool their savings of precious dollars. The same technique would work in regions like South Asia, Africa and Latin America where groups could be formed practising mutual trade preferences, discrimination against goods from outside and joint financing by a credit mechanism similar to the European Payments Union.

In sum, wherever it is a matter of choosing between liberal policies and organised markets, the French come down on the second side. They adopt the remark of an Indian delegate to GATT some years ago: Equality of treatment is equitable only between equals. The "law of the market" cherished by the liberals is seen as the law of the strongest partner in the market, and is held responsible for the widening gap between economic progress in the rich and the poor nations. To enshrine it in the free-trade schemes that will be put forward in Geneva by the Anglo-Saxons would, it is claimed, fail to benefit the Asians, Africans and Latin Americans, and would further increase the profits of Western importing oligopolies. The developing nations need to band together, first of all regionally, and secondly in global market-fixing bodies along with Western countries, if they are to exercise a countervailing power against the West.

One can foresee the reception this will have from the Americans and British who have, moreover, persuaded many developing nations that will be represented in Geneva that their salvation lies in tariff-reduction, most-favoured nation treatment, global free trade and no discrimination. Curiously, the Russians will appear in Geneva in the liberal camp for they too preach the "international division of labour", respect of the most-favoured nation clause and the evils of discrimination and regional groupings. The French document, then, which is to date the only answer the Six have ready for their coming impeachment, will start out with slender support. But an evolution of opinion can be forecast, and has indeed already begun. In any event, the real theme of the Geneva meeting on world trade, in so far as it succeeds in finding one, will be the opposition between global free trade and the doctrine of organised markets.

Britain's Storm Petrels

PAUL BAREAU

LONDON :

THE ECONOMIC danger signals are again flying in Britain. The recent expansion of the economy is all that could be desired and perhaps a little more than was intended. But there are ominius signs of wage-induced inflation and the overseas trade figures have taken an ominous turn for the worse. The general comment on this is one of annoyed impatience: will there never be an escape from the dreary round of rapid economic expansion, setting in motion inflationary tendencies and thus calling forth restrictive measures which bring expansion grinding to a halt?

The British economy is highly sensitive to this cycle. This is because of its dependence on overseas trade and, even more, because of the vulnerability of sterling given its position as a reserve and an international trading currency. No sooner inflationary tendencies become apparent than they are reflected in the flow of both exports and imports and also on foreign confidence in sterling and therefore on movements of capital. Hence the regular sequence of periods of expansion and stagnation which have marked the progress of the British economy since the end of the World War II.

Stop & Go

It is, however, grossly unfair to give to this process the derogatory definition of "Stop-Go-Stop" which is so often applied to it, particularly in the parlance of political polemics. There is never a "Stop". The post-war economic history of Britain shows an enormous improvement on what happened after World War I. There has been no depression worthy of that name. Unemployment has remained minimal. What there is of it is highly localised and linked with the fortunes of certain depressed industries and with an excessive immobility of labour. What has happened is not a succession of "go" and "stop" but a perceptible variation in the rates of expansion while the level of employment has remained relatively high.

It is impossible in a free economy to achieve an absolutely steady rate of growth. This is because in such an economy the consumer is king and his demands undergo fickle changes of mood. This is especially so where so many of the consumers of an economy's products reside in other countries and have the world competing for their customs. In these circumstances industry and commerce must for ever be changing their pattern. Although the overall volume of demand can be influenced by the intervention of the state, it cannot hope thereby to neutralise and overcome the impact on a highly industrialised economy of these changes in the pattern of demand. Recent events in the centrally planned communist countries prove that even in this context there can be consistent growth, even though most of them started their expansion from relatively low levels.

Touch of the Brake

What is needed in Britain is a policy that will minimise the fluctuations in economic expansion. And for that what is essential is good timing in successive applications of the brake and the accelerator. It seems now that the time has come to apply a touch of the brake. Britain can look back on a year of exceptional expansion. Industrial production in the last quarter of 1963 was no less than seven per cent greater than in the comparable period of 1962. Unemployment has again fallen below two per cent of the labour force. In many parts of the country the notified vacancies are well in excess of the men and women available to fill them. In these circumstances it is hardly surprising that demands for higher wages should be proliferating and also that they should be conceded in a large number of cases. These are the circumstances in the context of which one should assess the overseas trade figures for January which has given the authorities here such a shock. They showed an ominous fall in exports, an even more ominous rise in imports and a gap between the two of £120 million which is far and away the largest merchandise trade deficit ever incurred in any one month. How should these be interpreted?

No single month's figure tells a complete story and it will behove all concerned to see whether in the light of recent and forthcoming monthly figures they fall into the pattern of a trend. There is no doubt that imports have been rising rapidly. This, however, is an inevitable accompaniment of the impressive expansion in production to which I have already referred. The main increase in our purchases from overseas are industrial materials. And it is not merely the volume that is going up; it is also the price. Primary commodity prices are rising. This should be no cause for com-

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plaint. The older industrialised countries have for too long flourished on low commodity prices and on the relative poverty of the countries producing these commodities. It is high time the pendulum swung in the other direction. It now remains to be seen whether this increased inflow of industrial material is later converted into an appropriate volume of exported manufactures.

There is a special and, it is to be hoped, non-recurring explanation of the particularly poor showing made by the January trade figures. It is the strike which closed the largest of the steel factories in South Wales from mid-December to the end of January. Not only did this prevent the export of a substantial tonnage of steel which would otherwise have been made, it also compelled the largest motor car manufacturers in Britain to import substantial quantities of sheet steel from Continental Europe. It may well be therefore that the January trade figures are not as bad as they may at first sight appear to be and that the fears engendered by them may prove to be no more than a quickly forgotten nightmare.

If, however, they mark a deteriorating trend in the balance of payments — and this is the more likely interpretation — corrective measures will have to be applied. There is talk of an early increase in Bank rate and of the use by the Chancellor of the Exchequer of the "regulator" by which he can move indirect taxes up or down by 10 per cent without waiting for the budget. Needless to say either of these general correctives would be somewhat unpopular. To apply them would be handing political ammunition to the Opposition, of which effective use would be made between now and the General Election.

The alternative — and it is one which is favoured by Labour Party spokesmen — is to apply more selective measures involving physical controls. Exchange control might be tightened in particular so as to check the hordes of British tourists who holiday abroad. Selective import controls could also be introduced, even though the machinery for these has in large measure been dismantled by successive Conservative Governments. Import controls always look a simple and direct way of correcting a balance of payments deficit. Alas, they would in the case of Britain invoke retaliation. In order to apply them this country would, moreover, have to obtain the necessary "by your leave" from the General Agreement on Tariffs and Trade and for that purpose would have to sign what would be tantamount to a declaration of insolvency. To me that does not seem the happiest way out of the present difficulties.

Major Issues for Geneva

GUY SIMS FITCH

WASHINGTON:

AT THE United Nations Conference on Trade and Development (UNCTAD), scheduled to run from March 23 to June 15 in Geneva, the world will have some 12 weeks in which to give a thorough airing to many economic problems affecting the developing lands. The conference agenda, centring on the role of trade in economic development, is comprehensive and far-ranging. One can reasonably expect, however, that attention is likely to focus on a few major areas of discussion.

First, what can be done to improve the earnings of developing countries from the export of primary commodities? These now constitute the bulk of their export trade, and regardless of the pace of industrial development, almost certainly will loom large in their foreign exchange earnings for some time to come.

Whatever the precise nature of the proposals advanced at the conference, emphasis is likely to be on such factors as expanding markets, coping with wide price fluctuations and reducing the heavy dependence of many countries on a few commodities. A good deal has been done in these directions already, of course, through international commodity arrangements, moves toward economic diversification, and other means.

Dynamic Picture

Second, how can developing nations increase their earnings from exports of manufactured and processed goods? This is the more dynamic part of the international economic picture, and it is here that developing lands must look increasingly for a significant expansion of their export earnings.

In view of its importance, this subject merits and undoubtedly will receive thorough consideration and analysis at the conference. There are many factors involved in achieving a substantial expansion of export earnings from manufactures, and specific proposals will have to be examined closely and carefully.

Third, how can countries of the Soviet Bloc — the so-called "state trading" countries — be brought more fully into the world trading pattern in a way that will enhance the bargaining power of the developing countries when dealing with them? The Soviet Union and other Bloc nations, for instance, tend to conduct their trade predominantly through bilateral agreements and to a considerable degree on a barter basis.

It follows that the developing nations may well have an interest in improving the terms and conditions of their trade with the Bloc, and in seeing that it is subject to the same scrutiny and to similar standards of performance as their trade with the free nations, who are their principal trading partners.

Fourth, is aid being given to the developing lands in a way and under terms that are the most satisfactory and desirable? Important questions bearing on the relationships between aid and trade programmes are likely to be examined, along with repayment problems of developing lands.

U.S. Role

It may be that the conference's discussions can point the way toward a broader assumption of international responsibility by all concerned. The United States could have a particularly constructive role to play in such discussions, in view of its long experience in this field and its demonstrated concern for the needs of the developing nations and the obligations of the advanced nations.

Finally, the conference probably will be taking up the institutions and organizations now operating in the related trade and aid fields. There are many such bodies, all performing useful functions — the General Agreement on Tariffs and Trade (GATT), the World Bank, the International Monetary Fund, the UN Regional Commissions, the Food and Agriculture Organization, and others.

As the conference proceeds, it may well seek some technique whereby all aspects of trade and development can be viewed as a whole in a world-wide forum. If such is the case, one can reasonably expect the United States to co-operate in seeking a useful reorganization of existing machinery — but always keeping in mind the vital importance of preserving the integrity and autonomy of the GATT, which is the world's chief instrument for the liberalization and expansion of trade, and of maintaining a sound and manageable structure within the United Nations.

LISTENING POSTS

Plan to Beneficiate Manganese Ore

By Our Special Correspondent

NEW DELHI:

THE UNION Government, it is understood, has sanctioned two pilot plants to be set up by the National Metallurgical Laboratory and the Indian Bureau of Mines for conducting experiments on beneficiation of low-grade manganese ores. Foreign exchange to the tune of Rs. 8.11 lakhs required for importing equipment for these plants is said to have been released recently.

This follows the recommendations of the Kapadia Committee set up by the Government in 1957 to go into the problem of retrieving low-grade manganese ores for consumption within the country and for exports. The Committee had suggested establishment of beneficiation plants for upgrading low-grade manganese ores, but had advised that since the ores available in the various regions of the country differed widely from each other in their chemical composition, elaborate tests needed to be conducted on pilot plant scale on the bulk samples of ores from different localities before any scheme for setting up beneficiation plants was drawn up.

The detailed pilot plant experiments are expected to be completed by 1965. On the basis of these, the Union Government will consider setting up of beneficiation plants in the various parts of the country on a custom basis. The third Plan contains the requisite provision for setting up such custom mills.

The need to start beneficiation of manganese ore arises from the fact that India has only about 125 million tonnes reserves of all grades of this ore and these may not last for more than 30 years if only the higher grades of this natural asset are used for export and domestic consumption, as at present.

A healthier trend has been noticeable of late in manganese ore exports from India. During the 11-month period to November, 1963, we exported 0.825 million tonnes of manganese ore, as against 0.78 million tonnes in 1962, 1.01 million tonnes in 1961, 1.16 million tonnes in 1960, 0.98 million tonnes in 1959 and 0.97 million tonnes in 1958. In 1958, exports of this commodity had declined sharply from 1.74 million tonnes in the preceding year. The Indian manganese ore, however, is meeting stiff competition in the world today from the new and richer deposits that are being developed nearer the consuming countries. A Committee, under the chairmanship of Mr. M. Butt, Joint Secretary, Department of Mines and Metals, has been entrusted the task of looking into the problems faced by the Indian manganese ore industry.

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With the requirements of machine tools expected to grow to Rs. 100 crores by 1970-71, from the estimated demand of Rs. 60 crores at the end of the current Plan period, the Union Department of Heavy Engineering is anxious that large-scale additional capacity should be set up for their manufacture. The indigenous production of machine tools, currently around Rs. 16 crores per annum, is anticipated to go up to Rs. 25 crores by 1965-66.

The machine tool categories for the manufacture of which a good deal of new capacity has to be created are: (a) Capstan and turret lathes; (b) Single and Multi-spindle automatic lathes; (c) Grinding machines, particularly surface grinding machines, cyclindrical grinding machines and centreless grinding machines; (d) Production type milling machines with automatic cycle, etc. (e) Gear-cutting and fishing equipment; (f) Sheet Metal working machinery; (g) Vertical turrets — low priced; (h) Planing machines — low priced; (i) Horizontal boring machines — low priced; (j) Broaching machines; (k) Tapping and threading machines; (l) Honing and lapping machines; (m) Machine tools accessories like dividing heads, circular tables, universal vices, collets, etc.

In view of the large investment required, the Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, has indicated that a move may be made in this industry for setting up joint private-public sector ventures. In these, leading manufacturers of the world could also be made interested. Mr. Subramaniam as well favours that the existing private manufacturers of machine tools should join together for undertaking production of sophisticated and intricate tools.

Indigenous Content

With a view to fostering the development of the machine tools industry, the Union Government is also not insisting now on an initial indigenous content of 80 per cent. In fact, in 1963 it approved a number of cases with indigenous content of about 60 per cent only. In the case of intricate machine tools, even this 60 per cent indigenous content limit is not proposed to be adhered to strictly.

The demand for small tools is estimated to grow to Rs. 17 crores by the end of 1965-66. The current production of these tools is estimated around Rs. 12 crores. There is stated to be considerable scope for setting up additional capacity in the following categories of small tools; (a) Thread cutting/forming tools; (b) Precision measuring instruments and equipments; (c) Gear-cutting tools; (d) Broaching tools; (e) Milling cutters; (f) Reamers; (g) Grinding wheels and mounted paints.

The demand for jigs, fixtures, press tools, moulds and forging dies is expected to go up to even beyond Rs. 40 crores by 1970-71. Whatever capacity for the manufacture of these equipments is there in the country at present is mostly captive in the engineering industries. There is considered to be good scope for setting up specialized units in these lines of production. The Government welcomes the private sector to take up this job.

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The Neyveli thermal power station is expected to reach a capacity of 250 MW in another couple of months, 300 MW by September this year and 400 MW by the last quarter of 1965. Currently it has a capacity of 200 MW.

The expansion to 250 MW capacity is being effected under the original development programme of Neyveli lignite. Further expansion to 400 MW is being undertaken in accordance with the decision taken by the Union Government some time ago. Ultimately, this thermal power station is to be expanded to a capacity of 600 MW.

A contract has been signed here this week with Messrs. Technopromexport of the USSR for the supply of equipment, machinery and materials, valued at approximately Rs. 7.75 crores, for the expansion of the Neyveli power station to 400 MW. Two thermal units will be supplied — one for 50 MW and the other for 100 MW. The equipment for the former will start coming after April next and that for the 100 MW units in the first quarter of 1965.

The contract signed with Messrs. Technopromexport also provides for Soviet technical assistance for erecting and putting into operation the equipment delivered. The credit is being made available under the Indo-Soviet Agreement of 1960.

★★

Deep drilling is proposed to be undertaken in the Calcutta and Jwalamukhi areas for finding oil which, according to experts, should be available there in fairly large quantities. A rig will be in position in the Calcutta area in May next and drilling there will start soon thereafter. Drilling in this area has already been done up to a depth of 10,000 feet by the Standard-Vacuum Oil Company, now the Esso Standard Eastern, without yielding any fruitful results. It is now proposed to go to a depth of over 20,000 feet.

Similar is the case with the Jwalamukhi area where drilling has been going on for the past couple of years. According to one expert, big reserves of oil should be available in this region around a depth of 20,000/21,000 feet. This project, however, may be taken up a little later than the Calcutta scheme.

Concerted efforts are proposed to be made to explore for oil in about 100,000 sq. miles of area in various parts of the country during the next three or four years.

So far as Assam area is concerned, it contains about 50 million tonnes of proved oil reserves. It is hoped that another 100 million tonnes of crude reserves might be found in this State.

With approximately 80 per cent of the work finished, it is expected that the Gauhati-Siliguri pipeline will be completed by July 31, 1964, as scheduled. The work on the Haldia-Barauni-Kanpur pipeline system is also stated to be making rapid progress. The Haldia-Barauni section of this pipeline is scheduled for completion by the end of the current calendar year and there is every likelihood that this target will be achieved. The Barauni-Kanpur section is scheduled for completion by the middle of 1965. This is also considered a realistic target date.

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The Union Minister for Labour, Mr. D. Sanjivayya, is understood to have told the Informal Consultative Committee of Parliament attached to his Ministry, that the Government will take a decision in another three or four months' time on setting up one or more wage boards for the engineering industry. A large number of miscellaneous industries come under the engineering group. In view of the wide variety in the products and the sizes of various engineering establishments, an official Study Group has been set up to examine and suggest whether any standardisation of wage rates for the engineering industry as a whole would be possible, and if not, how the industry could be grouped for the purposes of appointment of wage boards. The Study Group has already visited a number of places in the country and is expected to complete its report in about two to three months. The Government decision on setting up one or more wage boards for the engineering industries will depend on the findings of this Study Group.

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Gwalior Rayon, a Birla enterprise, has been successful, after four years of research, in establishing a process by which rayon-grade pulp, hitherto manufactured solely from soft wood, can be produced from bamboo. Mr. D. P. Mandelia, Adviser, Gwalior Rayon, told newsmen in New Delhi on Thursday that this important technological achievement had attracted worldwide attention since India was the first country to use bamboo as a source for producing rayon-grade pulp on a commercial scale. He significantly pointed out that the process had been developed and established solely by indigenous talent and enterprise. The factory using this technique also had been designed and erected by Indians who were currently running it successfully. This pulp factory is located at Calicut and is turning out daily about 100 tons of pulp. The pulp is presently being used by the Gwalior Rayon's Nagda factory. It will be made available to other rayon manufacturers as well in the near future.

On the basis of the daily output of 100 tons of rayon-grade pulp, which requires about 400 tons of bamboo a day, there is said to be a saving of about Rs. 3.50 crores per annum in foreign exchange. When the output is raised to 150 tons per day, as planned, the foreign exchange saving will increase to about Rs. 5 crores per annum.

Need for Substitutes

The manufacture of rayon-grade pulp from bamboo involves very little foreign exchange expenditure, since caustic soda and sulphuric acid which are the other two main requirements of the industry, are also produced in the country. The cost of production at the Calicut factory compares quite favourably with the cost of raising an equivalent quantity of cotton of the same quality and cleanliness. This competitive advantage, however, could be considerably increased if the excise duty levied on staple fibre — in the case of production from bamboo, the excise levy amounts to about 40 per cent of the fibre price — is suitably revised. In view of the fact that India will be needing cotton to the tune of approximately 9 million bales by the end of the fourth Plan, there is obviously need to substitute cotton with man-made fibres. Attempts to raise cotton output to 9 million bales by 1970-71 will entail diversion of land from under food crops to cotton cultivation.

Birlas are stated to have also applied for a licence to set up a polynosic fibre manufacturing unit with a capacity of 50 tons per day. The project is estimated to cost Rs. 4/5 crores, of which the foreign exchange component will be nearly Rs. 100 lakhs. No final decision has been taken as yet to locate this factory. Three sites are being considered. These are Calicut, Nagda and Bombay.

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The responsibility for control and supervision of the functioning of the stock exchanges in the country, it is understood, will soon be transferred from the Department of Economic Affairs to the newly created Company Law Board. Such a transfer had been suggested by the Vivian Bose Commission with a view to enable the Company Law Administration to exercise an effective control over the corporate sector. The law under which the Company Law Board, formerly the Company Law Administration, was set up provides for the transfer of subjects relating to the corporate sector to the Board. The transfer of control on capital issues to the Company Law Board has also been under the consideration of the Government. But no decision in this regard is expected for some time.

The Chairman of the Company Law Board, Mr. R. C. Dutt, disclosed to newsmen here this week that a comprehensive bill to amend the Companies Act was likely to be introduced during the current session of Parliament. The Bill will aim at preventing recurrence of the malpractices pointed out by the Vivian Bose Commission in its report. Among other things the bill will call for the definition of the objects clause of the

Memorandum of Association of a company to be defined in more precise terms.

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The Union Department of Iron and Steel, it is understood, has cleared the Punjab Government's scheme to establish a 100,000-tonne capacity pig iron plant based on the Mohindragarh iron ore deposit, subject to the condition that the State Government would submit proposals for meeting the foreign exchange requirements of the project to the satisfaction of the Government of India. The scheme is estimated to cost Rs. 5 crores with a foreign exchange component of Rs. 1 crores.

The Union Government, it is further learnt, had been requested to undertake mining of iron ore in Mohindragarh area on its own. But, in view of the relatively small dimensions of the deposits, it expressed its inability to include this scheme in the Central list.

The quality of Mohindragarh ore is stated to be fair. The iron content in it amounts to about 62 per cent. But its phosphoric content is high. The tests conducted by the National Metallurgical Laboratory, however, have established that this ore is suitable for pig iron production.

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In view of the mounting stocks of medium and low-grade coals at the pitheads, the Union Government is said to be considering relaxation of the rules governing supplies of additional quantities of coal for brick burning and of soft coke for domestic consumption from the West Bengal/Bihar coalfields. Currently, the consumers desiring these additional supplies have to get their requests sponsored by the State Coal Controllers, as these supplies are being moved in block rakes under a planned programme.

The Coal Controller has been asked to examine the possibility of movement of BRK in wagon-loads wherein expeditious single destination or multi-destination movement in block rakes or half rakes is not possible. He has also been requested to consider the desirability of eliminating sponsoring authorities in regard to these supplies so that the consumers could be in a position to ask for direct supplies from the Coal Controller instead of routing them through the State authorities.

Three steps have already been taken to liberalise coal supplies to consumers. These are :

(1) Every consumer of coal who desires to have more stocks over and above the quota already fixed for him, can be given additional supplies without any limit.

(2) Consumers who already have sanctions for supplies of coal either monthly, casual or ad hoc, can directly approach the Coal Controller for additional supplies without the necessity of getting their cases recommended by the State authorities, provided they do not suspend their quotas under the normal bulk.

(3) The State Governments have been asked to relax the procedure for issue of licences for setting up brick kilns.

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A number of important recommendations have been made by the Productivity Study Team of experts, sponsored by the National Productivity Council, for stepping up the development and productivity of the light electrical industry in India The Study Team has based its recommendation on the findings it had made after visiting several factories producing light electrical products in Calcutta, Madras, Bangalore, Bombay and Delhi in India, and Japan, USA and West Germany. The visits of this Team were arranged under the USAID programme.

The Team observes that while some of the companies engaged in the production of light engineering products in India had good management organisation and modern production planning and control, there were many that had little scientific management and modern outlook.

Among the highlights of the Team's recommendations are: (1) looking and planning ahead 5 to 10 years; (2) rational organisation and systematic budgeting, accounting and cost control; (3) improvement of plant layout and modernisation of plant; (4) decentralisation of authority; (5) setting standards and targets and checking up performance; (6) quality control from raw materials to the finished product and packing till the product is delivered; (7) sound selling organisation with technical personnel and trained salesmen; (8) scientific inventory control and reduction of inventories; (9) emphasis on research and development, i.e., better technology and methodology; (10) selection, training and education of work force; (11) talent spotting and development for higher responsibility; (12) encouragement for new ideas and suggestions; (13) improved communication and industrial relation; (14) constant endeavour to improve the product design based on customer's need for quality, style, convenience and the price he can afford, through standardisation, simplification and specialization; and (15) after sale service.

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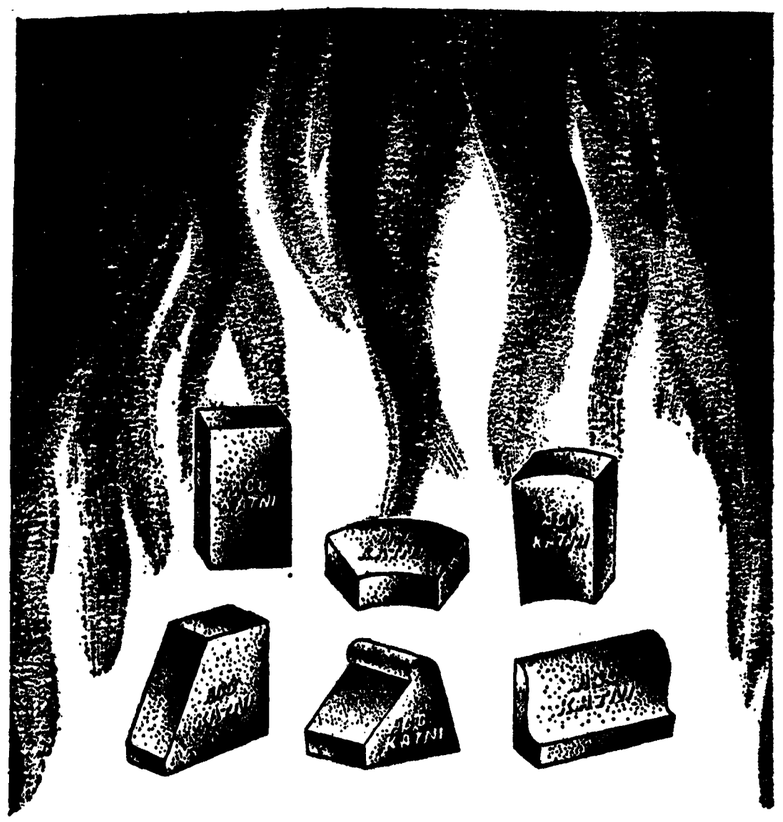
Mr. Jaisukhlal Hathi, the Minister of State in charge of the Departments of Supply and Technical Development, has been shifted in that status to the Ministry of Home Affairs. His place has been taken by Mr. R. M. Hajarnavis, hitherto Minister of State in the Ministry of Home Affairs. Mr. Hajarnavis remains Minister of State.

Fresh Imposts Unwarranted

From Our Correspondent

BOMBAY:

THE DISCUSSIONS on the budget at various levels in the week reflect clearly that the criticisms are now based mainly on the basic approach to the problem of economic development. Apart from the comments on the policy behind the budget, the specific proposals have received a more careful and precise appraisal from the business community. The Indian Merchants' Chamber has submitted to the Finance Minister a comprehensive memorandum on the budget proposals which may be said to cover the general run of observations by the industrial and business circles. The memorandum emphasises that the primary criterion behind the budgetary policy should inevitably be on modification and re-orientation of the tax system which would help to improve the performance of the economy in all sectors and at all levels without reducing the scope for raising the resources on an adequate scale, to meet the increasing requirements of defence and development. This would imply, in the view of the Chamber, that the budget proposals should be such as would stimulate savings, investments and capital formation and production and also attract foreign capital, thereby contributing cumulatively to a buoyancy in public revenues than what the present system has been able to provide. The memorandum further points out that the impact of taxation in the economy should be viewed in the background of the cumulative burden of additional taxation of the last year and this year which would amount to over Rs. 365 crores; and this would result in siphoning away all the resources from the common pool, thereby depleting the resources for development available to the private sector. In imposing an additional burden of taxation to the extent of about Rs. 43 crores, the emerging problems by way of an inadequate rate of growth in agricultural production and industry have not been fully taken into account and in the



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4TH VALUATION RESULTS

Life Insurance Corporation of India

The Life Insurance Corporation has pleasure in declaring the rates of bonus as a result of the fourth Valuation of its liabilities and assets as at 31st March 1963. These bonus rates are applicable to with-profits policies issued by the Corporation and which were in force for full sum assured as at the date of Valuation.

The total sums assured and bonuses under 94,93,033 policies in force on the date of the Valuation amounted to Rs. 3,166 crores, and the total amount payable under 10,303 Life Annuities was Rs. 1,05,13,117 per annum. Out of the total profits available for distribution amounting to Rs. 26.71 crores, a sum of Rs. 25.39 crores has been utilised for allotting bonuses to the policyholders. Government's share of surplus amounted to Rs. 1.32 crores.

The rates of bonus on with-profits Policies of the erstwhile Insurers are governed by the Life Insurance Corporation of India (Classification of Policies for Differential Bonuses) Regulations, 1961 and these have been similarly increased, wherever applicable.

All Policies entitled to participate in profits on the Valuation date are eligible for :-

- **Two Years' bonus—if the Policy was effected in the months January to March of any year prior to 1.1.1963.**
- **One year's bonus—if the Policy was effected between 1.1.1963 and 31.3.1963 or in the months April to December of any year prior to 1.1.1963.**

Bonus intimations in respect of the fourth Valuation will be sent out to the policyholders as soon as possible.

view of the Chamber, if only the scope for effecting economies, cutting down expenditure and rationalising non-development and non-plan expenditure were fully explored, the community could have been given the relief from any further imposts in the budget year. The memorandum has also pointed out that the budget proposals would not only defeat the objectives laid down by the Finance Minister, but would also accentuate the inflationary pressures in the economy through the changes in the sphere of indirect taxation.

Corporate Enterprise Affected

Commenting on the taxation of bonus shares, the Chamber points out that the measure is against the judicial pronouncements and accountancy principles and has a definite element of double and fictional assessment and brings within the purview of taxation something which is not crystallised. This would also affect the ploughing back and creating of an investment climate which are factors of primary importance. Therefore, it is argued that this measure should be deleted as, otherwise, the whole base of the working of the corporate enterprise and productive effort would be adversely affected. In regard to estate duty, the rates proposed, the memorandum observes, are of such a heavy order that it would result in a person receiving a beneficial interest from an estate becoming virtually insolvent in cases where considerable property is left. It is, therefore, suggested that the existing slabs should be retained and the rates proportionately adjusted in such a manner that in respect of estate duty the rate at the highest slab does not exceed 60 per cent. The same objection against increasing the rates is made in respect of the gift tax, and it is urged that the rate should not exceed 50 per cent. In regard to the amendment reducing the base of levy on wealth tax, the memorandum urges for the retention of the rate of exemption at Rs. 200,000. In examining the impact of the total burden of personal taxation on all classes of tax payers, the memorandum points out that, though the cumbersome scheme of compulsory deposit has been abolished, the benefits would be practically marginal. It is only by raising the minimum taxable limit to a sufficiently higher level that real justice can be done to the lower and middle classes which are the backbone of society. And in this connection, the Chamber has urged for raising the minimum taxable limit in the case of individuals to Rs. 7,500, and for a Hindu undivided family to Rs. 15,000. Suggestions are also made that the amount of life insurance premium paid by the assessee should be allowed to be deducted from the deposit amount to be made under the annuity deposit scheme.

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In a review of the foreign exchange needs and other problems of the woollen industry, Mr. R. K. Birla, Chairman of the Development Council for Wool Industry, pointed out that the council had fixed the fourth Plan targets at 41.5 million yards for fabrics, 40 million pounds for worsted yarn, 22 million pounds for woollen yarn and 18 million pounds for shoddy yarn. The utilisation of the industries' installed capacity within the current provision of Rs. 5 crores of foreign exchange, according to him, posed a problem. It was in the context of the position regarding utilisation of the capacity and the rising costs of raw materials, Mr. Birla observed, that the woollen industry needed at least Rs. 29 crores in foreign exchange to achieve the fourth Plan targets. He deprecated the progressive decrease in the allotment of foreign exchange for the import of raw materials, particularly the recent 50 per cent cut in the allocation which did considerable damage to production. The industry can earn a significant amount of foreign exchange through stepping up of exports, particularly of raw wool, carpet yarn and machine-made carpets. In this regard, he referred to the attempts made by the industry to use indigenous raw wool for making fabrics both for home consumption and for exports. On account of the rough texture of the material, he said, there was no response from either domestic or foreign consumers. Besides, he pointed out that for the average production of 72 million pounds of Indian wool, the permit to export is limited to 30 million pounds. If this limit is removed, he thought India would be able to export a larger quantum. Emphasising the need for modernisation, he conceded the assistance given by the Government; at the same time, he said there was need to quicken the pace and this could be done if Government expedited the steps in finalising the arrangements for loans etc. from those countries which were anxious to help India with the most modern machineries on long-term deferred payment terms. He appealed to the industry to keep the interests of the consumer in view in respect of quality as well as the price of woollen products.

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The Seminar on "collective bargaining" under the auspices of the Indian Institute of Personnel Management held last week came to the conclusion that the prospects and possibilities for collective bargaining in India are considerably limited by the prevalence of such difficulties as multiplicity of unions, reluctance to determine the sole representative bargaining agency through election, inhibition caused by governmental legislations, rules and compulsory adjudication awards. The points that emerged at the Seminar were, that though the employers enjoyed almost complete freedom until 1947 various curbs have been placed after independence on them not by the growth of collective bargaining tendencies by organised labour, but by governmental regulations and compulsory adjudication; there was lack of any norms with regard to issues of collective bargaining and a plea was made for setting up of norms. It was emphasised that collective bargaining had a much wider goal than maintenance of industrial peace. The three issues raised were: (a) the extent of management organisation to ensure uniform industry-wise bargaining; (b) imparting of trade-union education to workers by management; and (c) whether the personnel officer should act as the management's representative or spokesman in management councils of labour interests. In the context of the significance of collective bargaining in the present state of development of industry in India, the issues raised should further stimulate thought on the subject.

Union Budget Will Not Promote Growth

From Our Correspondent

CALCUTTA :

INDUSTRY AND investors in this part of the country have every reason to feel disappointed, and disturbed, that Mr. T. T. Krishnamachari's Budget proposals for 1964-65 are what they had expected them not to be. The most representative statements made about the Budget point to this reaction. The Indian Chamber of Commerce appreciates the need to raise resources for defence and development. It also endorses the Union Finance Minister's objective of curbing the current inflationary tendencies in the economy, but emphatically states the view that despite the reliefs proposed for certain important industries the additional imposts on the corporate sector as a whole will not promote the larger objective of economic growth. The Chamber rightly feels that the burden of personal taxation will continue to be rigorous and the relief which is proposed for the lower and upper brackets of income is only marginal. Another aspect relating to personal taxation in the Budget which has been the subject of much acid comment, is the clever device of actually increasing the rates of tax in the

middle brackets of personal incomes in the name of regrading the tax structure, which has partly neutralised the benefits of abolition of the compulsory deposits scheme. As for the groups with annual incomes exceeding Rs. 15,000, it is being correctly pointed out that the annuity deposits scheme which will apply to people in these brackets, will deprive industry and trade of a good part of the investible funds which these classes of income earners have so far provided.

Industrial Equities

Apart from denying some people the opportunity to make the most profitable use of their surplus funds by thus cutting into their savings potential, the Union Finance Minister obviously has no intention of bettering the prospects for investors in industrial equities. The President of the Calcutta Stock Exchange has invited Mr.Krishnamachari's attention to the deleterious effect which the new impost of 7.5 per cent on distributed profits and extension of the capital gains tax to bonus shares received by a shareholder will have on investment. The dividend tax is not only undesirable, but is also iniquitous, because it accords a privileged position to preference shareholders who are not affected by the impost. The equity investors take the maximum risk — the risk of even losing all the capital invested in a company, yet the Finance Minister has chosen them for the purpose of his dividend limitation policy. The capital gains tax on bonus shares is also unfair in view of the fact that it does not stipulate any setting off of losses against it, the President points out. The legal decisions in the past have always been against the taxing of bonus shares received by a shareholder. "Both these measures as also the uncertainty created by the hinted discontinuance of development rebate after 1967 have generated a feeling of uncertainty in the minds of investors", the President observes.

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On behalf of another important industry — tea — authoritative opinion has been voiced that the latest Union Budget is unlikely to assist the industry in expanding its production and exports to the degree required. The Chairman of the Indian Tea Association, Mr. S. P. Sinha, has just given the reasons why he thinks the Budget will prove unhelpful. In the first place, the Budget has done nothing to minimise the burden of excise. Export duty has been abolished, but the excise levy has been raised to the point where it is neutralising the good effect of the export duty abolition to a substantial extent, because the previous practice of allowing some rebate in excise when tea is exported has been stopped. This policy is inconsistent with the objective of export promotion, although it may help the Government to expand its revenue. Mr. Sinha pointed out that although India still remains the world's largest single producer of tea — and a major earner of foreign exchange for this country also — her share in the world trade is not proportionate to her position as the leading producer. If this country is to maintain her present share of the world tea market, she has to fight increasing competition by raising the supply of quality tea. High quality tea still enjoys a premium, but this country has not been producing more of these grades. To increase the production of quality teas, Mr. Sinha stressed, it is essential to encourage the producer to expand and replant not on ground from which bushes have been recently uprooted, but on virgin soil with modern methods of propagation and the best stock which scientists and planters can provide.

This is what the Government's fiscal policy does not encourage.The cost of replanting tea is not allowed as a revenue charge, and there is still no depreciation on tea bushes. The industry is not permitted to deduct the cost of planting against anything but taxed profits. Fresh planting did not present any problem in the former days when the industry had adequate surplus to plough back into the business, but these days heavy taxation and labour and housing charges leave little for such purposes. In the circumstances, tea's fiscal burdens need to be eased if expansion of the industry is to be promoted. Discussing the corporate tax proposals of the latest Union Budget, Mr. Sinha has said that although the full implications of the complicated changes still remain to be worked out, at first sight it appears that their effects on the corporate sector will be adverse. An industry like tea which has a high proportion of foreign investment in its capital structure will be badly hit. The aggregate of income-tax and super tax for non-resident companies have been increased from 63 per cent to 65 per cent and they are not entitled to the 20 per cent rebate in the surtax. The sterling companies have been given no relief from the tax burden. For the resident companies also, such reliefs as are indicated in the Finance Bill will be offset by the proposed 7½ per cent tax on dividend distribution. The dividends have been disappointing during the current year and if dividends are to be limited in future through tax, the industry will have no great prospect of attracting capital. The only way to find finance for development is, therefore, to seek relief from the existing burden of taxation and to depend upon such assistance as the Government may provide.

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The coal industry's comments on the Union Budget have come through Mr. Pran Prashad, Chairman of the Indian Mining Association, at the Association's annual general meeting held last week. Mr. Prashad has welcomed the industry's inclusion in the "short list of industries which will be entitled under the Budget proposals .... to tax rebates." Together with the higher development rebate given earlier, Mr. Prashad feels that the Government has come a long way to meet the industry's viewpoint, but he is disappointed that the need for a depletion allowance is still to receive the Government's recognition. The coal industry has been asking for nothing more than a price structure which, while ensuring a fair and reasonable return to attract much-needed capital for development, will not give rise to a chain reaction of price increases in the coal-based industries.

The main complaint of the industry has been that the price allowed for its product has been unrealistically low, especially for the superior grades. Even the latest increases in prices have left some producers dissatisfied. The producers of medium and lower grades are disappointed as they have been given no increase at all . It is pointed out that Grade I non-coking coal as well as some others which have been left out of the scope of the latest price revision constitute together 75 per cent of the total production; Grade I alone accounts for 40 per cent of the total output. (The grades for which prices have been raised, it is said, form only 20 per cent of the total). The Swaminathan Committee on the recommendation of which the recent decision on prices is based had also recommended an increase in the prices of Grade I non-coking coal. A substantial increase in the production of these coals is also visualised under the third Plan, and the World Bank scheme of financial assistance is based on securing a higher output of this variety. Mr. Prashad, however, pleaded for a general increase in the differential between the prices of the lower and higher grades — the differential, as it obtains at present, in Mr. Prashad's opinion, being totally unjustifiable.

The coal industry's case for higher returns is justified by the fact that it is currently undertaking a scale of investment which it never did before in a short period of time. Much of this investment has been made possible by the World Bank loans and the larger of the collieries account for the bulk of the new investment. These collieries by and large produce the better grades. Therefore, the progress of India's industrialisation will greatly depend on the fortunes of these concerns which supply this country's basic industrial fuel. Mr. Prashad has made suggestions for revolutionising production technique which if implemented, would sooner or later lead to the closure of small collieries, which, incidentally, produce mainly the inferior grades of which the country now requires less than has been produced. According to Mr. Prashad, no other country in the world is today obliged to keep 850 and odd coal mines in production to mine merely 66 million tons of coal a year. The production of fuels at the lowest possible cost can in modern conditions be achieved only by units capable of ultimately producing upwards of half a million tonnes of coal per year. For the Indian coal industry, which is now well set on the road to expansion, there is splendid opportunity to "leap at once from the age of the pickaxe to the age of full mechanisation", obviating the long and tedious crawl through intervening stages of advance. "Can we afford to let this significant opportunity slip through our fingers?", he asks. But those who are familiar with the economics of the coal industry at present may well doubt whether these suggestions can be implemened as speedily as Mr. Prasad or the Association he represents would wish.

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While presenting his Budget for the next financial year, Mr. Fakhruddin Ali Ahmed, Finance Minister of Assam, announced a series of new taxation proposals which would only partially bridge the gap of Rs. 2.53 crores between the estimated revenue receipts and expenditure. The new taxation proposals — increased sales tax, higher sales tax on luxury goods, extension of the tax on coal, coke and coal gas, a duty on electricity, higher excise on liquor and increased rates of agricultural income-tax in certain slabs — will bring in an additional revenue of Rs. 85.9 lakhs. Since the revenue and capital budgets together show a deficit of about Rs. 6 crores, the State can do nothing to bridge this gap except to press the Centre to give more funds. The Finance Minister reiterated the old complaint that the Planning Commission is being unfair to the State by going back on its promise to allocate a certain amount of money. The former had originally approved the State plan for 1964-65 with an outlay of Rs. 34.2 crores, out of which the Centre was to provide Rs. 28.6 crores, but later the Commission arbitrarily and "unilaterally" cut down the size of the plan to Rs. 27.7 crores, in complete disregard of the economic needs of this problem-ridden State. However, the State Government has still provided for a Plan of Rs. 34.2 crores, and the gap which remains uncovered in the Budget would not have been there had the Planning Commission not subsequently gone back on its promise. Therefore, the State is taking up the matter with the Centre to allocate extra funds to cover the deficit. In the State's capital budget, power development claims 26 per cent of the total allocation and education comes next with 11 per cent. A feature of the budget as a whole, however, is the emphasis on social services, which claim 29 per cent of the proposed expenditure.

Dividend Tax Needs Modifications

From Our Correspondent

MADRAS :

THE FULL reaction to the budget proposals of Mr. T. T. Krishnamachari in the stock market circles is only now available and the Governing Body of the Madras Stock Exchange has thought it necessary to represent to the Government the need for affording substantial relief in corporate taxation. While it is appreciated that in the case of plantation companies, the dividend tax will not operate harshly as in the case of companies with non-agricultural incomes, it is emphasised that the relief under the modified Surtax on profits would not be available for many companies and the net burden of taxation will be higher particularly in the case of cotton textile and rayon industries because these are not eligible for the proposed rebate of 10 per cent in income-tax and super-tax and of 20 per cent in surtax. The net addition to tax liability is expected to be anything up to 2 per cent and only those companies which secure relief from other directions can afford this new burden.

As in the Madras market, the main activity centres round cotton textile, rayon and plantation shares, here is naturally a feeling that there will be a revival of activity only when the holders of shares are benefited in some manner or other. Indeed, far from getting any benefit, the excise duties on cotton textiles, particularly superfine yarn and rayon yarn, have been raised steeply which will fetch for the Exchequer about Rs. 12 crores in a full year. The objective of the higher duties on superfine yarn and the changes in the structure of excise duties up to the end product would seem to be to prevent the leakage of revenue from the powerloom sector. At the same time, it has been suggested that the move might discourage imports of long-staple cotton on which large sums have to be spent on foreign exchange. If this were the intention, it is difficult to understand how the excise duty on various grades of rayon yarn also has been raised. The answer probably would be that there will be a reduction in imports of wood-pulp and a more careful policy on the part of buyers to effect fresh purchases. The middle income groups will be directly affected by these levies apart from others as it has been decided by the producers in the two industries that the increase in excise duties would be passed on to the consumer in the shape of higher prices. It now remains to be seen what exactly will be the inhibiting effect of higher prices following higher taxation.

From the Industry's angle, it may, therefore, be said that the profit margins will not be affected and that the feeling of depression will be only temporary. But with the implications of the Bonus Commission's report not having been fully assessed and the fears that fresh difficulties might arise during the course of the year, there is no ready disposition to anticipate developments and take an optimistic view.

As regards the plantation industries, there is a sense of amusement over the inclusion of tea, coffee and rubber in the list of industries for getting a rebate of 10 per cent in income-tax and super-tax and of 20 per cent in surtax. The tea estates will probably benefit by the rebate in surtax though it is argued that the relief in income-tax and supertax will not be appreciable, while the incomes of rubber and coffee estates are mostly agricultural in character. There is, therefore, anxiety to know whether Government have any special purpose in including these industries in part IV of Schedule I of Finance Bill, 1964.

As for other industries, it is expected that the surtax will operate favourably and many companies will be benefited by the need to provide much smaller sums on this account. There is,however, a feeling that the dividend tax may have an offsetting effect in many cases and the small investor is inclined to be enthused more by the reduction in tax on dividends at source to 20 per cent from 30 per cent. The benefit derived by the income group between Rs 5,000 and Rs 20,000 on account of this reduced deduction will, however, be illusory as it will amount not even to the refund that would have been ordinarily obtained under the old tax structure as it has been painfully found that the average tax so far as the individuals in these groups are concerned will be very much higher than in 1963 and the refund will be only to the extent of the higher average tax and 20 per cent. It might so happen that the total income including the revised deduction will be less than before assuming

that the same gross dividends were paid. The rebates in excise duty in the case of paper and tyre units on a specified basis have no doubt been welcome. But it is felt that the relief in the case of new paper mills is more substantial as there will be an incentive in respect of the payment of the duty on total production for three years. For new mills as well as those who had undertaken expansion of their capacity, there is also a rebate in regard to corporate taxation because of the inclusion of the paper industry in the schedule referred to above. The tyre producers, however, are not quite happy as against the earlier expectations that they might be exempt from the whole excise duty on a specified proportion of the total output, the relief is confined to the special excise duty which is not payable on the first slab of stocks cleared having a value of Rs 50 lakhs and which is payable only on 50 per cent on the second slab of Rs 50 lakhs. This concession is available for all units unlike in the paper industry.

While the members of the stock exchange are worried about the general reaction that would be induced by the budget proposals and the trend of business in the coming weeks, the governing body has felt acutely about the implications of the decision of the Government to levy tax on bonus shares issued by the companies. If the published reports are correct and individuals are obliged to pay capital gains tax on the short-term basis on the whole of the market value of bonus shares under the procedure prescribed by the Government, investment activity would be seriously retarded. In view of the certain amount of finality about the various budget proposals and the anxiety of the Finance Minister to secure for the Exchequer as large revenues as possible, it is difficult to say whether he would be prepared to make any gesture. But it is still hoped that the dividend tax would be modified and the anomalies involved in the taxation of bonus shares on the proposed formula would be eliminated.

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Two more State Budgets have been presented — those of Madras and Kerala. Only the Madras Government has chosen to levy additional taxation for about Rs. one crore by increasing the sales-tax on cotton at the point of last purchase and on cotton yarn, cotton waste, artificial silk yarn and staple fibre at the point of first sale. As it was felt that the State Government was losing to some extent its share of revenues from the Central sales tax, on account of the Madras sale tax being maintained at one per cent, this adjustment has been made fetching an additional revenue of a crore of rupees. The total benefit will be more because there will be larger receipts from the Centre. Mr. Bhaktavatsalam apparently decided to utilise available resources for implementing plan schemes as the administrative machinery was capable of handling a larger volume of work and the problem related only to the availability of resources and not the implementation of schemes on account of the lack of technical personnel or inadequate planning. Indeed, it has been claimed by the Chief Minister that some of the schemes had been implemented ahead of schedule and that the total outlay is now expected over the period at Rs. 325 crores against the target of Rs. 291 crores. The expenditure on plan schemes during the current year on the revised basis is estimated at Rs. 68 crores against Rs. 60 crores originally expected. As there was also an increase in expenditure on other heads, there was a deficit of Rs. 3.02 crores notwithstanding the increase in revenue receipts to Rs. 130.98 crores from Rs. 124.45 crores. This deficit has been incurred for the second year in succession. In respect of 1964-65 also, it is expected that there will be a revenue deficit of Rs. 3.34 crores in spite of the fact that receipts on the basis of existing taxation were expected to be higher at Rs. 137.48 crores. As revenue expenditure is expected to rise further to Rs. 140.82 crores the deficit has become inescapable. This is expected to be reduced only by Rs. one crore on account of the increase in sales-tax referred to above.

The outlay on plan schemes in the next year will be Rs. 70.53 crores. Even so, there will be a balance of Rs. 76 crores left for 1965-66 in order to complete the target of Rs. 325 crores. There will obviously be an inadequacy of resources. But it is just likely that the receipts from the Central Government, both on account of the State's share of taxes and plan assistance will be much larger than estimated earlier and that the Madras Government would be able to complete the enlarged plan without much difficulty.

It has been explained that the increase in expenditure is mainly due to power projects, the Kodaiyar project in Kanyakumari District which was expected to be taken up in the fourth Plan costing Rs. 7.75 crores. Likewise, it had not been scheduled that the second stage of the Mettur Tunnel Scheme would be taken up immediately. But it has now been programmed that this scheme will be completed in both its stages by next year costing additionally Rs. 7 crores.

Dearness Allowance

The State Government had necessarily to defer its decision regarding the grant of additional dearness allowance to its employees and teachers as some adjustments had been made earlier and the Central Government had been asked whether it could subsidise in part the additional expenditure that may have to be incurred under this head while an announcement in this regard may be made later. The family pension scheme has, however, been liberalised and the scope for the old age pension scheme has been enlarged. The minimum pension also has been raised to Rs. 20 per mensem. A larger appropriation has been made for provision of educational facilities, secondary education being free for all. More schools and colleges are to be constructed while facilities for technical education are being further expanded. It is the only State which has over-fulfilled its target for raising additional tax revenues.

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The Kerala Chief Minister, however, could not proceed on the same basis as he had to frame his Budget proposals having regard to the general elections which are to be held in the State some months hence.There will no doubt be an increase in revenues in 1964-65 to Rs. 79.58 crores from Rs. 75.16 crores (revised) for the current year. Expenditure has been placed at Rs. 76 crores in 1964-65 against Rs. 70.04 crores, leaving a revenue surplus of Rs. 3.58 crores. This should have been helpful to the State Government for stepping up Plan expenditure on the estimated basis and the cut suggested by Planning Commission should not have caused any serious difficulty. It was, necessary, however, for Mr. Sankar to grant an increase in the dearness allowance, to revise the old age pension scheme, family pension scheme and also raise the minimum of pension to Rs. 20 per month. All these concessions which will be applicable to Government employees as well as teachers will nearly wipe out the revenue surplus. In view, however, of the urgency for proceeding with the implementation of Plan schemes, particularly power projects, the suggestion of the Planning Commission to reduce the outlay during the next year has not been accepted. Even on the basis drawn up by the Government it may not be possible to exceed the target. In fact, a very strenuous effort will have to be made to complete the target of Rs. 170 crores, an expenditure of only Rs. 90 crores having been made up to the end of the third year. Power projects alone will claim an allotment of Rs. 18.5 crores against only Rs. 11 crores in 1963-64. It has been stated that efforts are being made to persuade the Planning Commission not to reduce assistance; otherwise the implementation of the power projects like Sholayar and Subarigiri might suffer. This will have serious consequences for the State's economy as there is already an acute power shortage and in the next two years a large number of industrial units are expected to spring up particularly in the Cochin-Alwaye area.

The moving finger writes

THE FINANCE Minister will, no doubt, make many more important speeches in Parliament before the budget session is over. But it should be difficult even for him to add to the high reputation which Part "A" of the budget speech and his reply to the general debate on the budget in Lok Sabha have already brought him. I doubt that Mr. Krishnamachari is among History's great orators. Even that minor gift — the gift of the gab — which Mr. Nath Pai, for instance, possesses in ample measure, is not very much his. Although occasionally he does manage to turn in a neat phrase or two — remember "the man-eater"! — the Finance Minister's forte is his agile and analytical mind. He refuses to accept that anything at all in this wide world can be claimed to lie beyond the right of Man to know. Add to this the fact that he has the instinct of wanting to know and the intellect for "knowing", it is not surprising that even those who might happen to differ profoundly with him on specific issues are still apt to be impressed with the vast expanse of information he has at his command and his quick skill in marshalling that information to serve his purpose of the moment.

Few will disagree that the rich men of this land have little cause to love the Central budget which Mr. Krishnamachari has confronted them with. Is it not then strange that so many of our industrial leaders have been heard to speak with admiration and respect of his exposition or defence of his economic policies? Indeed, certain leading industrialists have been so enthusiastic over his budget speeches in Parliament that they have mailed the texts of those speeches to their counterparts abroad in the belief that these speeches are invaluable for a proper appreciation of our national policies and national economic climate. In this manner, interested foreign opinion is being kept informed of the trend of thinking in the Government here, and I have no doubt that Mr. Krishnamachari will find the ground thus prepared quite useful when he goes abroad after the budget session. Incidentally, I understand that the Finance Minister has a heavy programme of foreign visits to get through in the next few months and that he may make not one grand global tour but a series of short and separate journeys to a number of countries.

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It is pleasant to find the younger M.Ps. making a mark and I am certainly happy that Mr. Ravindra Varma from Kerala has been repeatedly successful in raising the level of discussion in Lok Sabha. His speech in the course of the general debate on the budget has been deservedly praised by such disparate persons as Mr. T. T. Krishnamachari and Mr. Masani. To have spoken in a way which could have appealed to both those quarters must be regarded as an achievement in itself. Mr. Krishnamachari was also inclined to express satisfaction with Mr. R. R. Morarka's speech which, considering everything, must be regarded as something in the nature of a rare surprise. Mr. Morarka, from his looks at any rate, is certainly another bright young man in Parliament, although in terms of sheer parliamentary experience he must be included among the veterans. Mr. K. C. Pant, another Lok Sabha M.P., who also made a notable contribution to the budget debate, no doubt combines the youth of Mr. Ravindra Varma with an inherited background of political maturity.

Mr. Pant has the gift of expressing strong views in soft language, but Mr. C. D. Pande in Rajya Sabha, believes in suiting style to substance. A forthright, even if not an elegant speaker, Mr. Pande has on many occasions in recent weeks defended the Finance Minister against others as well as attacked him himself with fine impartiality. While Mr. T. T. Krishnamachari certainly has reason to be grateful for Mr. Pande's many adroit counter-attacks on that professional baiter of Finance Ministers, Mr. Bhupesh Gupta, he cannot easily ignore either Mr. Pande's candid criticism of some of the harsh and arbitrary features of the budget documents this year. Participating in the discussion of the general budget in Rajya Sabha, Mr. Pande vigorously opposed the mandatory provision of six months' imprisonment in cases where evasion of tax was even technically proved. Incidentally, what makes this directive to the courts particularly objectionable is that the onus of proving innocence is being thrown on assessees where concealment of income for tax purposes is alleged. It is true that this is not the first time when such aberration from the Rule of Law is being put into the Statute Book. Similar provisions have been enacted, for instance, for dealing with smuggling or possession of or commerce or trade in smuggled goods. The point, however, is not whether there is a precedent but whether this basically wrong attitude towards one of the fundamental principles of civilised jurisprudence, which is that innocence should be presumed until guilt is proved, is to be allowed its cancerous growth from one bad precedent to another.

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The Minister for International Trade, I hear, is busy fitting himself out in grand style for the forthcoming Geneva conference on world trade. Mr. Manubhai Shah may not have the presence of a Prima Donna, but he certainly has the instinct. Not for him is a mere string of officials to fetch and carry. On the contrary, he must be accompanied in proper style. And so the President of the Federation of Indian Chambers of Commerce and Industry has been told that he must get ready for the Geneva sights and show. Another eminent fellow-traveller would be Mr. B. R. Bhagat, with his double distinction of association with the Finance Ministry and the Planning Commission. And as if Mr. Bhagat cannot represent the Planning Commission adequately, Dr. V. K. R. V. Rao is also to join the trip. Mr. Manubhai Shah, Mr. B. R. Bhagat and Dr. V. K. R. V. Rao, among themselves, should make a very good copy of Three Musketeers. Or, perhaps, they may not. I am afraid that in that good company of three men and true, there may well be one D'Artagnan too many.

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Talking of Dr. V. K. R. V. Rao, I see that he has called for an "intellectual" study of the population problem. I have great respect for intellect, especially for Dr. Rao's, but I also believe in the principle that there is a place for everything — and the place for the intellect, I venture to suggest, is definitely somewhere above the navel. So far as population growth is concerned, I am inclined to place more faith in the plastic coil which is reportedly being used in a mass family planning experiment in Burmingham in the United Kingdom. According to the London correspondent of "The Hindustan Times", this coil which costs about 12nP. could be inserted in the womb easily and it could thereafter function, while in that position, as a permanent control.

V. B.

Trade Winds

STEEL DECONTROL

THE GOVERNMENT of India has abolished statutory control over the price and distribution of all categories of steel, except pig iron and ingot moulds and bottom plates, billets and tin bars, plates, sheets and wide strip, skelp, tin plates, hoops and their respective defectives. The decontrolled categories constitute about two-thirds of India's total steel production.

The Minister of Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, has announced the setting up of a Joint Plant Committee in pursuance of the main recommendation of the Raj Committee, which studied the question of planning and distribution of steel. The Joint Plant Committee will consist of representatives of the main producers and the Railways, with the Iron and Steel Controller as Chairman. Its main function will be the planning of production, both of the controlled and decontrolled categories "to make the best use of productive capacity on the one hand and to respond as quickly and sensitively as possible to the requirements of the consumers on the other."

The Minister has also stated that hereafter, everyone would be free to trade in all decontrolled categories of steel.

The Joint Plant Committee has announced that the revised prices for decontrolled categories would be brought into effect from 1st April, 1964. In the meantime, controlled prices prevailing on February 29, 1964 would be applicable to all despatches of decontrolled categories of steel between March 1 and 31, subject to adjustments to cover mainly equalised freight charges hitherto recovered from the Iron and Steel Controller's Equalisation Fund, increases in excise duties and differentials between tested and untested prices. The adjusted prices for interim period are given in the schedule below. The prices are applicable to supplies by the main steel producers, namely, Hindustan Steel Limited, the Tata Iron and Steel Company Limited and the Indian Iron & Steel Company Limited. Until further notice, all indents should continue to be forwarded to the Iron and Steel Controller.

PRICES FOR DECONTROLLED CATEGORIES
(Effective for all despatches from 1-3-1964 to 3-3-1964)

Category	Prices f.o.r. railhead destination per metric tonne	
	Tested	Untested
	Rs.	Rs.
Structurals	705	660
Light Bars	675	630
Heavy Bars	665	620
Heavy Rails		
105 lbs.	650	500
90 lbs.	630	605
75 lbs.	650	625
60 lbs.	665	640
50 lbs.	705	680
Light Rails	755	710
Hoebars	541	..
Blooms	525	480
Slabs .. .	545	500
Wheels, Tyres*		
New Design	1221	..
Old Design	1075	..
Axles*		
New Design	1329	..
Old Design	1044	..
Papers (Pressed)* ..	686	..

*G.R. Works.

The revised prices of controlled categories of steel have also been announced. These take into account the incidence of the revised excise duties. Below is a comparative statement of prices of controlled categories of prime steel per metric tonne as on 29-2-64 and 1-3-64.

PRICES OF CONTROLLED CATEGORIES

Category	Previous sale price (Col. I) (for sale by registered producers)		Revised sale price (Col. I) (for sale by registered producers)	
	Un-tested	Tested	Un-tested	Tested
	Rs.	Rs.	Rs.	Rs.
Billets ..	504	537	505	550
Tin Bars ..	473	503	547	592
Skelp ..	775	319	786	831
Black Sheets ..	813	857	832	877
G.C. Sheets ..	925	925	940	985
Plates ..	742	789	767	812
H.R. Strips ..	775	819	786	831
C.R. Strips ..	855	899	876	921
C.R. Sheets ..	893	937	916	961
Cotton Baling Hoops	956	..	991	..
Jute Baling Hoops	900	..	915	..
Coir Baling Hoops	1054	..	1089	..

COAL PRICES

In May, 1963, the Government had set up a Study Group with representatives of various Ministries on it, to examine what incentives, if any, were needed by the coal industry to enable it to fulfil the task assigned to it in the current Plan The report of the Group has since been submitted. The Group has recommended incentives for encouraging the production of superior varieties of coals, particularly those needed for metallurgical purposes. It has also recommended a general increase in coal prices. A further suggestion made by the Group is that any incentives extended to the producers of coking coal should be linked with an agreement on the part of the producers that the supplies to the steel works will be subject to sampling and analysis to destination and payments made accordingly. This has been stipulated because any deterioration in the quality of coal supplied to the steel plants adversely affects the efficiency of the steel plants and also increases cost. Accordingly, a price increase of Rs. 1.25 per tonne has been notified by the Government, with effect from March 3, 1964, in the case of non-coking coal of Selected A and B Grades in West Bengal-Bihar, and "Selected Grade" in the outlying fields. In respect of coking coals, it has been notified that in addition to the prices existing prior to the present notification and which will even now continue to be in force every colliery owner shall be paid the following amounts where, in pursuance of an agreement between him and the consumer, the grade of the coal supplied is determined by sampling and analysis at the destination in accordance with the procedure laid down by Government: (i) In the case of any of the Grades of coking coal A to E (conforming to old Grades Selected A and B) .... Rs. 1.25 per tonne; (ii) In the case of any of the grades of coking coal F, G and H (conforming to old Grade I) .... Rs. 0.75 per tonne.

POWER DRIVEN PUMPS

Inaugurating the 9th annual general meeting of the Indian Pump Manufacturers' Association, the Union Minister for Food and Agriculture, Mr. Swaran Singh, said that there was no doubt that the industry for the manufacture of pumps had an unlimited scope for expansion during the coming years and that it would be wise to make plans for meeting the anticipated demand from right now even though in some categories of pumps the demand may not at present be large enough to justify the creation of manufacturing capacity. He said that the Government of India had recently established a Board for Agricultural Machinery and Implements and that this Board would examine the various handicaps and difficulties from which manufacturers suffered and will advise the Government about the measures necessary for their solution. The Minister pointed out that many of the implements purchased by farmers were lying unused because of the lack of adequate facilities for service and spares. He advised the manufacturers to ensure that their clients were provided with the required facilities.

In his presidential address, Mr. R. V. Deshpande said that the third Plan target for the manufacture of 1,50,000 pumps per annum had almost been achieved. Moreover, the manufacture of pumps suitable for industrial requirements such as for cement, paper, chemical and petroleum industries, had also been taken up. The production of pumps in 1961, 1962 and 1963 was 1,27,200, 1,33,400 and 1,50,000 numbers (estimated on the basis of eight months' production) respectively. Referring to exports, he said that the value of pumps exported in the year 1961-62 was Rs. 4,85,000 which increased to Rs. 12.75 lakhs in 1962-63. In the current year up to October, 1963, the exports have been at an average monthly rate of over Rs. 1,00,000. On the other hand, certain types and sizes of pumps were being imported every year (worth Rs. 2 crores per annum). In view of the necessity to cut down these imports during the fourth Plan, Mr. Deshpande urged upon the authorities to examine the question of how best the target of self-sufficiency in all kinds of pumps could be achieved.

DRUGS AND PHARMACEUTICALS

Inaugurating the re-constituted Development Council for Drugs and Pharmaceuticals in New Delhi, Mr. O. V. Alagesan, Minister of State in the Ministry of Petroleum and Chemicals, said that in the manufacture of antibiotics, which constituted one of the most important groups of drugs, the Government undertaking of Hindustan Antibiotics Limited at Pimpri, had made rapid strides. Starting from 9 MMU per annum capacity of penicillin, it had already achieved a capacity of 60 MMU per annum and a further expansion to 84 MMU had been taken on hand.

The Minister stated that another public sector undertaking namely, the Indian Drugs and Pharmaceuticals Limited was establishing three units with Soviet collaboration—one for the manufacture of antibiotics at Rishikesh, another for the production of synthetics drugs at Hyderabad and the third for the manufacture of surgical instruments at Madras.

The Rishikesh unit will produce 300 tonnes of antibiotics, i.e. 140 MMU/85 tonnes of penicillin, 85 tonnes of streptomycin, 120 tonnes of tetracycline and 10 tonnes of nystatin, with a sale value of about Rs. 20 crores per annum. The Hyderabad plant will produce only 350 tonnes of synthetic drugs and 4,560 tonnes of intermediates, with a sale value of about Rs. 9 crores. Both the Rishikesh and the Hyderabad plants are expected to commence trial operations by the middle of 1966. The Madras unit, which is expected to commence trial operation by the middle of 1965, will produce only 2.5 million pieces of surgical instruments of 25 main types (which are used in general surgery, ophthalmology, gynaecology and other branches of medicine), with a sale value of about Rs. 1.9 crores.

Mr. Alagesan said that the satisfactory performance of the firms in the private sector and those in the public sector was responsible for raising the output of pharmaceuticals from Rs. 11 crores in 1948 to about Rs. 100 crores in 1962-63. He was confident that the third Plan target of production of pharmaceuticals of the total value of Rs. 175 crores would be achieved by the end of the Plan. This rapid rate in production had enabled the country to reduce imports of finished preparations to a negligible amount.

Referring to exports, the Minister stated that supplies of drugs at competitive prices to the UNICEF organization for their south-east Asia campaigns would greatly help in developing more export markets. As UNICEF authorities were introducing modern drugs for the first time in several underdeveloped countries, products of quality supplied by Indian manufacturers, under UNICEF auspices, would help to create new markets. The Minister added that large scope also existed for stepping up exports of drugs of vegetable origin from India. Attention will have to be paid for their proper cultivation and standardization and setting up of extraction units. It was gratifying to note that several products of vegetable origin such as strychnine and brucine from nuxvomica, quinine from cinchona and emetine from ipecac had already been exported from the country. Several new schemes had also been undertaken for the extraction of juices from plants and their conversion into essential drugs and intermediary products which would be exported to various overseas markets. In this group were the steroid hormones and its intermediates and active principles of podophyllum. There was also large scope for increasing exports, depending on the progress of research in this country especially for the treatment of tropical diseases.

RECORD EXPORTS

The total exports in the month of December, 1963 amounted to Rs. 75 crores which is the highest monthly figure so far This brings the total exports in the first nine months of the financial year 1963-64 to Rs. 600 crores which is Rs. 70 crores more than the exports in the first nine months of the preceding year.

EXPORT BAN RELAXED

The ban on export of mica scrap and mica waste which was imposed from February 1, 1964, has been relaxed. Mica scrap and mica waste will now be licensed for export by the Export Trade Control authorities at the ports and will be subject to a minimum f.o.b. price of Rs. 200 per tonne.

LONDON CARPETS FAIR

India scored a big success at the International Carpet, Linoleum and Floor Coverings Fair held in London recently. A London firm (Kayam Carpets Ltd.) showed a range of Indian broadloom carpets which were the first of their kind. Traditionally, Indian carpets have been woven in squares with fringe trimming, whereas the new designs, produced for the first time on broadlooms, are available in 9ft. and 12 ft. widths and to any length.

Company Affairs

E.I.D.-PARRY

MR. H. V. R. Iengar, Chairman of E.I.D. Parry Ltd., reviewed the problems of the company in his statement circulated in connection with the annual general meeting to be held on March 30, 1964. Referring to the Ennore Fertilizer Factory, he stated that for putting up a complex unit like that a turn-key contract was given to Messrs. Simon - Carves Ltd. of the UK, who had earned good reputation. Although some teething troubles were expected in the commissioning of a works of such a complexity, events at Ennore had gone beyond what could be regarded as normal in this context. Against the possible total of 56,000 tonnes, only 11,500 tonnes had been produced till now.

The Chairman informed the shareholders that arrangements for the integration of Visakhapatnam Fertilizer Project to be taken up in collaboration with Messrs. California Chemical Company and Inernational Minerals and Chemical Corporation at a cost of Rs. 33 crores, are now nearing completion. It is expected that an offer of shares will be made to the public this month or the next. The company will hold approximately Rs. 55 lakhs of the equity shares capital of the new company of which approximately Rs. 49 lakhs will be subscribed in cash. It is also assisting the new company in implementation of its seeding programme to familiarise the farming community with the advantages that accrue from the use of complex fertilizers to be produced at Visakhapatnam. This Indo-American venture is one of the major projects included in the third five-year Plan, and will have an annual production capacity of nearly 365,000 tonnes of ammonium phosphate and 16,500 tonnes of urea which will result in a foreign exchange saving of the order of Rs. 10 crores every year.

In the context of sugar production, the Chairman pointed out that only a year ago the Government had restricted production by 10 per cent because a crisis of surplus was feared. Consequently, there was a cut in production and area planted with sugarcane accompanied by larger production of gur. The annual output of sugar in 1962-63 was only 21.5 lakh tonnes as against 27.2 lakh tonnes in the previous year. At the company's factory at Nellikuppam 317,757 tonnes of cane were crushed as against 383,455 tonnes in the previous year to produce 29,542 tonnes of sugar against 35,395 tonnes in 1962. In order to boost production, the Government offered an incentive by way of rebate on excise duty of 50 per cent on additional sugar production over the previous year's figure during the period July 1 to October 31. At Nellikuppam a special season was introduced in the months of September and October 1963 but unfortunately the Government of India ruled that the factories that had not in any previous year produced sugar during this period would not be eligible for rebate which, indeed, is very unfair logic and the company has made representation against this decision.

The Chairman indicated that with the assistance of Messrs. Doulton and Company Ltd., UK, it is progressing in the manufacture of sanitaryware goods and it has completed substantial expansion at Ranipet works where the third kiln has now been commissioned. A new range of patterns has been developed and introduced in the market with improved standards of quality.

BHASKAR TEXTILE ISSUE

Bhaskar Textile Mills Ltd. will enter the capital market with the issue of 140,000 equity shares of Rs. 10 each and 7,000 cumulative redeemable preference shares (9.5 per cent) of Rs. 100 each. The subscription list will open on March 23 and will close on April 4 or earlier at the discretion of the directors, but not before March 30. It has an authorised capital of Rs. one crore made up of 500,000 equity shares of Rs. 10 each and 50,000 preference shares of Rs. 100 each. Its subscribed capital is Rs. 14 lakhs in 140,000 equity shares. The entire proposed issue has been underwritten by Orissa State Financial Corporation, Industrial Finance Corporation of India, G. Padia & Co., Calcutta and the United Commercial Bank Ltd. The company has been granted a licence for the manufacture of cotton yarn with an installed capacity of 25,000 spindles. The present project is to set up a spinning plant of 15,000 spindles and has been allotted land by the Government of Orissa at Jharsuguda. Adequate supply of power has also been assured. It has obtained licences to import important items of machinery and has also placed orders for its supply. The plant is expected to go into production by June-September this year. The total cost of the present project including the working capital will be Rs. 1.09 crores which will be raised to the extent of Rs. 28 lakhs by the issue of equity capital, Rs. 7 lakhs by the issue of preference capital, Rs. 29 lakhs through deferred payment facilities and Rs. 45 lakhs through secured loan from the Bank of Baroda Ltd.

UCO BANK ISSUE

The United Commercial Bank Ltd. has reported higher net profit, after providing for depreciation, of Rs. 76.43 lakhs for the year ended December 31, 1963, against Rs. 73.33 lakhs last year. The depreciation is raised to Rs. 12.11 lakhs from Rs. 8.16 lakhs. The directors have transferred Rs. 17 lakhs to general reserve, Rs. 4 lakhs to gratuity trust fund and Rs. 19 lakhs to bonus to staff. A taxable dividend of Rs. 6 per share is proposed on the increased capital which now stands at Rs. 279.67 lakhs against Rs. 223.34 lakhs. The directors have considered it desirable to capitalise Rs. 20 lakhs out of Rs. 40 lakhs standing to the credit of the share premium account and they applied to the Controller of Capital Issues for consent. They now wait the final outcome of the year's budget proposals relating to the taxation of bonus shares before taking further action.

MORARJEE RIGHTS ISSUE

The directors of Morarjee Gokuldas Spinning and Weaving Company Ltd. have decided to raise an additional capital of Rs. 23 lakhs by the issue of 23,000 ordinary shares of Rs. 100 each at par. These shares are to be offered to the existing shareholders in the ratio of four new shares for every nine held. It is indicated that the company had proposed in December, 1962, to issue rights shares in the ratio of two new shares for every three shares held subject to the permission of the Controller of the Capital Issues. This proposal was withdrawn in view of the heavy premium insisted by the Controller. Now the Government has relaxed its policy and permission of the Controller is not required for an issue up to Rs. 25 lakhs.

COIMBATORE PIONEER FERTILIZERS

The subscription list of the Rs. 25-lakh public issue by Coimbatore Pioneer Fertilizers Ltd. opened on March 11, to close on March 25 or earlier, but not before March 14. The authorised capital of the company is Rs. 50 lakhs — Rs. 40 lakhs in 40,000 equity shares of Rs. 100 each and Rs. 10 lakhs in 10,000 (9.3 per cent) preference shares of Rs. 100 each. The issued capital is Rs. 40 lakhs — Rs. 30 lakhs in equity shares and Rs. 10 lakhs in preference shares. Of this, the equity shares of Rs. 9.15 lakhs have been subscribed by promoters, directors and their friends and associates. They will also subscribe to equity shares of Rs. 3.35 lakhs and preference shares of Rs. 2.50 lakhs. The balance of the issue—Rs. 17.50 lakhs in equity shares and Rs. 7.50 lakhs in preference shares.



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—is now being offered for public subscription. The company proposes to manufacture superphosphate, sulphuric acid and other chemicals and the plant is expected to go into production by the end of 1964.

DHARAMSI CHEMICALS ISSUE

The Dharamsi Morarji Chemical Company Ltd. proposes to issue new equity shares of Rs. 50 each at par to be offered to the existing shareholders in the ratio of one new share for every three shares. The company's present paid-up capital is Rs. 41.38 lakhs. The proposed rights issue will bring an additional capital of Rs. 13.79 lakhs which is intended to meet a part of the company's expansion plans. At the moment, it plans to set up a 300-ton per day contact sulphuric acid plant, a 100-ton per day project to manufacture alumina sulphate besides a scheme to manufacture borax and boric acid in collaboration with Borax (Holdings) Ltd. and to set up a plant for the manufacture of industrial explosives.

MAHINDRA & MAHINDRA

Mahindra & Mahindra Ltd. has recorded favourable results for the year ended October 31, 1963. The gross profit has gone up from Rs. 122.40 lakhs to Rs. 148.43 lakhs and the turn-over has increased to Rs. 15.92 crores as against Rs. 13.88 crores last year. The directors have propoed to maintain the dividend at Rs. 1.25 a share and the company has been able to achieve this result through improved management and operations. After providing Rs. 17.18 lakhs for depreciation, Rs. 3.36 lakhs for development rebate reserve, Rs. 29.70 lakhs for payment of bonus to staff and Rs. 50.18 lakhs for taxation, there is a net profit of Rs. 48.01 lakhs. A sum of Rs. 14 lakhs has been provided to general reserve and Rs. 7.84 lakhs to Surtax and tax on dividends.

CHARTERED BANK'S RIGHTS ISSUE

The directors of the Chartered Bank have proposed to make a rights issue to shareholders in the proportion of £1 a share for every £6 stock held at 40 Shillings a share Meanwhile they have recommended a final dividend of 7½ per cent actual, less income-tax. The consolidated profit for the year 1963 is slightly lower at £1,069,378 as against £1,076,748 in the preceding year. After deducting a transfer of £450,000 to general reserve and the net cost of dividends at £606,375, the carry-forward is higher at £574,024.

YORK INDIA

The subscription list of York India Ltd. will open on March 16 and will close on March 21 or earlier but not before March 18. It plans to establish a factory to manufacture a wide variety of commercial and industrial refrigeration and airconditioning equipment for which it has entered into the technical and financial collaboration with Messrs. Borg-Warner Corporation and their export subsidiary Borg-Warner International Corporation, both of Chicago, USA. The factory to be located on Delhi-Mathura Road between Delhi and Faridabad, is expected to go into production in the latter half of 1965. Its authorised capital is Rs. 1 crore and issued, subscribed and paid-up capial is Rs. 10,000. The present issue is for Rs. 29.90 lakhs made up of 299,000 equity shares of Rs. 10 each. Shares worth Rs. 15 lakhs are to be allotted to the American collaborators and worth Rs. 7.40 lakhs for promoters, their associates and nominees. 75,000 equity shares of Rs. 10 each are to be offered to the public at par. The issue has been underwritten.

CAPITAL ISSUES

Six Companies have been authorized to raise fresh capital amounting to Rs. 12.67 crores. The consent of the Controller of Capital Issues is valid for 12 months.

Bokaro Steel Limited, a Central Government undertaking, is to issue a capital of Rs. 10 crores divided into 1,00,000 equity share of Rs. 1,000 each to be issued privately for cash at par. The capital will be utilized for setting up a new steel project at Bokaro.

Poysha Industrial Company Ltd., Bombay, having a subscribed capital of Rs. 25 lakhs, is to issue capital of Rs. 60 lakhs in equity shares of Rs. 10 each for cash at par. Out of this, shares of the value of Rs. 18 lakhs will be issued to the existing shareholders as rights and the remaining Rs. 42 lakhs to the public by prospectus. The money will be utilized for financing the expansion involved in the manufacture of tin containers.

Warrior (India) Limited, Bombay, is to raise further capital of Rs. 20 lakhs divided into 20,000 equity shares of 100 each at par on rights basis. Of this 10,500 shares will be allotted to Nuckey Scott and Company Ltd. of UK or to their nominees in consideration of the capital equipment to be imported by the company and 9,500 shares to Indian shareholders for cash. The money is needed for financing the expansion scheme involved in the manufacture of threading tools, viz. taps and dies.

In suppression of an earlier consent, **Thakur Shipping Co. Ltd., Bihar,** is to issue capital of Rs. 113 lakhs divided into 33,000 9.3 per cent cumulative redeemable preference shares of Rs. 100 each and 800,000 equity shares of Rs. 10 each at par. Of this, 320,000 equity shares will be allotted to Ultramar Fischer and Co., West Germany, for consideration other than cash. Of the remaining shares 33,000 preference shares and 330,000 equity shares will be offered for public subscription by prospectus. The capital will be utilized for purchasing ships from abroad.

Vijay Engineering Company Ldt., Howrah, is to issue capital of Rs. 44,58,900 divided into 295,890 equity shares of Rs. 10 each and 15,000 9.5 per cent cumulative redeemable preference shares of Rs. 100 each for cash at par. The proceeds would be utilized for the construction of a factory for the manuacture of cranes and hydraulic structures and tanks, etc.

Gujarat Machinery Manufacturers Limited is to issue Rs. 30 lakhs equity capital in charges of Rs. 100 each for cash at par. The money will be used for the manufacture of glass-lined equipment and printing machinery etc.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 during the fortnight ending February 29, 1964. The list contains the names and addresses of the licensees, the articles of manufacture and annual installed capacity.

(Week ending Feb. 22, 1964).

IRON & STEEL CASTINGS

Kay Steel Works, C/o Dr. Amarjit Singh, Principal, Medical College, Patiala (Patiala, Punjab) — Steel castings 3,600 tons.

COAL

National Coal Development Corporation Ltd., "Darbhanga House", Ranchi (Distt. Betul, Madhya Pradesh) — Coal 0.45 million tonnes.

ELECTRICAL EQUIPMENT

Hindustan Electric Co. Ltd., Thackersey House, Graham Road, Ballard Estates, Bombay-1 (Baroda, Gujarat) — H.V.

Tap changers for A.C. Electric Locos 80 Nos.

CHEMICAL MACHINERY

Dalal Engineering Private Ltd., Chinchavli, Malad, Bombay-64 (Distt. Thana, Maharashtra) — Change of location from Chinchavli, Malad, Bombay to Kavesar Village, Distt. Thana, Maharashtra.

CONVEYING EQUIPMENT

Coles Cranes of India Ltd,, 1, Taratola Rd., Garden Reach, Calcutta-24 (Kamarhatty, 24 Parganas, West Bengal) — Truck mounted 'Leda' cranes of 3-5 ton capacity 70 Nos.

INORGANIC HEAVY CHEMICALS

Titaghur Paper Mills Co. Ltd., Chartered Bank Buildings, Calcutta-1 (Choudwar, Distt. Cuttack, Orissa) — Alum 3,300 tonnes.

TEXTILE AUXILIARIES

Hindustan Lever Ltd., Scindia House, Dougall Road, Ballard Estate, Bombay-1 (Calcutta, West Bengal) — Synthetic Detergent Powder (Surf) 8,000 tonnes.

MISCELLANEOUS CHEMICALS

Hindusthan Gas and Industries Ltd., 22, New Tangara Rd., Calcutta-46 (Calcutta, West Bengal) — (Substantial Expansion) 1. Oxygen gas 120 m.c.ft., 2. Dissolved Acetylene gas 24 mc. ft. (New Article) 3. Nitrogen gas 15 m.c.ft. 4. Argon gas 3.75 m.c.ft.

COTTON TEXTILES

Bangalore Woollen, Cotton Silk Mills Co. Ltd., Agraharam Road, Bangalore-23 (Mysore) — Automatic looms 24 Nos. for the manufacture of terry towelling cloth. The Buckingham & Carnatic Co. Ltd., 7, Armenian Street, Madras-1 (Madras) — Automatic looms 48 Nos. for the manufacture of terry towelling cloth.

WOOLLEN TEXTILES

Oswal Woollen Mills Ltd., Millerganj Ludhiana (Ludhiana, Punjab)—Power looms 12 Nos. for the manufacture of woollen/worsted fabrics.

SYNTHETIC FIBRES

Manjushree Industries Ltd., 15, India Exchange Place, Calcutta-1 (Nahorkatiya, Lakhmipur, Assam) — Acrylonitrile including Acetylene Hydrogen Cyanide and Ammonia required as raw materials - 600 tons per month, Poly Acrytonitrile (acrylic fibre) 300 tons per month.

OTHER RUBBER GOODS

Health Products Private Ltd., 143, Mahatma Gandhi Road, Bombay-1, Proposed name: Modern Family Planning Products Ltd. (Thana, Maharashtra) — 1. Condoms and Sheaths 103.7 million Nos., 2. Diaphragms 1.2 million Nos., 3. Dumas caps check Pessaries 1.68 million Nos., 4. Gynaecic models 0.3 millions Nos., 5. Contraceptives, Gynaecic creams, and jellies 360 tonnes, 6. Tablets and suppositories for contraception and gynaecic medical use (including sampoon foam tablets) 54 million pieces.

ASBESTOS CEMENT

Hyderabad Asbestos Cement Products Ltd., Sanatnagar, Hyderabad-18 (Sanatnagar, Hyderabad, Andhra Pradesh) — Cement sheets, pipes and fittings 60,000 tonnes.

PLYWOOD

Jayshee Timber Industries, Prop. Jayshree Tea and Industries Ltd., India Exchange, Calcutta-1 (Bakultala, Andaman and Nicobar Islands) — Veneers, Commercial Plywood and allied products like block board and flush doors 15 million square feet.

ELECTRICAL EQUIPMENT

Larsen & Toubro Ltd., I.C. House, Dougall Rd., Ballard Estate, Bombay-1 (Maharashtra) — H.R.C. Fuses 2 lakhs No., Fuse bases 30,000 Nos., Fuse caps 30,000 Nos., Adaptors 30,000 Nos., Enclosures (in cast iron & steel sheet) for fuses 3,600 Nos.

(Week ending Feb. 29, 1964)

ELECTRICAL CABLES & WIRES

The Omega Insulated Cable Company (India) Ltd., 122.2 Mount Rd., Madras-6 (Madras) — A.C.S.R. and A.A Conductors 3,000 tons per annum.

COTTON TEXTILES

New Swadeshi Mills of Ahmedabad Ltd., Naroda Road, Ahmedabad (Gujarat) — Automatic looms 24 Nos. for the manufacture of terry towelling cloth. Modi Spg. & Wvg. Mills Co. Ltd., Modinagar (Modinagar, Uttar Pradesh) — Automatic looms 50 Nos. for the manufacture of terry towelling cloth. Kerala State Industrial Development Corporation Ltd., Vellayambalam, Trivandrum (Kerala) — Cotton yarn 13,000 spindles. Madurai Mills Co. Ltd., New Jail Road, Madurai (Madras) — Cotton waste yarn 480 spindles. Shree Satyanarayan Spg. Mills Private Ltd., Venkatarayapuram, Tanuku (Andhra Pradesh) — Automatc looms 100 Nos. for the manufacture of cotton cloth. The Coimbatore Cotton Mills Ltd., Singanallur Post, Coimbatore-5 (Madras) — Automatic looms 100 Nos. for the manufacture of cotton cloth.

CHANGE IN NAMES (Owners or Undertakings)

(During the fortnight ending 22nd February, 1964)

(Information pertains to particular licences)

From M/s. Shalimar Paint, Colour & Varnish Co. (P) Ltd., Howrah to M/s. Shalimar Paint Ltd., Howrah. From Sri Krishnarajendra Mills Ltd., Chitradurga to M/s. Kullappa Spinning Mills, Chitradurga.

From M/s. Parmar Mechanic Works, Surrendranagar to M/s. The Parmar Textile Industries, Surrendranagar.

LICENCES REVOKED OR SURRENDERED

M/s. Aichem Forgings Ltd., Bombay — Steel Forgings. M/s. R.S. Traders (Industrial Division) Bombay — Metal Clad Switches, Motor starters etc. M/s. Deepak Industries Ltd., Calcutta — Chain Pulley Blocks. M/s. International Equipment Corporation Pvt. Ltd., New Delhi — Weighing Machines.

GROW MORE

SAVE MORE

WORK MORE

Announcement regarding the proposed issue of capital by Bhaskar Textile Mills Ltd. A Copy of the Prospectus together with the documents as required by section 60 of the Companies Act, 1956, has been delivered to the Registrar of Companies, West Bengal for Registration.

BHASKAR TEXTILE MILLS LIMITED

INCORPORATED ON: 4th August, 1962.
REGISTERED OFFICE: 2, Brabourne Road, Calcutta-1.

EXISTING AND PROPOSED ACTIVITIES:

The Company was incorporated with the object of carrying on all or any of the businesses namely spinners, yarn merchants, cloth manufacturers etc. The Government of India have granted a licence bearing No. L/23/1/243/Tex/62 dated 4-4-1962, subsequently amended by letter No. 10/629/62-Tex (B) dated 5-9-1962 for manufacture of cotton yarn for this undertaking with an installed capacity of 25,000 spindles. The present project is to set up a spinning plant of 15,000 spindles. The Company has been allotted approximately 126.05 acres of land by Government of Orissa at Jharsuguda. Adequate supply of power has also been assured. Licences to import major items of machinery from abroad have since been obtained and orders for plant and machinery have already been placed with the manufacturers. It is expected that the plant will go into production by June/September, 1964.

LOCATION OF THE INDUSTRY :

Jharsuguda in the State of Orissa.

BOARD OF DIRECTORS:

Sri Surajmal Mohta, 2, Brabourne Road, Calcutta.
Sri P. D. Himatsingka, 6, Old Post Office Street, Calcutta.
Sri Baijnath Tapuriah, 9, Brabourne Road, Calcutta.
Sri Rasiklal Maneklal, Vasant Vilas, Babulnath Road, Bombay-7.
Sri Beni Prasad Maheshwari, 9, Brabourne Road, Calcutta.
Sri M. K. Mohta, 2, Brabourne Road, Calcutta.
Sri B. D. Kothari, P-10, Debendra Dutt Lane, Calcutta.

AUDITORS:

M/s. S. S. Kothari & Co., Chartered Accountants, 21, Old Court House Street, Calcutta.

M/s. Jhunjhunwala & Co., Chartered Accountants, 6, Commercial Buildings, Calcutta.

Authorised Capital:	No. of Shares	Nominal value of each share	Amount
Equity Shares	5,00,000	Rs. 10	Rs. 50,00,000
Preference Shares	50,000	Rs. 100	Rs. 50,00,000
			Rs. 1,00,00,000
Subscribed Capital:			
Equity Shares	1,40,000	Rs. 10	Rs. 14,00,000
Proposed Issue:			
Equity Shares	1,40,000	Rs. 10	Rs. 14,00,000
Preference Shares (9.5% Tax free Cumulative redeemable Preference Shares)	7,000	Rs. 100	Rs. 7,00,000
			Rs. 21,00,000

Terms of Payment:	Per Equity Share	Per Preference Share.
On application	Rs. 2-50 nP.	Rs. 25
On allotment	Rs. 2-50 nP.	Nil

APPLICATIONS FOR SHARES :

Applications for shares must be for 10 or multiples of 10.

Applications for Preference Shares must be for 5 or multiples of 5.

The entire issue of Equity and Preference Shares will be offered to the Public for subscription in cash at par. Subscription of the amount is assured by the reason of the whole issue having been underwritten.

DATE OF OPENING AND CLOSING OF THE SUBSCRIPTION LIST:

The subscription list will open at the commencement of Banking hours on 23rd March, 1964 and will close at the close of the Banking hours on 4th April, 1964, or earlier at the discretion of the Board of Directors but not before the close of the Banking hours on 30th March, 1964.

Application forms along with copies of the Prospectus can be had from the registered Office of the Company or from the underwriters, Bankers or Brokers, whose names and addresses are given below :

UNDERWRITERS :

Orissa State Financial Corporation,
Killa Maidan, Cuttack-1.

Industrial Finance Corporation of India,
Reserve Bank Building, Parliament Street, New Delhi-1.

G. Padia & Co.
India Exchange, Calcutta-1.

The United Commercial Bank Ltd.,
2, India Exchange Place, Calcutta-1.

BANKERS :

The United Commercial Bank Ltd.,
2, India Exchange Place, Calcutta-1, or any of their Branches in India.

The Bank of Baroda Ltd.,
India Exchange, Calcutta-1, or any of their Branches in India.

The American Express Co. Inc.,
21, Old Court House Street, Calcutta or any of their Branches in India.

BROKERS :

Rasiklal Maneklal & Co.,
Stock Exchange Old Building, Bombay.

G. Padia & Co.
India Exchange, Calcutta-1.

Murarka Brothers.
7, Lyons Range, Calcutta.

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

Rajpal Chadha & Co.,
Delite Cinema Building, Asaf Ali Road, New Delhi.

CAPITAL OUTLAY :

The total cost of the present project, including the work-

ing capital, will be Rs. 1,09,00,000 estimated as follows :

	Rs.
Land	1,25,000
Buildings	19,75,000
Machineries	69,50,000
Miscellaneous assets	4,50,000
Preliminary & Miscellaneous expenses of this issue	1,75,000
Working Capital	12,25,000
TOTAL	1,09,00,000

It is proposed to meet the capital outlay as follows :

FINANCIAL RESOURCES :

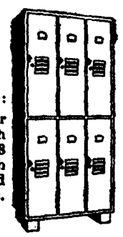
Equity Shares	28,00,000
Preference Shares	7,00,000
Deferred payment facilities	29,00,000
Secured loan from the Bank of Baroda Ltd	45,00,000
TOTAL	1,09,00,000

Rights of Preference Shares :

The Preference shareholders are entitled to a Cumulative Preferential dividend of 9.5 per cent per annum free of Company's tax. The shares are redeemable immediately after 12 years from the date of issue on 3 months notice.



ALLWYN
STEEL FURNITURE



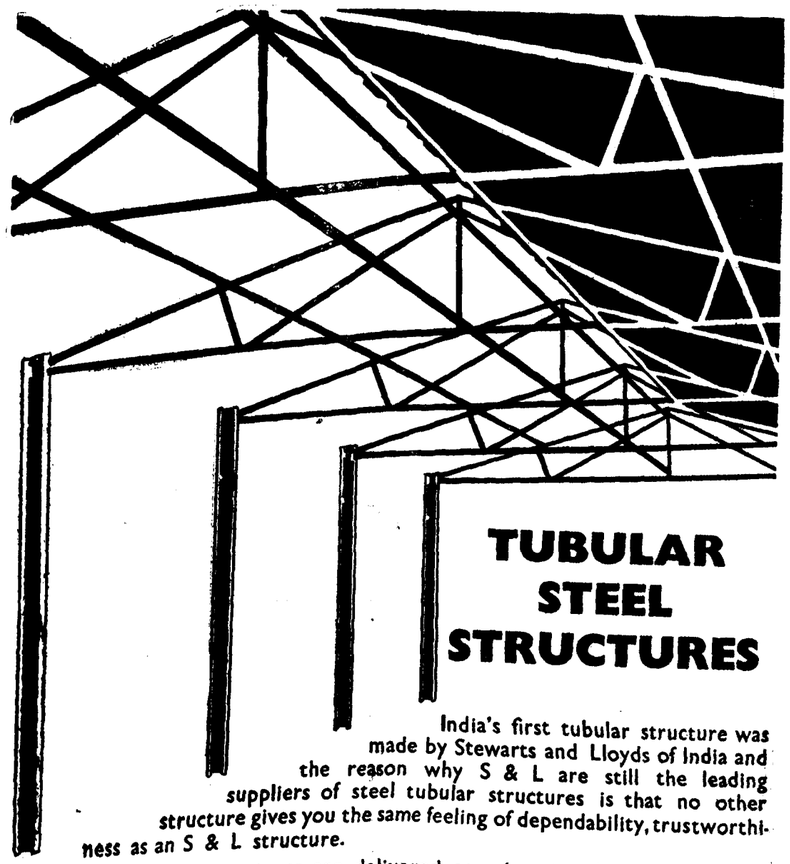
Also available :
Workmen Locker Cupboards with 4, 6, 8, 12, & 18 lockers, both with unpickable locks and staple arrangements.

THE ALLWYN RANGE OF FINE STEEL FURNITURE includes wardrobes, beds, swivel chairs, executive desks, standard tables, tubular chairs, utility cabinets, filing units, racks, stands, locker cupboards, trays, waste-paper baskets.

HYDERABAD ALLWYN METAL WORKS LTD.
Sanatnagar, Hyderabad.

ASP/HAM.F.10

Bombay Office : Agra Road, Bhandup, Bombay-78.
Showrooms at : 15/1, Asaf Ali Road, New Delhi.
8A, Chowringhee Place, Calcutta.
150A, Khivraj Mansion, Mount Road, Madras.
216, Gunfoundry, Hyderabad.



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Branch Office : Himalaya House, 5th Floor, Palton Road, Bombay

NAS:S & L-1064



COMPANY MEETINGS

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LTD.

Statement of the Chairman, Shri G. L. Mehta, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1963

The Annual General Meeting of the Shareholders of the Corporation will be held at the Registered Office of the Corporation, 163 Backbay Reclamation, Bombay 1, on Thursday, April 9, 1964, at 4 p.m. The following is the statement by the Chairman, Shri G. L. Mehta, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1963.

I have great pleasure in welcoming you and placing before you the Ninth Annual Report of the Board of Directors of the Corporation for the year ended December 31, 1963.

2. The Chinese aggression came towards the end of 1962, and its impact on the economy was left during most of 1963. First came a budget which, in its call on the nation's resources, was unprecedented. Secondly, and more importantly, during most of the year, the economy seemed to show signs of faltering. I would like to state that this was not a new phenomenon but a confirmation and accentuation of a trend that had set in some time in the middle of 1962.

3. One consequence of the emergency was a realisation of more careful assessment and husbanding of our resources and of the need to seek their allocation according to priorities which necessarily had to be defence oriented. This, no doubt, was an operation whose object was to change the trend of the economy, and I shall not concern myself with it. But the Chinese action also seemed to have had a cathartic impact on the economy, inducing a considerable amount of rethinking on what I would like to call the efficiency of the economy and the factors influencing it. This being a matter vital to a development bank like ICICI, I shall briefly dwell on it.

4. Partly as a legacy of the last world war and to some extent in consonance with the philosophy of planning, we have now a vast mechanism of controls and regulation. Of these, those that concern us most are industrial licensing, capital issues control, import (and consequent exchange) control, and price fixation policy. All these policies affect the efficiency of industry and their justification must be sought in a balance between social benefits and economic cost.

5. In a planned economy, the channels into which investment flows have necessarily to be determined on 'a priori' long-term criteria. Moreover, we are far from an era of vast resources when we can afford to let them be used without regard to objectives. Consequently, we have priorities and a mechanism to ensure that resources are used according to these priorities. While there may be differences on specific points, I believe that broadly, the priorities we have set before ourselves are appropriate to our conditions and needs.

6. However, the essence of planning lies not only in laying down the right order of priorities but in setting up a mechanism to ensure the effective utilisation of resources. In the sphere of industry, for example, as regards the utilisation of foreign currency resources made available by international and foreign agencies or of the industrial capacity set up with such help, or in the synchronising of industrial capacity and the infra-structure (power, transport communications and so on), our administration has admittedly fallen short of the goals largely because of the magnitude, complexity and novelty of the tasks.

7. I have do doubts about the necessity for the regulatory function of the State in an economy like ours. In an economy where priorities have to be determined, industrial licensing is essential to ensure their observance in regard to industries. In an economy where capital is short, control on resort to the capital market is unavoidable. An economy which derives almost the whole of the foreign currency resources required for capital development from foreign assistance needs to ensure careful and prudent use of such resources not only to satisfy foreign lenders but also for its own benefit. And for all these reasons — development according to priorities, scarcity of indigenous and foreign currency resources — because the normal forces of competition do not operate to ensure a fair deal to the consumer, it may in some cases be necessary to impose limits on the prices an enterprise may charge to the consumer.

8. Granted the need for all these, the areas in which State intervention should take place need to be determined on grounds of social utility of such intervention or, as I said earlier, on a balance of social and economic considerations. While necessarily the demands on the State would be diverse and compelling, the State might be tempted to do too many things all at the same time.

9. A welcome result of the Chinese incursion and the subsequent stagnation of the economy has been to set off inquiries into the functioning of our economic system. As a first measure, the Government has already announced increased exemption limits for industrial licensing and capital issues control and removed price control on sixteen commodities; a Committee headed by Shri T. Swaminathan (Secretary of the Ministry of Heavy Engineering) is examining the impact of controls on industrial production and has already issued an interim report suggesting revised licensing procedures; another Committee headed by Dr. V. K. R. V. Rao, member of the Planning Commission, is at present considering import licensing procedures and machinery so as to recommend measures for accelerating the use of foreign currency resources. Measures for decontrol of steel prices are also under active consideration.

10. Gradually, as the year has passed by, economic conditions have stabilised. Our exports have increased easing somewhat the strain on foreign exchange resources. Money market conditions have been easy, and in the capital market conditions have to some extent improved; buyers have become selective, and the market for preference shares and debentures has tended to revive.

11. The Finance Minister has announced various steps to accelerate the tempo of activity in the economy. Besides relaxation in the Reserve Bank's lending policy, a Unit Trust is being set up to enable the middle classes to participate in investment in industrial securities. There is also a proposal to set up another development bank which would help to strengthen the institutional arrangements for providing industrial finance and particularly in bridging the gap in respect of large issues. The Finance Minister has also under

consideration the giving of fiscal incentives for reviving confidence in the capital market.

12. This is a beginning well made. But along with a search into procedures and machinery, it is also necessary to take stock of our productive capacity and to ensure the maximum output from it. While more and more factories and plants are being set up and are increasing our manufacturing capacity, we appear to have taken it for granted that once capacity is set up, it automatically gets fully utilised. In fact, for various reasons such as scarcity of foreign currency resources for maintenance imports, want of power and other ancillary facilities in some places, lack of adequate supervisory and skilled workers and inadequate selling effort, we are not using our resources to the maximum. This is a waste of capital resources which a poor economy like ours can hardly afford. Unglamorous as the task many appear, it is necessary that we make an inventory of our production facilities unit by unit and take steps to obtain the maximum output from them.

13. Such an inventory will also reveal many gaps in our industrial structure — in the form of lack of complementary production facilities for goods which, at present imported or import-restricted, can be produced internally. To relieve the immediate pressure on our foreign trade account and even to set free foreign currency resources for newer industries and further development, it is necessary to set up a priority programme for setting up these industries. It is time we tried to consolidate our gains in recent years, determine the gaps in our industrial structure and accordingly, devise priorities for the next phase of economic advance.

14. The hesitation shown by the economy during 1963 should thus be used to round the economic structure and to lay the basis for further advance on the course set for the economy. Economic development is a continuous task and there is no respite from it. But in its nature, development is a dynamic process, and men's minds and thinking often fail to keep up with the dynamism of the economy. The year 1963 is important in focussing the need for such adjustment.

15. The role of a development bank such as ICICI in the prevailing conditions needs to be clearly understood. I had stated in my last year's Statement that we considered the long-term prospects of industry in this country to be good and that we would be willing to stand by industry in the immediately difficult situation faced by it in the capital market. As the capital market seemed to dry up, industry increasingly turned to ICICI and other financial institutions for finance to implement projects which had been worked out, some of them even in the pre-emergency period. Often enough, financial plans had to be changed and entrepreneurs who would have issued rights shares turned to financial institutions for loans, and those who, in more normal times, would have approached the market directly turned to us for underwriting their issues to ensure their success. As a measure of our response to this demand, I may mention that in a year when investment seemed to falter and entrepreneurs tended to postpone undertaking further projects, ICICI's net assistance, as you will notice from the Directors' Report placed before you, has been a record maximum at Rs. 23.05 crores. In 1963, ICICI gave underwriting sanction for Rs. 3.68 crores for 18 operations. Of 11 issues (total ICICI underwriting being Rs. 177.5 lakhs) which came to the market, 3 operations for Rs. 65 lakhs were over-subscribed; in the case of the other 8 operations for Rs. 112.5 lakhs, we had to take up Rs. 83.25 lakhs. Clearly, apprehensions regarding the state of the capital market were not unfounded.

16. Moreover, a development bank like ICICI has a long-term contribution to make in an economy like ours. While planners must necessarily conceive and project in terms of national strategy and comprehensive policy, their plans have to be worked out in the form of individual projects, and the proper financing, management and economics of the projects ensured. This requires careful scrutiny of the details of individual projects, advice to entrepreneurs on various means of strengthening the viability of the projects by adequate safeguards in collaboration arrangements, and a close watch on the progress of the projects to ensure their timely completion and efficient working. If planning is found necessary at the national level, it is also indispensable at the project level. The role of a development bank is to ensure such planning at the project level.

17. The process of industrialisation consists in drawing into the vortex of industry persons from outside it. ICICI has, as a matter of general policy, tried to contribute to this development. Many projects financed by ICICI have been started by entrepreneurs for whom these projects were the first step in the industrial field. ICICI's new entrepreneurs have come from a variety of fields — trading, management, engineering and other professions. Promotion and management of industry requires qualities which the new entrepreneurs do not always possess from their earlier background. While to the established entrepreneur, a development bank like ICICI might appear only as a source of funds, I should mention that an institution of this character plays and should play an important part in providing various ancillary services to new entrepreneurs. We advise them on the various formalities to be fulfilled in setting up a manufacturing unit, on a suitable capital structure for the project and the need for (and, if so, the terms of) foreign collaboration arrangements.

18. I would also like to reiterate two other points which I had made in my last year's Statement: the role of ICICI in the underwriting field and the role of ICICI in financing non-traditional industries. Confidence is a tender plant and those who, carried away by the large over-subscription to new share issues during 1960-62, were inclined to under-rate the role of underwriters, would have been disillusioned by the lack of public response even to good issues in 1962-63. The readiness of institutions like ICICI to come forward with support and assistance has prevented a decline in the level of investment which this public apathy would otherwise have brought about. Moreover, since its inception ICICI has invested funds in non-traditional industries — particularly metal-based and chemical industries. This has involved taking greater risks; however, in keeping with the planning effort in the country, we have considered it desirable to mould our investment according to the requirements of the economy.

19. In these multifarious ways, ICICI as a development bank seeks to foster investment on healthy lines: in times of sluggishness in the capital market, it provides funds to enable the flow of investment to continue; in normal times, it carries out scrutiny of projects, guides entrepreneurs about their projects. ICICI itself has made special efforts to assist new entrepreneurs, to take up riskier forms of financing like underwriting and to invest in non-traditional industries. To carry out this task ICICI has developed a cadre of competent professional staff and evolved procedures to ensure sound judgment. In the final analysis, the quality of work depends upon the competence and interity and co-operative spirit of the staff, and our energies are continuously devoted to build up such staff and ensure the efficient working and development of the Corporation.

20. The efficiency of an economy depends upon having a machinery for decentralisd decision-taking and administration of such decisions. Even as governmental administration and industry become more complex, it is necessary all the time to review the division of functions and the nature of such

functions. In such a set-up, an independent development bank acts as a mechanism for ensuring planning at the project level. It is in this spirit that we carry on our work, and, I am sure, given confidence and resources, we shall be able to make this institution increasingly useful to the national economy.

21. The net financial assistance sanctioned by the Corporation during 1963 amounted to Rs. 23.05 crores. Of this, the amount sanctioned for new projects was Rs. 16.07 crores (including Rs. 7.36 crores in foreign exchange) in respect of 52 projects. The total cost of these projects (including working capital of Rs. 31.13 crores) would amount to Rs. 123.37 crores of which Rs. 36.91 crores would be required in foreign exchange for fixed assets. The total cost would be financed by share capital of Rs. 36.95 crores (34.98 crores ordinary and Rs. 1.97 crores preference), long-term loans of Rs. 52.68 crores and bank borrowings and cash accurals of Rs. 33.74 crores. When in normal production, the total turnover of these projects would be about Rs. 68.10 crores. The net foreign exchange savings as a result of output from these projects would be nearly Rs. 46 crores.

22. As the operations of the Corporation have increased, it has been found necessary to augment its resources, in respect of both foreign currency and rupee resources. Earlier in 1963, after a visit by a joint mission from the International Bank for Reconstruction and Development (World Bank) and International Finance Corporation (IFC), I went to the United States and had negotiations with the World Bank which resulted in the Bank sanctioning a loan of U.S. $ 30 million to ICICI, the largest single loan obtained by ICICI so far. Subsequent to this, the Government of India have sanctioned to ICICI a rupee loan of Rs. 10 crores out of PL 480 funds. Towards the end of 1963, the loan of DM 20 million from Kreditanstalt fur Wiederaufbau, referred to by me in my last year's Statement, was made effective. I take this opportunity to express our gratitude to the Government of India, the World Bank and the Kreditanstalt fur Wiederaufbau, for their loans and to the Government of India also for the guarantee on the World Bank loan. We value highly the co-operation and confidence of the Government and these institutions.

23. During 1963, the Corporation's income from interest, dividends and underwriting commission, etc., amounted to Rs. 236.13 lakhs. After allowing for interest on loans taken and for other expenses, profit subject to tax amounted to Rs. 101.54 lakhs against Rs. 78.92 lakhs in 1962. After providing Rs. 41.42 lakhs for taxation and Rs. 2.24 lakhs for Doubtful Debts, the balance carried to revenue appropriation account is Rs. 57.88 lakhs against Rs. 46.38 lakhs in 1962. Of this, Rs. 14.50 lakhs is transferred to Special Reserve. The capital gain of Rs. 7.79 lakhs has been transferred to Capital Reserve Not Available for Dividend. The Directors recommend a dividend of 7 per cent.

24. We have been able to extend and strengthen our relations with sister development banks outside India. Mr. Mobert Michel Titus of the Agricultural and Industrial Credit Corporation, Liberia, visited ICICI for a period of four weeks under a UN-TAO programme. Mr. Tat Pang Cheam of the Malayan Industrial Development Finance Ltd., Malaya, and Mr. Chamlong Tohtong of the Industrial Finance Corporation of Thailand, were with ICICI for a period of two weeks each. In addition, Shri R. N. Sahoo, Managing Director of the Orissa State Financial Corporation, Dr. G. Varade Gowda, Assistant Director of Industries, State Government of Mysore and Shri M. R. C. Warrier, Development Commissioner of the Kerala State Industrial Development Corporation, were with us for short periods to study procedures and working. We welcomed the opportunity of making contacts and rendering some service to similar institutions in the country and abroad.

25. Shri J. S. Raj, our Deputy General Manager, visited Tehran to attend a Conference on Stock Exchanges; later, he also went to Afghanistan on an IFC (Washington) mission to examine the problem of providing industrial finance there. In October 1963, Shri H. T. Parekh, our General Manager, attended the Second Regional Conference of Development Banks in Asia, convened by the Industrial and Mining Development Bank of Iran. I am also glad to state that at the request of the World Bank and IFC (Washington), we have lent the services of Shri J. S. Raj, for a period to head a new development bank being set up in Nigeria. In all these ways, we are co-operating with other institutions to provide a basis for friendly relations.

26. Finally, I would like to state that the present position of ICICI is due to the competence, devotion and team work of the ICICI staff. I take this opportunity to express my sincere appreciation of their work.



E.I.D.-PARRY LIMITED

Address by Mr. H. V. R. Iengar, Chairman, to Shareholders

Sixty-sixth Annual General Meeting to be held on 30th March, 1964

The following statement has been circulated to Shareholders of E.I.D.-Parry Limited by the Chairman, Mr. H. V. R. Iengar.

In the speech which I delivered last year I made some observations on the general subject of British investment in India, of Indo-British co-operation and of the part that could be played by organisations such as this Company in promoting such co-operation. I would have greatly wished to have devoted the major part of my speech this year to some other subject of general importance, for I think this practice, which the Chairmen of some Companies have adopted, of discoursing at some length on a topic of general economic importance is a good practice. Unfortunately, however, I have so much to tell you about the domestic problems of our own Company that it would not be possible for me to travel beyond that without making the speech unduly long.

You will remember that in the speech last year I said, referring to the Ennore Fertiliser Factory, that although there had been delay in its commissioning, I thought that the major problems had been overcome, that the factory was at the time in full production and that it would make a substantial contribution to the earnings of the group during the year 1963. I much regret to have to tell the shareholders that my anticipations have not proved correct and that although the factory was in production at the time I prepared last year's speech, it was so only for a very brief period and that, since then, we have been dogged by a series of misfortunes for none of which the Company is responsible.

Although we were equipped within our organisation to put up a superphosphate factory and successfully commissioned, by purely departmental effort, the superphosphate factory of our wholly-owned subsidiary, Andhra Fertilisers Private Limited, at Tadepalle, we felt that for putting up a complex factory such as the one that has been attempted at Ennore it would be desirable to give what is commonly known as a turnkey contract to a firm with an established reputation. We accordingly gave such a contract to Messrs. Simon-Carves Limited of the UK in the confident expectation that the factory will be completed and put into commission to our satisfaction in time. The Directors were aware that in a work of the complexity of the Ennore Factory, teething troubles are to be expected, but events at Ennore have gone far beyond what can be regarded as normal in this context. I attach a statement to this speech setting out the major incidents that have taken place at Ennore. These indicate that on the part of the Contractors and some of their sub-contractors there have been lapses which we had not anticipated and which we had no reason to anticipate. This has been to us a bitter disappointment. The consequence has been that against a possible total of 56,000 tons, up-to-date only 11,500 ton have been produced. At the date of this speech the Works have been re-started, but in view of past performances, I hesitate to make any categorical statement as to when we will have a trouble-free run. In the meanwhile the Works have not yet been taken over by us. Shareholders will naturally want to be assured that everything is being done to get the Works functioning on a satisfactory basis as quickly as possible and that their interests in the matter of damages will be adequately protected. On both points I can give the fullest assurances to the shareholders. No one could be more distressed than your Directors that this project on which such high hopes had been built should have been subjected to so many frustrations and they have been giving the highest priority to ensuring that it is properly put on its feet. Naturally they are taking the best possible legal advice.

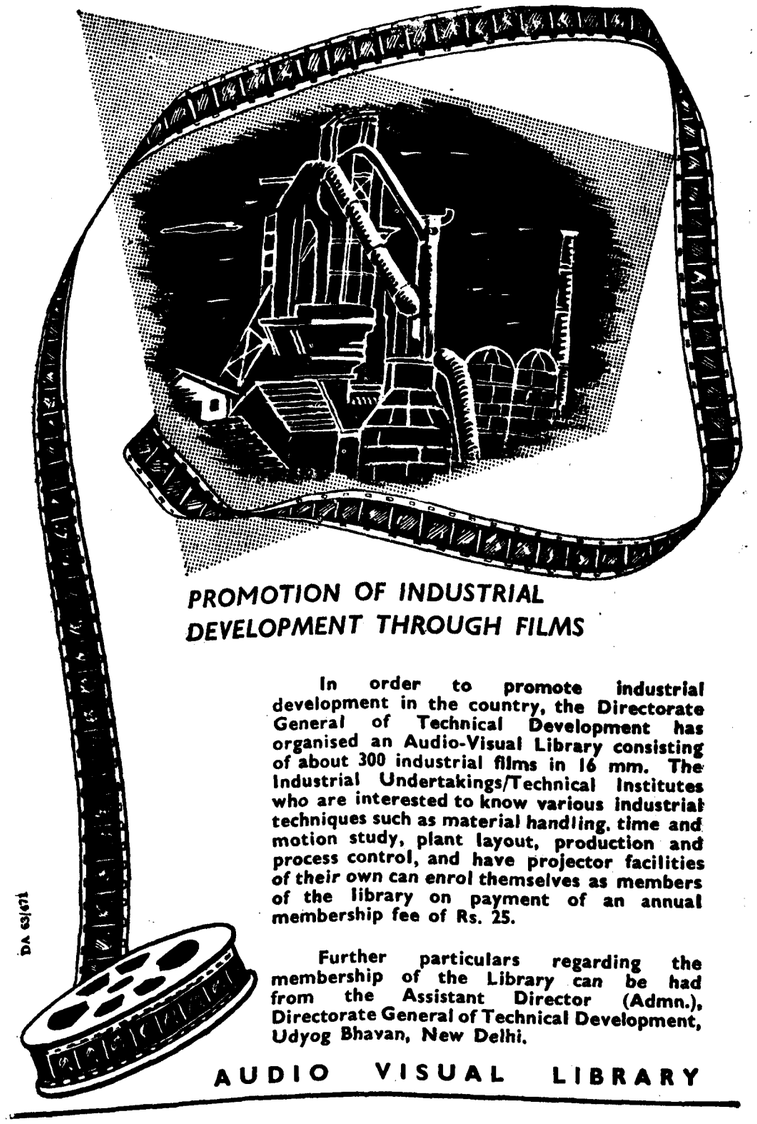
The financial significance of the difficulties that we have encountered at Ennore is that in the year 1962-63, we suffered a very heavy direct loss even without taking into account the dividend that we paid on the additional capital that was raised expressly for the Ennore Factory. But it says much for the inherent strength and resilience of the group that it has been able to absorb this serious loss and to show reasonable profits. Apart from demonstrating the inherent vitality of the group, our experience of last year also demonstrates the great advantages of the diversification of the group's activities.

Before dealing with the accounts, may I recapitulate a point that not all of our shareholders always remember? This meeting is a meeting of the shareholders of E.I.D.-Parry. This Company owns one hundred per cent of the equity in Parry and Co. but none of the Preference capital in that Company. E.I.D.-Parry also owns the entire capital of Andhra Fertilisers and Parry, Murray & Co. whilst Parry & Co. owns the entire share capital of the Mofussil Warehouse and Trading Co. The existence of these subsidiaries is due to historical reasons which it is not necessary to elaborate at this stage. The accounts that are presented of E.I.D.-Parry have been prepared in accordance with the requirements of the English Companies Act and are the Group accounts, that is to say, they show the profits of E.I.D.-Parry, of Parry & Co. and of the other subsidiaries all put together, and you will notice that the interests of outside shareholders, namely, the Preference shareholders of Parry & Co. have been shown separately and deducted from the total Group profits. Apart from statutory requirements, I think there is justification, in common sense, for this arrangement because, in fact, Parry & Co. (with the exception of the interest of the Preference shareholders) and the other subsidiaries are the property of the shareholders of E.I.D.-Parry. But you will appreciate that although Group profits as shown in the accounts pertain in the broad sense to the shareholders of E.I.D.-Parry a dividend to them can be paid only out of the profits of the main holding company, namely, E.I.D.-Parry.

The Group profits after taxation of the year under review together with the Group profits in previous years are shown below :

1959	£386,058
1960	£378,483
1961	£351,392
1962	£252,287
1963	£360,047

You will find that the figures for 1963 are substantially higher than the figures for 1962 in spite of the deplorable performance of Ennore. There are two main reasons for this. The first is that we have done well in our other activities such as sugar, pottery, and sales of fertilisers as well as general sales. In this connection, shareholders may be interested in the following figures. The sales of goods manufactured within the Group rose from £6.8 million in 1962 to £8.0 million in 1963. The sales of goods manufactured outside the Group and purchased by us outright rose likewise from £6.3 million to



PROMOTION OF INDUSTRIAL DEVELOPMENT THROUGH FILMS

In order to promote industrial development in the country, the Directorate General of Technical Development has organised an Audio-Visual Library consisting of about 300 industrial films in 16 mm. The Industrial Undertakings/Technical Institutes who are interested to know various industrial techniques such as material handling, time and motion study, plant layout, production and process control, and have projector facilities of their own can enrol themselves as members of the library on payment of an annual membership fee of Rs. 25.

Further particulars regarding the membership of the Library can be had from the Assistant Director (Admn.), Directorate General of Technical Development, Udyog Bhavan, New Delhi.

AUDIO VISUAL LIBRARY

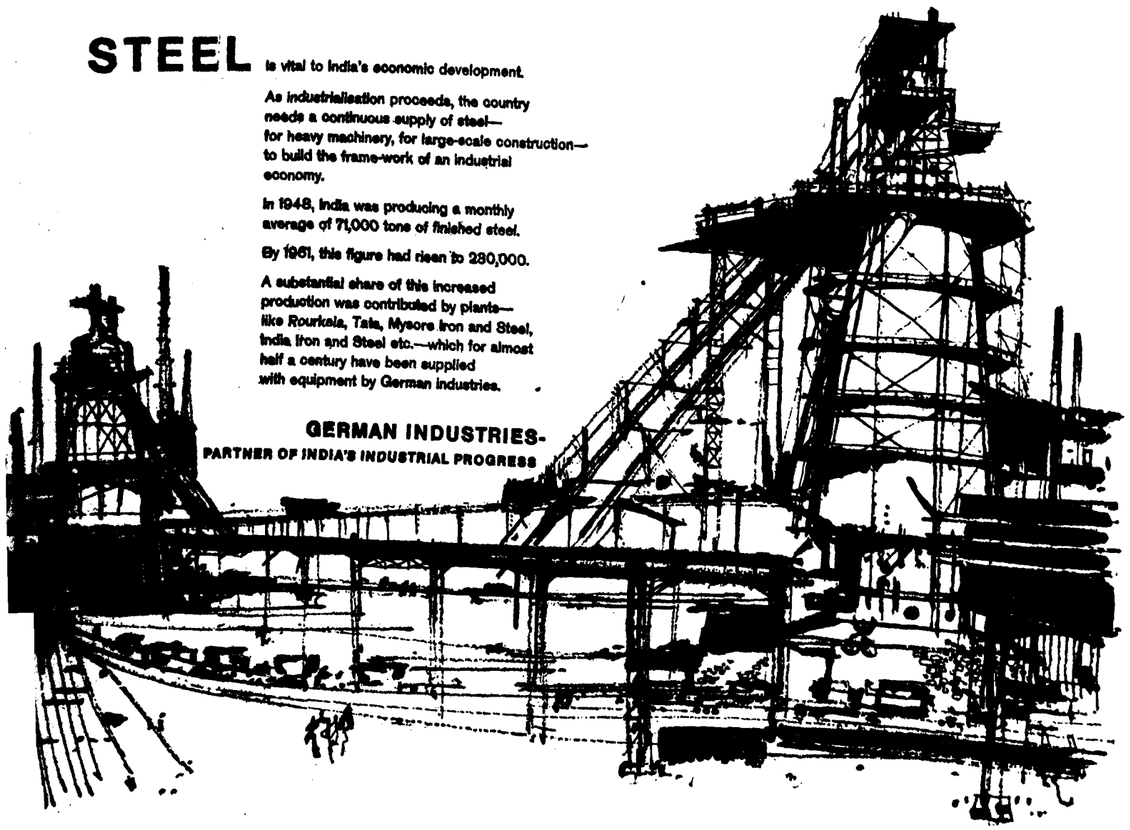
STEEL is vital to India's economic development.

As industrialisation proceeds, the country needs a continuous supply of steel—for heavy machinery, for large-scale construction—to build the frame-work of an industrial economy.

In 1948, India was producing a monthly average of 71,000 tons of finished steel.

By 1961, this figure had risen to 230,000.

A substantial share of this increased production was contributed by plants—like Rourkela, Tata, Mysore Iron and Steel, India Iron and Steel etc.—which for almost half a century have been supplied with equipment by German industries.



GERMAN INDUSTRIES-
PARTNER OF INDIA'S INDUSTRIAL PROGRESS

£8.2 million. Sales on Consignment account rose from £5.0 million to £5.8 million. Shareholders may recall that in my speech at the last annual meeting, I pointed out that while the growing emphasis on manufacturing activities was undoubtedly correct, I attached great importance to the continuance of our trading activities — a view which gains point from our experience of last year. The second reason for the higher profits is that the taxation for 1963 is very much reduced, being only £189,509 against nearly £381,561 in the previous year. The reason for the reduced taxation is, of course, that we have become eligible for a heavy development rebate in respect of the Ennore Factory amounting in the year under review to as much as £217,350.

DIVIDEND

The Directors have given a great deal of attention to the problem of the dividend that should be declared for the year 1963. There are arguments to support the proposition that it would be justifiable to repeat the same dividend as for last year, namely, a total of 21-3/7 per cent. The main argument for this would be that the profits 'of the Group' for 1963 after tax are substantially higher than in 1962 and are, indeed, at the same level as the average for the years 1959, 1960 and 1961 and that it is legitimate for the shareholders to claim that the dividend should be based on the Group profits after taxation. There are, however, equally weighty arguments which suggest that the dividend should be reduced. In particular, I would mention that if we want to claim Development Rebate as indeed we must, we must by law appropriate £165,300 to the Development Rebate Reserve — this in effect largely represents the tax "windfall" given to new concerns to strengthen their reserves. After this appropriation the sum available for dividend from the net profit of E.I.D.-Parry is only £120,192 — as compared with £259,650 that we will need for dividends including the Ordinary Dividends of 21-3/7 per cent. This sum of £120,192 could, of course, be supplemented by recourse to the reserves. Shareholders will remember that in the year 1959 a Dividend Equalisation Reserve was created amounting to £150,000. If a dividend at the same rate as last year is to be declared, almost the whole of this reserve would have to be withdrawn leaving only a nominal sum in the reserve. Whether this would be appropriate would depend on whether we are satisfied that we would be able to repeat the same dividend for the year 1964 and subsequent years.

That depends to a large extent on Ennore, more particularly during the current year. We are satisfied that our other activities will show a sustained improvement but, unfortunately, we are not in a position at the moment to make any forthright prognostications about Ennore. In any event, it is clear that the year 1964 would also see a loss on Ennore and that the E.I.D.-Parry profits for that year, by themselves, may not justify a dividend of 21-3/7 per cent. To do this we would have to withdraw from the General Reserve.

Here again arguments could be made on both sides. It could be pointed out in justification for maintaining a dividend at last year's level, that although we may be withdrawing almost the whole of the Dividend Equalisation Reserve of £150,000 we would be putting into other reserves a sum of £262,800. In other words, the use of almost the entire Dividend Equalisation Reserve would not leave the total Reserve position any weaker. In fact, the net Reserve position would actually be stronger. But it must not be forgotten that the Development Rebate Reserve arises in reality from a tax concession and any prudent Company would wish to use such a concession to strengthen the reserve position. After the most careful consideration of the arguments on both sides, the Directors consider that it would be wise to make use of only part of the Dividend Equalisation Reserve in 1963 and leave the other part for use in 1964, if necessary. They have, accordingly, decided to recommend that a sum of £104,000 be taken out of the Dividend Equalisation Reserve for the year 1963 and that a total dividend of 18 per cent be paid to the shareholders.

SUGAR

Historically the manufacture of sugar has formed a big part of our activities though with increasing diversification its place in our total Group effort is getting gradually reduced. Nevertheless it remains important enough for me to refer to it. I am afraid the problems of the Sugar Industry continue to multiply. In 1963 we saw again an acute shortage of sugar throughout the country, and the re-introduction of control. It is ironical to recall that only a year ago Government restricted production by 10 per cent because they feared a crisis of surplus. Because of this cut in production the area planted with sugarcane was reduced as farmers had no indication from Government whether they would permit factories to crush all the available cane. At the same time attractive prices were offered for Gur, which in addition to its normal use in the Indian household, is also one of the basic raw materials for illicit distillation, and consequently cane for the legitimate sugar manufacturing industry was in short supply, especially in the North, and only 21.5 lakhs tonnes were produced throughout the country in 1962-63 against 27.2 lakhs tonnes in the previous year. With a rapidly increasing population and a rising demand for sugar, this was a serious set-back. In spite of the lower production Government exported 4½ lakhs tonnes, primarily at a loss, although international sugar prices started to rise before all the contracts were completed.

In the South the fall in production was not more pronounced than in the North, and the States of Madras, Mysore, Andhra, Kerala and Pondicherry produced 4.33 lakh tonnes against their previous year's production of 4.58 lakh tonnes. At Nellikuppam 3,17,757 tonnes of cane were crushed against 3,83,455 tonnes in the previous year, to make 29,542 tonnes of sugar against 35,395 tonnes in 1962.

It will be recalled that the Government of India, with the declared intention of paying for cane on the basis of quality, instituted a sliding scale for cane payments in 1962-63. In reality, however, the price paid continued to be much higher than the real value of the sugar in the cane, and farmers who grew cane of low quality were compensated almost to the extent of those whose cane of low quality were compensated almost to the extent of those whose cane was superior.

In order to boost production, Government offered an incentive by way of a rebate in excise duty of 50 per cent on the additional sugar produced over the previous year's figure in the period 1st July to 31st October. It will be observed that within 18 months the Government's policy changed from restriction in production to inducement for increased output. At Nellikuppam, for the first time, a special season was introduced in the months of September and October 1963. Although the experiment was not entirely satisfactory, and the recovery of sugar was lower than we expected, we had hoped that the excise duty rebate would, to some extent, compensate for the poor results. Unfortunately the Government of India ruled that factories who had not in any previous year produced sugar during the period 1st July to 31st October would not be eligible for the rebate and Nellikuppam fell under this category. Representations have been made against this decision and it is hoped that they will be successful.

There are more uncertainties for the sugar industry in 1964. The Government have progressively increased the price of cane and the latest increase of 7 nP. per maund was without any compensatory rise in the sugar price in South India. We will naturally do our best, but the degree of control exercised by Government and the constant shifts of policy are discour-

aging. As the years go by, I fear that sugar manufacture will become of less and less importance in the totality of our activities.

CERAMICS

Shareholders may remember the announcement made by Mr. Noel-Tod at the annual general meeting two years ago, of our agreement with Messrs. Doulton & Co. Ltd., U.K., in the matter of sanitaryware production. I am happy to say that our relationship with this Company continues to be most satisfactory and, with their assistance, we have completed a substantial expansion of the sanitaryware works at Ranipet, that the third kiln has now been commissioned and, in fact, will be officially inaugurated in the beginning of April. A new range of patterns has been developed and introduced on the market, standards and quality are improving progressively, and we are looking ahead to further interesting developments arising from our fruitful association with Messrs. Doulton & Co. Ltd.

VISAKHAPATNAM FERTILIZER PROJECT

In my speech last year and in those of my predecessors for the previous two years, reference was made to our association with California Chemical Company and International Minerals & Chemical Corporation in the Rs. 33 crore Fertiliser Factory at Visakhapatnam.

I am glad to inform you that arrangements for the integration of this Project are now nearing completion and it is anticipated that an offer of shares will be made to the public in March-April 1964.

Your Company will hold approximately Rs. 55 lakhs of the equity share capital of the new Company, which will operate the Visakhapatnam Fertiliser Project, of which approximately Rs. 40 lakhs will be subscribed for in cash.

Your Company's contribution to the success of this Project is not, however, limited merely to financial participation. We are assisting the new Company in the implementation of its seeding programme to familiarize the farming community with the advantages that will accrue from the use of complex fertilisers similar to that which will be produced by the Company and when the new Company's factory at Visakhapatnam goes into production, this Company will, in its capacity as Principal Selling Agents, be mainly responsible for the marketing of the factory's production.

We are proud to be associated with the American Collaborators in this venture, which is one of the major projects included in the Third Five-Year Plan. The Fertiliser Factory at Visakhapatnam will have an annual production capacity of about 365,000 tonnes of Ammonium Phosphate and 16,500 tonnes of Urea which will not only make an important contribution to the much needed increase in food production in the country but will also result in a foreign exchange saving of the order of Rs. 10 crores per annum.

STAFF RELATIONS

I am happy to state that our relations with all categories of employees have been satisfactory and I would like to take this opportunity of thanking them for the part they have played in the development of Group activities. I would in particular mention our staff at Ennore. They have had an exceedingly difficult and what must often have been a frustrating time but their cheerfulness and willingness to put in hard work have been most praiseworthy.

CHANGES IN MANAGEMENT

Mr. M. J. Edwards, the Managing Director, is retiring with effect from the 1st April after 35 years of service. I am sure shareholders will want to convey to him all their good wishes for his future. Mr. John K. John will be Joint Managing Director and Mr. Bowen, Deputy Managing Director from the same date. Having worked with them I can assure you that they will form a strong and coherent team.

NOTE: The above statement is not a report of the proceedings of the Annual General Meeting, which will be held on 30th March, 1964.



New Horizons

In pre-Independence era, India had plans and programmes for social and economic betterment of their people. But there was a fundamental weakness - the weakness of their belonging more to the Government than to the people.

Independence came, and with it a new awakening, and people's plans, for the people, by the people. The results were tangible - more and more of better and cheaper things, a better way of life for more and yet more people of our land.

We of the DALMIA ENTERPRISES have been constantly endeavouring to produce more and more of such goods that contribute towards improved living standards of our people. We are doing this not only since Independence but almost for a quarter of a century. The task is not so easy. Yet we are going ahead, undauntedly, in the hope of seeing a brighter tomorrow a new dawn.... along the new horizons.

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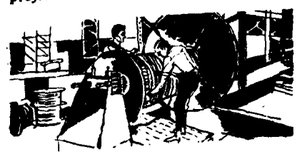
SOMEONE. SOMEWHERE NEEDS ELECTRICAL CONSULTANTS

And AEI goes into action

All the superlatives come to mind. The Bhopal Project for the manufacture of heavy electrical equipment is the largest in Asia and among the biggest of its kind in the world. Its training school is one of the most comprehensive to be found anywhere. When completed, the Bhopal factory will employ about 30,000 people and meet a good part of India's requirements of electrical equipment. India can look to the project with understandable pride. AEI as official consultants, are happy to be associated with it.

East and West meet...

Highly skilled Indian engineers and AEI personnel work shoulder to shoulder at Bhopal, busy making switchgear, transformers, capacitors and traction motors for India's power projects and industry. Of five projected factory blocks three are operating;



when the remaining blocks are complete, production will extend to water and steam turbines, industrial motors and heavy rotating and other plants. The Bhopal factory combines the latest equipment, techniques and quality control measures. It will make a decisive contribution to industrial progress in India, and save vast sums of foreign exchange.

The tiger didn't like it...

...when they cleared away his jungle! At Bhopal, much attention is paid to welfare schemes for workers. A town has arisen on what was very recently thick jungle. There are neighbourhoods, laid out with an eye to space, light and utility. They house executives, clerical staff and workers. The



statistics on welfare read impressively. Over seven thousand homes have been built, 13 hostels, a 75-bed hospital, three dispensaries, three clubs and two auditoriums, including the Assembly Hall of the Training School. This city in miniature has 85 miles of road, a water purification plant, a sewage disposal unit, a modern telephone exchange and 15 cultural associations. The AEI hostel consists of two well-appointed buildings, where 25 AEI engineers from Britain are resident.

What would you do with 3,000 points of view?

The Bhopal training school is a small factory, complete with all departments, a rigid production schedule and a commercial output. The school offers courses to graduates, diploma holders, junior draughtsmen and artisans. About 300 full-time instructors and lecturers work with 3,000 students at a time. Three buildings house school, workshop and laboratories. Already, 4,200 trainees who have passed out are employed at the main factory. In addition, trainees are graduating to projects all over the country... A seat of technical learning has been successfully established at Bhopal.

40 years is a responsible age

The Bhopal project is one of the more recent associations between the Government of India and AEI. In India, AEI's activities date back about forty years and include contributions to the Jogindernagar power project (Punjab's first), the Bhakra Dam power project (Punjab's latest and India's largest), the steel works at Durgapur and the 720 mile oil pipeline in Assam. AEI has been manufacturing electrical equipment in India for over twenty years and a wide range of products is now serving the needs of industry and the home.



We don't usually indulge in name-dropping, but...

In our case it's justified. AEI is no newcomer. Its origins go back *more than sixty years*. Today, Associated Electrical Industries Limited embraces such famous names as British Thomson-Houston, Metropolitan Vickers, Siemens Edison Swan, Henley's, Ferguson Pailin, Birlec and Hotpoint. Worldwide, AEI operates 60 factories and employs 100,000 people. It produces everything electrical from lilliputian transistors to the world's biggest turbine generators.



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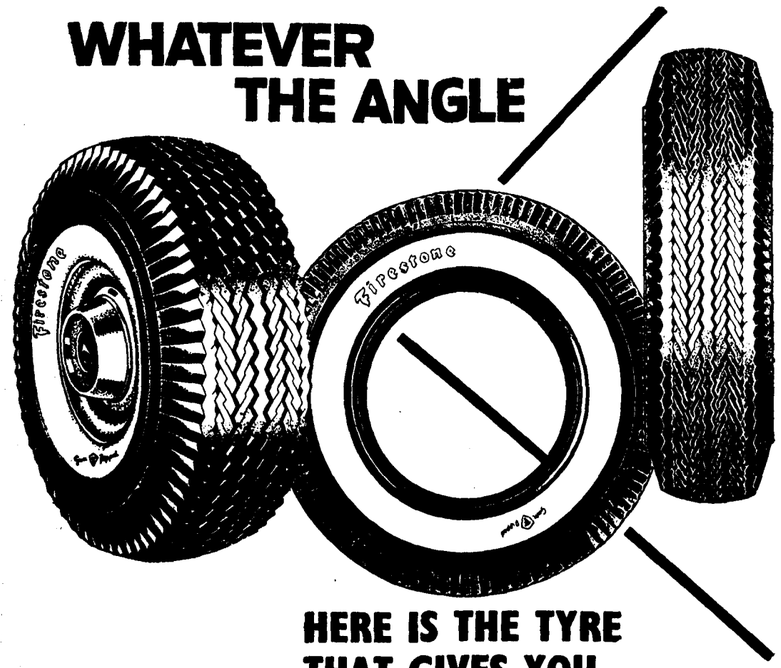
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RECORDS AND STATISTICS

T.T.K. Sticks to His Guns

IN A REPLY to the general debate on the budget in Lok Sabha, the Finance Minister, more positive than persuasive in his defence of the budget proposals, indicated few possibilities of revision. The following is the text of his speech:

I have listened with care and attention to the speeches made on the Budget. Where I did not listen, I have gone through the text of the speeches as recorded. The overall impression of the reactions of Honourable Members to the Budget has not been disappointing. Nevertheless, it seemed that the considerable time and length taken by me in trying to outline the basic policies of Government and fit the proposals within their framework have not paid any great dividends. It may be that my Budget speech was not, perhaps, clear enough to enable Honourable Members to understand the basic policies and objectives behind the proposals.

While my gratitude is due to the Members who have supported the Budget proposals generally, I would, if I may be permitted, express my thanks for the critical appreciation of the Budget by an Honourable Member from Kerala and an Honourable Member from Rajasthan on my side of the House. In mentioning particularly the contributions of these two Members, it should not be understood that I am not appreciative of the support of the other Members, to all of whom I am grateful.

Burden on Society

It must be perfectly obvious to the House that no Government can ever bring in a Budget with an overall expenditure running to an order of Rs. 4,000 crores without casting some burden on society. What matters is, how is that burden cast? Is the incidence of the burden fair and equitable? Is that burden cast in such a manner that there will be continued progress? Is the overall effect calculated to make the *Economy move* forward or backward? I must, Sir, in all humility submit that the answers to these questions, as they relate to the Budget proposals before he House should be favourable. Again, in all humility, I must express my regret that many of the criticisms that have been levelled at the proposals miss these main points but go on to side-issues — some unrelated to a Central Budget and some having no connection with any of the Budget proposals.

It is perfectly clear that the political overtones that have dominated the speeches in the General Debate have to some extent blurred the principal issues. But I cannot complain. The Budget session is the time when Opposition Parties seek to drive the Government out of power and any attempt at a straight-forward hit at the bull's eye is a thing we on this side of the House should not complain about. But I do not think even the Opposition Members have tried to hit the bull's eye and put the Government out of power. Apparently, since they were not able to do so, they tried the other alternatives of political strategy left to them. Primarily, Sir, the attempt on the part of the Opposition was to divide the Party in power, to play on some imaginary differences in the Party as between groups of members, the so-called differences between Ministers themselves, to say that the Budget does not reflect the views of the Prime Minister or that advantage was being taken of certain circumstances to by-pass the Prime Minister's policies, to refer to the Congress Party's resolutions and to say that the Government were not living up to them. All these may be legitimate in political warfare; nonetheless they are not valid in any proper consideration of the proposals that are before the House. Nor is it the charter of the Opposition or any part of it to advise use, on this side of the House, on what we as a Party should do or to point to individual proposals as not being in consonance with the Party's principles. No man would seek to take medicine for curing his ills from a physician who wants to kill him. In this case, Members of the Opposition who seek to give us advice are not even qualified physicians, apart from the fact that their 'mala fides' in relation to the Government and the party in power are well-known. It will, therefore, be futile for me to go further into this aspect of the criticism. Like closed companies, in which the public are not substantially interested, these are also some parties in which the public are not substantially interested. I shall not devote too much time to them.

General Criticism

The other criticisms ranged over a wide field and it is rather difficult to classify them. Apart from the criticism of certain of the specific proposals, which on the whole were fewer in number than the general ones, the attack ranged over the following groups of subjects: neglect of agriculture in the Budget; lack of relief to the common man; prices; the Budget does not indicate any specific action against concentration of economic power; opposition to foreign investment in Indian industries; absence of mention in regard to rehabilitation of refugees from East Pakistan and no evidence of economies in administration. Added to all these, were criticisms of a personal nature, directed against me in particular, which unfortunately were indulged in both by members of the Opposition as well as by some members on my own side.

Sir, I do not propose to deal at any length with any criticism against me personally. Criticism that my Budget does not represent the views of the Party, and that it is a personal budget of mine are, to say the least, infantile and put forward for lack of criticisms of substance. On the other hand, the Honourable Member from Rajkot, representing as he does a singular point of view, felt that this Budget was not mine at all! Sir, there is no personality cult about this Budget and it really does not need for me to claim that the Budget is a Congress Party Budget and whoever presents it represents the Congress Party. I have no objection to anybody criticising the Congress Party as such. We can meet them on their ground. But that would be a different matter. However, if any member of the Party wishes to criticise the Budget on those grounds, the proper forum is the Party platform, not this House.

I shall, accordingly, turn to the more specific of the criticisms. The complaint that no mention has been made of agriculture is beside the point in any Central Budget. The Centre has broadly two methods of stimulating agricultural production. One through the Plan, by means of providing incentives to production, by subventions to agricultural programmes, to minor irrigation works, etc. And secondly, through the medium of the Central Ministry of Food & Agriculture which helps the State Governments in shaping their policy in regard to procurement and support prices, provision of fertilisers, the reaching of the results of agricultural research to the farmer and the like. Besides these two, through the co-operative organisation, the Ministry of Com-

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munity Development and the Reserve Bank help in the provision of credit for agriculturists and also to finance for the marketable surplus. The provision in the Plan to State Governments is of the order of Rs. 559 crores, of which the expenditure on agriculture and co-operation as such is of the order of Rs. 45 crores; on minor irrigation Rs. 48 crores; on other irrigation projects Rs. 136 crores; and that on power projects which have a bearing on agricultural production, Rs. 267 crores. There is also the provision for other types of help and stimulation in the Central Ministries' budgets. Besides these, I have referred to the taking up of intensive production programmes in eighty districts for which there is already a provision of Rs. 3 crores and further amounts will be provided as the scheme gathers momentum. Apart from these, there is nothing which the Central Government could do by making any special mention of, in the Budget.

Price of Fertilizers

Mention has been made of the need to reduce the price of fertilisers by persons who ought to know all about it. The provision of foreign exchange, year after year, for imports of fertilisers has been increasing while local production is also going up, though not quite so fast. However, there is an overall shortage of the popular types of fertilisers and use of the less popular varieties needs to be stimulated. Price is not the factor which is standing in the way of the increased use of fertilisers but the physical shortages and to accept the demand for a reduction in the Government's sale price will not benefit the consumer but only increase further black market prices for the more popular varieties. This is a criticism which is made without the book, and so is the mention of lower electricity tariffs in discussing the Central Budget without realising that this is a State subject. The power tariffs for Agriculture are already to some extent subsidised and anything lower than what they are now would only mean a heavier subsidy which again must come out of the common tax-payer so far as the State Governments are concerned. In regard to the rates of interest at which loans are provided to the co-operatives, Shri Ajit Prasad Jain mentioned that the Reserve Bank is lending at 2 per cent and has complained that there are too many intermediaries in the co-operative field who raise it to 8 per cent and over. He said that one of the tiers at least should be broken up and thereby a reduction in the rate effected. This is a point which no one will dispute. But again where does the Central Government budget come into this? Efforts are being made by the Central Ministries of Agriculture and Co-operation to persuade States to give up one link of the three intermediaries. But, so far, we have not been successful.

This should not, Sir, obscure the fact that there has been considerable progress both in the nature and quantum of the credit facilities available for agriculture.

It is estimated that the level of short and medium term advances for agricultural production provided by the co-operative credit structure in the last year of the third Plan will not be less than about Rs. 360 crores. This would be associated with a level of outstandings of central co-operative banks against primary agricultural credit societies estimated at about Rs. 340 crores which would be in addition to outstandings against other types of societies of over Rs. 65 crores, i.e., a total of Rs. 425 crores. Towards the end of the fourth Plan this figure is expected to reach Rs. 710 crores.

However, the co-operative banks are now not confining themselves to the provision of credit for agricultural production only, but are being called upon increasingly to finance a large variety of activities in the co-operative sector such as marketing and processing of agricultural produce, small-scale industries, distribution of consumer goods, etc. Thus, the operations of the co-operative banks are assuming dimensions which are comparable to what the operations of joint stock commercial banks, the main constituent of the country's banking system were some years ago.

The impressive growth of the state and Central co-operative banks is in no small measure due to the massive support from the Reserve Bank of India which provides assistance by way of (i) short-term loans to State co-operative banks for seasonal agricultural operations and marketing of crops; (ii) medium-term loans for specified agricultural purposes; (iii) short-term loans to State co-operative banks for production and marketing of handloom products; and (iv) loans to State Governments from the National Agricultural Credit (Long-Term Operations) Fund for participation in the share capital of co-operative credit institutions at all levels. The assistance provided by the Reserve Bank has shown a sharp increase and the short-term loans sanctioned in 1962-63 amounted to Rs. 163.94 crores as against the limits sanctioned of about Rs. 12 crores in 1951-52. The outstandings of these loans at the end of the year 1962-63 were Rs. 124.28 crores. The outstandings of medium-term loans on the same date were Rs. 10.56 crores as against nil in 1951-52. It may be pointed out that the Bank provides short-term loans for seasonal agricultural operations and marketing of crops at 2 per cent below the Bank Rate and for the production and marketing of handloom products at 1½ per cent below the Bank Rate. Similarly, medium term loans for agricultural purposes are provided at 1½ per cent below the Bank Rate. No such concessions are available to commercial banks.

The rapid progress achieved by the operations of the co-operative banks have also an important bearing on the currency and credit situation in the country. The continuation of the present policies will lead to a greater impact in this direction. The Reserve Bank as the Central Bank of the country is vested with responsibilities in the matter of monetary stability and the development of banking on sound lines. For enabling it to discharge these responsibilities satisfactorily, it has been vested with wide powers, under the Banking Companies Act, 1949, of regulation and control over joint stock commercial banks which are an important source of credit for commerce, trade and industry. This Act, however, specifically excludes co-operative societies from its purview and hence is not applicable to co-operative banks. The progress made in the last 15 years or so has made it increasingly clear that the present position under which the co-operative banks are outside the statutory control of the Reserve Bank needs to be reviewed.

Decline in Agriculture

Several Honourable Members referred to the rise in prices. Considering that the main reason for this, as the House is aware, was the decline in agricultural production, the scope for action through Budget proposals was necessarily limtied. I have tried to keep deficit financing at a moderate level; and the monetary policy weapon will also be used as and when necessary. In the case of foodgrains the only solution to my mind is to increase Government control over the system of distribution at strategic points. The State Governments must be prepared to enforce the various regulations affecting transactions at the wholesale traders' end and those engaged in the processing of foodgrains. If the shortage persists the country must be prepared for the imposition of some form of controls of distribution, however unpleasant they may be. If I do not dwell on the subject of prices at some length it is not because I do not consider it to be a matter of major concern but only because I think that the problem can be dealt with only by a major review of policies other than those relating to the Budget and this is being done in consultation with the State Governments. I for my part consider it essential for Government to take decision well before the sowing season for the kharif crops. Similarly, for other needs of the low and

middle income groups some devices will have to be thought of to keep the prices at a reasonable level.

At the same time, I can only say that I am not particularly happy at the dichotomy that has been made by some of the speakers as between town and rural folks and as between agriculturists and non-agriculturists in the matter of prices to be given to their produce and the regulation of prices for the consumer. In fact, every human being who is a producer not only consumes some part of his products but a whole lot of other things besides. Any general increase in the price level would, while it may benefit the agriculturist producers in their marketable surpluses, at the same time make serious inroads into the purchasing power of their surpluses if the prices of other articles they use go up. In the same way, subsidising of prices for urban dwellers and the cost of it to Government must inevitably come out of the people in the shape of taxes. So, in dealing with these problems what we should not do is to divide the people even in our minds but insist upon Government to have an integrated and inter-related view of the infra-structure of the price situation in the country.

I would repeat what I said in my budget speech that Government will have to evolve an integrated policy for incomes, wages, consumption and investment and this cannot be the task of the Central Government and the institutions under it alone. The State Governments and the political parties who have an influence on Government policies must also make their contribution in evolving such a policy.

Indirect Taxation

The lack of relief to the common man in Central Excise duties has been the burden of the song of many of the Members who spoke. This has been made a platform for agitation by certain Opposition parties. Kerosene and cloth have been highlighted as items where a reduction in the excise levy will go to reduce the cost to the consumer. But nobody has said how this is to be ensured. These again, Sir, are commodities in short supply and the ruling prices, where distribution control is not effective, are much higher than what they ought to be. In order to ensure that cloth is being supplied at reasonable rates, what is needed is a more rigid control over distribution rather than a reduction of excise duty, which if made is certain to be mopped up by the middleman. In regard to kerosene, it is known that the basic article is imported and any increase in supplies will mean a strain on our meagre foreign exchange reserves. It is also common knowledge that quite an appreciable quantity of low grade kerosene is mixed with lubricating oil and used by lorry transporters as fuel in substitution of high speed diesel oil. This leads to the other complaint that the common man does not get pure kerosene even for the high price he has to pay for it. A mere foregoing of a part of the revenue by the Central Government will not make kerosene cheaper for the common man. When people talk about matches, I do not know what to say. How much will the common man's burden be lightened by a reduction of duty on matches? The removal of excise duty on gramophone records seems to amuse people. The main reason for this is that the return from this duty is low.

Altogether, Sir, the scope of the relief that could be afforded directly to the consumer by a reduction in excise duties is comparatively limited in a period of shortages. In fact, as I have said in my Budget address, excise duties have to be raised for the purpose of mopping up that portion of prices which goes into the pockets of the middlemen who take advantage of scarcity conditions and also, for imposing a measure of restraint on demand in a period of scarcity. This is the philosophy behind our policy in regard to Excise. Where controls over distribution are not exercised and it is not possible to secure a direct reduction in prices to the people, it is our aim at least to reduce middlemen's margins so that the money coming to the Government offers thereby could be used for the people. To use these instruments in an effective and sensitive way, we have also asked Parliament to concede powers to Government to raise the rate of duties by executive order up to a certain extent.

Broadly speaking, there has been very little increase in excise duties in this Budget. The excise duty on iron and steel will yield only just a little more than what was being obtained from the Iron and Steel Equalisation Fund. The increase in the revenue comes, mostly from higher duties on flat products, which are in short supply and command a black market price. The adjustment of duties on yarn and cloth is again due to a short supply of fine and superfine yarn, spun out of foreign cotton, which have a large element of foreign exchange content in them. In the process, there has been a reduction of duty on coarse fabrics which are manufactured out of indigenous cotton. The incidence has been shifted; this will partly counteract the poaching into excise revenue by powerlooms, assuring at the same time certain preferential support to the handlooms. The affected interests are no doubt unhappy and will continue to be so but I have no doubt, Sir, that they will in time settle downt o the new rates.

A complaint was made about there being no mention of refugees from East Pakistan in the Budget speech. The allocation for this purpose has to come out of the budget of the Ministry of Works, Housing & Rehabilitation, which has also a provision for the Dandakaranya Project. As I have said in the final paragraph of my Budget Address, if this problem assumes a greater dimension which let us hope we will be spared, more monies will have to be found and the House will be taken into confidence at that time. The Budget Address is not a collection of emotional statements only and it will be wrong, therefore, to blame the Government or the Finance Minister for not highlighting many of the specific items for which detailed allocations have been made in the Demands for Grants of the various Ministries.

Economy in Administration

Again, the question of economies in Administration was raised. I have drawn attention to this factor in the last paragraph of my Address and this is indeed a matter of serious concern to us. I must begin by correcting Shri Masani's statement that there has been a large increase of Rs. 191 crores in administrative expenditure. The break-up of the increase in civil expenditure of Rs. 191 crores is as follows. Rs. 62 crores is on account of self-balancing items matched by a corresponding increase in revenue receipts and do not represent any net outgo. There is an increase of Rs. 53 crores on account of grants to States, both for Plan and non-Plan purposes and an increase of Rs. 36 crores for the servicing of public debt, most of which has been for developmental purposes, an increase of Rs. 10 crores to cover the payment of increased dearness allowance to low-paid employees, an increase in the statutory grants to States besides grants for Agriculture, Medical, Public Health, etc., all amounting to Rs. 18 crores. This explains, by and large, the reason for the increase of Rs. 191 crores in civil expenditure.

I may mention here that the Ministry of Home Affairs is being strengthened with an Administrative Reforms Division. Shri Dwivedy and a few other Members made the point that many recommendations made by the Estimates Committee and other Parliamentary Committees as well as by committees set up by Government, from time to time, were yet to be implemented. The intention is that the Administrative Reforms Division should comprehensively examine the recommendations of the several Committees that have, over a period



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of years, gone into the question of economy and efficiency in Administration and process them quickly for implementation.

Two other criticisms which have an economic bearing are those relating to concentration of economic power and private foreign investment. The criticism, from the opposite side and from their sympathisers on this side in regard to concentration of economic power has by now become an oft-repeated one. It is significant that free use should have been made of alledged references in the Mahalanobis Committee's report which is not yet a public document. I do not propose to explain further the nature and content of the concentration of economic power. I am not here to disprove that concentration has taken place to some extent. In a developing economy, a certain amount of proliferation in industrial activity on vertical lines can be permited both from the point of view of the advantage of economies of scale and of efficiency in manufacturing operations. It means that companies engaged in manufacture of one item may proceed to manufacture articles of a related variety. Even here, when I was Minister for Commerce and Industry, I discouraged the big producers from taking up production of ancillaries for the reason that ancillaries for all users, as for instance the ancillary equipment for motor vehicles, should be produced at one place, so that each producer does not have to go in for the limited production of ancillaries. But, unfortunately, in some cases, motor manufacturers have also taken up the manufacture of ancillary equipment. The type of concentration which is pernicious in its effects is the horizontal projection in which one group of producers extends their activities to a number of non-allied lines so as to get a big coverage. How this concentration of power operates in the matter of keeping prices at a high level, in the matter of cornering essential supplies and in ultimately exercising some kind of political patronage are all today matters of opinion, not always based on facts. So far, any expression of opinion on this question has amounted merely to a mention of the fact of concentration without throwing any light on its effects or on the devious ways in which they are felt over the entire economy. So much so, in assessing the effects there is an element of guess work, or there is an element of fear which more often than not is being turned to propaganda purposes.

Monopolies Commission

As the first systematic step for combating the ill-effects of such power, I have proposed the appointment of a Monopolies Commission. It seems to be a matter of some amusement, mixed with unfair criticism, that such a Commission is proposed to be appointed under the Commission of Enquiries Act. Honourable Members who have criticised the appointment of such a Commission and have equated it to one more of the several committees that Government appoints, have done so without a knowledge of the facts. There is at present no law covering monopolies on the statute book. The present laws, including the Companies Act, do not provide any method by which there can be a straight-forward reduction of concentration of power for specific purposes in view. These laws will have to be framed. I could have brought in a Monopolies Commission Act before bringing into being the Commission proposed in the Budget, but that would be in a sense putting the cart before the horse and I would have had to draw largely on the experience of foreign countries in this regard. That might or might not be suitable for our purposes. The intention is that this Commission of Enquiry after going through the collected facts and making certain enquiries thereon, should give us a draft law and if Parliament could be persuaded to pass it quickly the Commission itself may sit down to exercise the law on the basis of their acquired experience in regard to the existence of concentration of economic power and the abuses connected therewith. It is not necessary for this Commission of Equiry to take years to give us a draft law. The time factor would, of course, depend really on the extent and the nature of information available and not on Government's wishes to expedite, or its alleged desire to retard the bringing into being of a law for this purpose. This is all that is intended to be done and I cannot see how anybody who is at all serious in his approach to this problem, can fairly criticise Government's action in the regard.

Supplementing what I have said, Sir, I may draw attention to the substantial increase in the assistance that Government have extended to new entrepreneurs and to small industries, the most important objective in which is to encourage competition and reduce the dominance of large groups. Apart from certain new measures like the Unit Trust to which I referred in my speech, the establishment of the National Small Industries Corporation, Small Industries Service Institutes, various Boards for different cottage and handicrafts industries, for Governmental, technical, financial and marketing assistance, establishment of State Financial Corporations, Institution of the State Bank of India schemes of lending and the Credit Guarantee scheme for encouragement of commercial banks' lending to small industries are measures to increase decisively the participation of medium and small industry in the process of industrial development and to offset the natural advantages enjoyed by enterprises.

Largely in response to these measures, the quantum of assistance given by banks to small-industry has more than doubled in the course of three years, increasing from Rs. 21 crores in June 1960 to Rs. 43 crores in 1963 the rate of increase being more than 25 per cent per year. These sums no doubt are small, but commercial bank lending as such to the organised small-scale industrial sector has to be considered in the context of the very smallness of this sector. Thus, the paid-up capital of small public limited companies, below Rs. 5 lakhs each, formed barely 3 per cent of that of all companies.

Private Foreign Investment

Sir, a good deal has been said in the course of the debate about private foreign capital. There have been a number of policy pronouncements on the subject and I may reaffirm, Sir, that there has been no change in that policy. What has been engaging the attention of Government in the recent past is a re-assessment of performance within the framework of that policy. The target for the contribution which private foreign capital would make towards bridging our foreign exchange gap had been set at Rs. 300 crores for the third five-year Plan as a whole. The actual level of private foreign investment in India has remained at the much lower level of about Rs. 30 crores per annum for the first two years of the Plan. Excluding retained profits, the inflow of capital from abroad will be less. While no estimates of foreign exchange requirements for the fourth Plan have yet been made, a few things seem to be reasonably clear. Firstly, the fourth Plan will be bigger than the third Plan. Secondly, we cannot expect the countries which are helping us to keep stepping up the level of their aid as our Plans grow bigger. Thirdly, with the heavy increase in the burden of debt repayment for the fourth Plan referred to in the Budget speech, we must rely only on that type of external finance which won't further aggravate the debt repayment burden in the immediate future and equity investment is on such form of finance. Finally, in the fourth Plan, we must clearly embark in a big way in new fields of development for which even on technological considerations collaboration with reputed manufacturers abroad would be necessary and even desirable.

The question to which we have addressed ourselves is not one of modifying our policies regarding private foreign capital, but of fulfilling them. One of the major difficulties which foreigners have legitimately complained of is delay in getting clear and decisive answers to their proposals for

investment. Obviously, the answers must be in accord with our policies, but they must be prompt. A streamlining of the administrative arrangements to deal with such proposals has, therefore, been made. So far as the budget proposals are concerned, our aim has been to remove certain disincentives. It is obvious that if a foreign firm has investment in India, it must have a number of foreigners in the undertakings in which it participates; the more so because we encourage foreign investment, particularly in fields in which the level of technology is of a high order. The level of personal taxation in this country which is geared to our own conditions, has created problems for expatriates working here and the Budget proposals give them a certain degree of relief. Incidentally, this relief extends to foreign employees in all enterprises, including the public sector. Then, we have extended the rate of taxation of royalites to payments on account of engineering fees, which again are not exclusive to firms with private foreign investment, but include other projects as well, including those in the public sector. We have also removed the disincentive to foreign firms to have their offices and representatives in India to buy goods for exports by withdrawing the business connection principle in respect of exports. Then again, we have made it possible for Government to facilitate investments by foreigners in securities, as distinct from equity, and also made the application of tax relief to foreign technicians and to interests earned on foreign loans more flexible. These concessions again are not, in any sense, exclusive to projects with private foreign investment. The main fiscal benefit to private foreign investment in the Budget flows from the decision to exempt inter-corporate dividends from super-tax. This decision again is in no sense exclusively meant for foreign companies investing in India and applies without distinction to all inter-corporate investment. Indeed, the only change exclusively applicable to all foreign firms is the increase in the tax rate from 63 per cent to 65 per cent in the case of those foreign firms who operate through branches and whose dividends are declared abroad. We are not anxious to encourage foreign companies to operate in India through branches and what we are anxious to see is a growth in Indian companies which have private foreign capital in them, but the companies should be Indian companies incorporated in India and declaring their dividends in India.

Equity Investment

The point has been raised whether our policy regarding equity investment in the public sector has undergone any change. The policy in regard to private participation in public sector projects stands today exactly as it was defined in the Industrial Policy Resolution of 1956. It is worth quoting from it. The Industrial Policy Resolution clearly states that the inclusion of certain industries in Schedule A of the Industrial Policy Resolution does not preclude "the possibility of the State securing the co-operation of private enterprise in the establishment of new units when the national interests so require. Railways and air transport, arms and ammunition and atomic energy will, however, be developed as Central Government monopolies. Whenever co-operation with private enterprise is necessary, the State will ensure, either through majority participation in the capital or otherwise, that it has the requisite powers to guide the policy and control the operation of the undertaking."

In pursuance of this policy, many public sector projects do have private foreign investment in the equity. We would certainly be glad to take in such participation in industries, particularly where technologicall considerations make such participation desirable, provided the terms and conditions are satisfactory.

Another question which was raised was whether we have made any change in regard to the policy of the percentage of equity stock which foreigners can hold. Clearly, in the public sector, they cannot hold anything but a minority position; otherwise, the project cannot be described as a public sector project. In regard to the private sector, the policy of preferring a minority participation and making exceptions to this rule only in suitable cases and in exceptional circumstances continues unchanged.

Specific Tax Measures

Sir, I shall now turn to some of the criticisms of specific tax proposals that have been made. We have, during the last week, explained the tax proposals more fully in a series of official hand-outs and I shall make fuller notes on the proposals available to the House by the time the Finance Bill is taken up. On the specific criticism by Shri Masani, that there is no relief to the corporate sector since the Budget proposals are expected to bring in an additional revenue of Rs. 11 crores from this sector, I will only say that to concentrate attention on the over-all figure of revenue without going into specific tax reliefs is to miss the point.

The new structure in personal taxation has been explained in the Press and it will not be necessary for me to go into it again beyond pointing out that at income levels below Rs. 15,000 even in the few cases in which there is an increase in the income-tax, after deduction of the Compulsory Deposit the increases are marginal. In fact in the case of incomes where the tax itself is small the relief cannot be indicated by any sizable figure. The new structure is a considerably simplified one and has a smoother progression, in arriving at which there has been a marginal amount of higher incidence at a few levels of income. This should be understood in the proper perspective.

In the course of the debate, a few suggestions have been made about the Annuity Deposit Scheme. One of the suggestions has been that the Scheme should be optional. I am afraid it is not possible to agree to this suggestion except in the case of old persons. I am prepared to make it optional for persons above the age of 70. I am also prepared to consider giving of option to a person who does not want to make the Annuity Deposit for any special reasons of his own of opting out of it by paying tax which would be higher than the tax that would have been normally payable on this portion of the income. Such opting out will have to be made unattractive as it will not be in keeping with the objective of leaving a reduced expendible income in hand. The votes to be applied will require fuller consideration. On the other hand, it has also been suggested that persons may be given the option of not receiving the annual repayment when it falls due. I am afraid it is not possible to agree to this either. Whether the payment is taken or not, as the amount will have accrued to the person concerned, it will have to be treated as income in that particular year.

There are two points on which the Finance Bill introduced by me is at variance with what I have stated in my Budget speech. The first relates to the failure to indicate the first slab which will attract gift tax, namely gifts above Rs. 5,000. I am taking steps to move an amendment to the Bill to keep the exemption limit at Rs. 5,000 as was mentioned by me in the speech. All the subsequent slabs in the rate structure for Gift Tax have been worked out on this basis. It was through an oversight at the printers end that the necessary provision was not included in the Bill.

The other discrepancy is largely due to a misunderstanding of my intentions but not of a serious character, between my Budget speech and the appropriate provision in the Finance Bill. I stated in my Budget speech that the development rebate in its present form will cease after the 1st of April, 1966. In the Finance Bill, Clause 8 in respect of Section 33-

of the Income-tax Act, says that the development rebate would cover a further period of three years from now which takes it to 1967. I do not propose to amend this portion of the Finance Bill and it might be taken that the present position will continue until three years from the date of notification.

Development Rebate

It has been represented to me that I should indicate Government's policy in regard to the grant of development rebate after three years from now. At present, the development rebate applies at a uniform rate of 20 per cent, having been reduced from the previously prevailing rate of 25 per cent. In the case of one or two industries, the rate is higher. When the development rebate was reduced from 25 per cent to 20 per cent, there was a certain amount of criticism that people had already made commitments in the expectation of a rebate of 25 per cent and the plea was made that changes in development rebate should be made with due notice. This is a legitimate point and when a higher rate of development rebate was announced for the coal industry, it was made applicable for a certain period of time. The implication of the statement in the Budget speech is that the existing rates will continue to be in force till the beginning of the fourth Plan. Now it has been extended by a year. In the light of the priorities of the fourth Plan, a fresh system of rebates may have to be introduced and, therefore, a notice had to be given to industry that such a change might be made. This does not, however, mean that the system of development rebates is going to be scrapped altogether. The budget proposals have, in fact, given fresh incentives to investment in certain key industries by lowering the rate of Corporation Tax on them and there can be no question of reducing the development rebate in respect of them even in the fourth Plan, because they will obviously continue to be important. In the next budget, Government hope to announce the rates of development rebate to be made applicable during the fourth Plan period. Present thinking indicates that this will be on a graduated scale weighted in favour of the essential industries with higher capital content.

Shri A. P. Jain criticised the allowance of the statutory deduction at 10 per cent of the capital base in the new surtax which includes a certain amount of loan capital on the ground that, generally, the rate at which interest payable on such loans is much less than 10 per cent I may point out that under the provisions in the surtax bill, the amount of interest payable is added back to the profits for surtax in order to avoid a double deduction

It was also said that the exemption of inter-corporate investment from super-tax would facilitate inter-locking of companies and increase concentration. One objective in the new proposals in regard to exemption of dividends on inter-corporate investments from super-tax is to simplify the structure and to remove certain anomalies inherent in the differentiation between companies incorporated on different dates etc. We must also remember that while inter-corporate investments may be one form in which dominant groups extend their sphere of control, such investments in the main provide investment opportunities for corporate savings, most of which serve socially useful purposes. To the extent that they do not, and lead to any increase in concentration of economic power non-fiscal measures such as the Monopolies Commission, and as I had indicated in my Budget speech the Company Law regulations will be used to combat them. Again, given the need for generating corporate savings, it is better that they lead to the formation of independent and competitive companies than to the formation of units producing unrelated end-products under a monolithic ownership and management as would be the case if these are undertaken by wings of one big unit.

Some other points have also been represented to me, but I would like to consider them in greater detail before I express any view. For instance, it has been represented that the levy of capital gains tax on bonus shares issued out of share premium moneys required to be differentiated. It has also been represented that the total impact of Estate Duty and tax on capital gains and other incidental costs in respect of property received by inheritance which may have to be sold to pay the estate duty should not be such as to cover the entire value of the inheritance. All I can say at this stage is that these points are under examination.

The complaints made by those interested in industries about there being no concession at all would perhaps require some answer. I may tell the House that in the process of framing my tax proposals I had these proposals tested on the balance sheets of some of the bigger companies. In doing so I did not take into account the concessions given in respect of rebates on corporate tax or on surtax to certain industries. But I did take into account the surtax and the dividend tax on the basis of dividends distributed in the past year. Out of 31 companies examined, 20 companies were paying super profits tax in the previous year. In the case of all these 20 companies the tax as a percentage of the total income that would be levied according to the budgetary proposals would be less. In the case of some of the companies which were not liable to pay super profits tax, the position will be different. It only reveals that the operation of the super profits tax was somewhat uneven, and put an additional burden on many of the companies while some got away with advantages.

Taxation Reliefs

In the same way the criticism which I find not only voiced in the House but outside in the Press about there being no relief is not correct. In the case of persons of the 4,200 rupee bracket, after deducting the compulsory deposit where income from salaries was concerned, he was paying Rs. 60.90, he will now pay Rs. 36.00; in the next bracket of Rs. 5,000 he was paying Rs. 93.10, now he will pay Rs. 84.00; in the next slab of Rs. 6,000 he was paying Rs. 176.60, he will now pay Rs. 184.00; in the case of the next bracket of Rs. 7,500 he was paying Rs. 338.73, he will now pay Rs. 334.00; in the Rs. 9,000 bracket, he was paying Rs. 549.91, he will now pay Rs. 559; in the Rs. 10,000 bracket, he was paying Rs. 690.00, he will now pay Rs. 709.00. As against this, including compulsory deposit they were paying in the case of:

Rs. 4,200	Rs. 185.90
Rs. 5,000	Rs. 242.10
Rs. 6,000	Rs. 352.60
Rs. 7,500	Rs. 544.17
Rs. 9,000	Rs. 782.19
Rs. 10,000	Rs. 940.00

It cannot therefore be said that the changes have not benefitted the 'take-home pay', for these people, an advantage which has been denied to the upper slabs by reason of the introduction of the 'Annuity Deposit Scheme'.

I do not propose to deal further with the working of the public sector undertakings beyond what I had stated in my Budget speech. Hon'ble Members who doubted the wisdom of asking the public sector undertakings to make profits or in other words to create surpluses have been adequately answered by my colleague, Mr. Bhagat.

However, it may be worthwhile mentioning what happens to the Soviet Economy. Amongst some of the observations made on the profits in the Soviet Economy, the following has been said:

> "More attention by the West to the factor of profits in the Soviet economy is advisable also because of its rapidly increasing relative importance in financing 'accumulations' in the Soviet national income. In fact, the importance of the turnover tax, which until lately was the main instrument of financing state budgetary and non-budgetary

expenditure, seems to have been overshadowed by that of profits during more recent years."

The budgetary revenue including allocations from profits and direct and indirect taxation in the Soviet Union between the years 1956 and 1961 has been 109 per cent of what obtained in 1955 in 1956, 129 per cent in 1957, 160 per cent in 1958, 183 per cent in 1959, 200 per cent in 1960 and 213 per cent in 1961. The net profits of the enterprises and economic organisations on the basis of 100 for 1955 has been 105 in 1956, 125 in 1957, 161 in 1958, 184 in 1959, 203 in 1960 and 218 in 1961. The most vigorously growing major items in the State revenue are the allocations from profits which during the seven years 1955-1961 increased by 101 per cent while the revenue from the turnover tax increased by 28 per cent and that from direct taxation by only 21 per cent. These figures, I understand, have been compiled entirely from Soviet sources.

State Enterprises

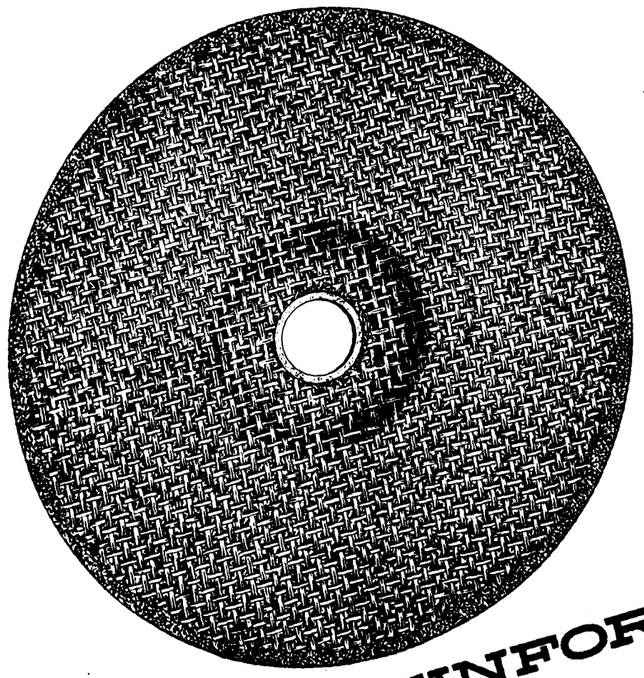
It will therefore be seen that once the State embarks on a programme of industrialisation under its aegis, it must expect these enterprises to make substantial contributions to the State's exchequer. My view, expressed in the Budget speech, continues to be the same—that the State enterprises must make increasing surpluses available or in the alternative at least finance their own expansions. If however in any particular project or a public sector enterprise, Government feels that the prices have to be subsidised in order to encourage producers to produce more or to remove distortions in the standards of living in the case of lower income groups, then these must come out of straight subsidies from Government. It is therefore wise not to confuse what is the obligation of the State towards the lower income groups and its responsibility in regard to returns from capital provided to industries or other enterprises. These are two different matters and any mixing of the two can only confuse us in regard to the basic objectives.

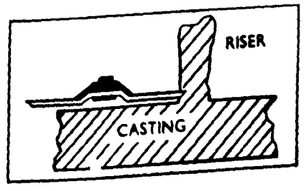
Quite a number of other matters, not wholly relevant to the Budget or even for that matter within the purview of the Central Government, have been mentioned by Honourable Members. I have no doubt the appropriate Ministries have taken note of such points as affect them and I am sure the House does not expect me to go into those matters here. These points will be brought up again during the consideration of the Finance Bill and also at the demands of several Ministries are taken up. I can assure the House that Government will take note of whatever is being said and furnish replies if it is within their competence to do so.

As I said at the outset, several Members have criticised the Budget, some negatively, some positively, each one from own angle. Many have highlighted some of the features of this Budget and to all of them I am grateful for having thrown some light on the Budget positively or negatively. I do not claim and I did not claim in my Budget Address that this is a perfect budget. But I do claim and fairly emphatically that this is a budget which has taken into account the defects in the fiscal structure and has tried to remedy them with a view to make the Economy move forward smoothly. Whatever may be the ultimate politico-economic structure of the country and our own desires in that matter, in fact no sector of the Economy can move forward unless there is a constant look at the hurdles in the way of progress and the changes that are taking place in the infra-structure of the Economy from time to time which not merely produce distortions in it, but also in the process create roadblocks. Critics speak rather lightly of the carrot and stick to the donkey. I am afraid, Sir, I have too much respect for the people of this country to think they will be goaded to run forward to get at a corrot or permit the stick being used. I had no intention of doing either of these things in presenting this Budget. The defects in the economic structure which inhibit progress are generally known. They are defects that arise all the time by the changes that take place in the human society in our march to progress. Since primordial interests of man always remain, the tendency for society to be acquisitive is known and even when one tries to get them away from this tendency, they are bound to revert to it again and that is why in any country, much more in a democratic one, Government have to be all the time at the helm to move the ship away from the shoals and the rocks in the way of progress.

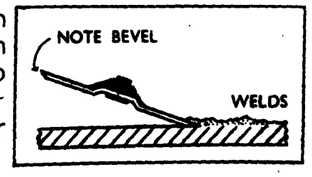
Clear Goal

Sir, the goal that we have set for ourselves is clear. We shall march towards a free society in which freedom from fear, economic, political and personal, shall be assured and things that come in their way from time to time, in the way of such conditions coming into being would be pushed out. That is the perspective that we have set ourselves to. Call it by whatever name you like, democratic socialism or mere socialism or any form of it. The word itself has no precise connotation. It is what is being built round it that indicates how far that socialism is the one that would benefit people in a free society. In any civilised country in the field of industry and other activity big institutions become inevitable. In a big country which operates under a rather complicated federal political structure it is inevitable that the concept of anything that effects people should be big. There is no use crying out against Government monopolies. It cannot be helped. This country cannot be served except by a huge Centrally planned and directed railway system. It would also be inevitable that other modes of transport will have to be so planned in the future and carried out. The basic needs of the people of this country have again to be planned in a big way with an eye to serving the remote corners of the country. Power is one such. I have been devoting some attention to the energy surveys and every time I do so, the conclusion is irresistible — the Central planning and direction has to be precise and continuous and that one allocates the sphere of activity for thermal power, for hydro-electric power and atomic power. What then is the object of some Honourable Members in this House criticising Government and Governmental activities as being monopolistic. In fact, the monopoly to serve people effctively is that of the Government of the day. In dealing with private enterprise one recognises that they have a place and always shall have a place. It depends upon how you define private enterprise. The individual will remain an individual and will only respond to impulses that appeal to him as an individual. If we strain the compulsions in regard to directing those responses, he is always aware of the opportunity he has every five years for indicating his displeasure. After all, everything has to be done by the individual and the motive power behind his action is the incentive. It is different as between different individuals, groups of them, whether they be of an area, class or age. Sir, we have to take into account all these factors when we plan for economic progress. And to a certain extent fiscal policy being a handmaid for economic progress has also to take account of all these factors. I claim no credit for having introduced rather severe—and I admit they are severe —measures in order to do away with inequality in wealth and power. Such an act is basic for the sustenance of democracy and to give a positive content to a socialist economy. And it is a continuous act, continuous because we allow to a large extent within a limited sphere the individual freedom, and that freedom will always, having in mind human nature, go towards concentrating in his hands the good things of life. I therefore want Honourable Members to view the Budget from glimpse of the perspective that it gives. If in the process of working out the various measures we make mistakes, let us correct them. But I think it cannot be denied that the Budget takes us a step further on the road to progress, even though I should, as a person who presents it, have to say it.





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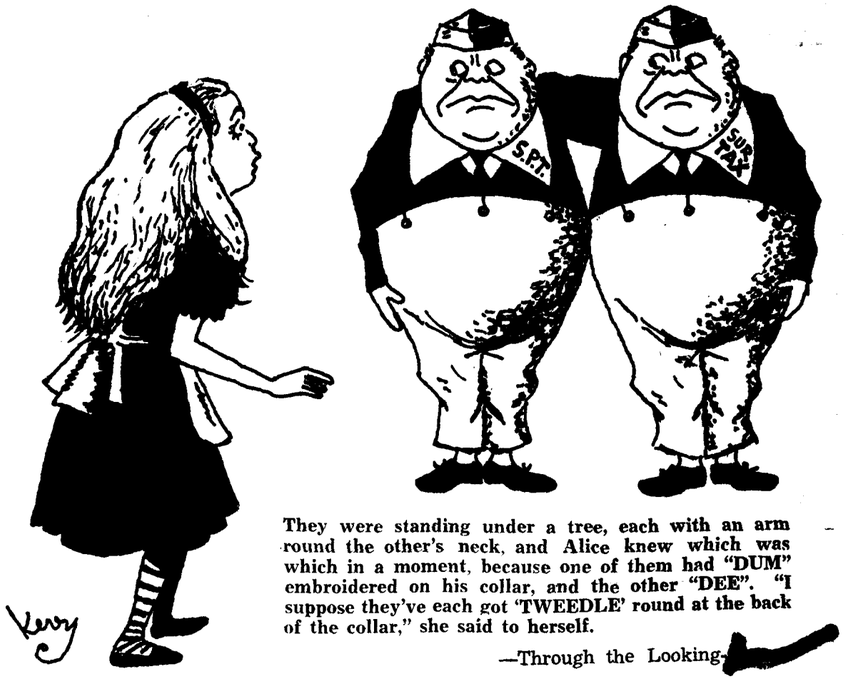
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12

EASTERN ECONOMIST

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GOVERNMENT OF MADRAS



They were standing under a tree, each with an arm round the other's neck, and Alice knew which was which in a moment, because one of them had "DUM" embroidered on his collar, and the other "DEE". "I suppose they've each got 'TWEEDLE' round at the back of the collar," she said to herself.

—Through the Looking-[illegible]

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EASTERN ECONOMIST

MARCH 20, 1964

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A Matter of "Dum" or "Dee"

THE GENERAL debate on the budget in Rajya Sabha ended on Monday on a noisy note of colour-consciousness. The communists did not relish being described by the Finance Minister as a kind of political chameleon which could be red, pink or pale according to circumstances. Mr. Krishnamachari got dubbed as a black Congressman for his pains. Black, fortunately, is not one of the primary colours, whereas red is, and, therefore, for the Finance Minister there is hope of redemption yet. Red, on the other hand, is a primary colour and however hard the communists might try to camouflage their true colour by painting themselves pink or pale, it is unlikey that they can redeem themselves at all.

Passing on from the politics of colour to the economics of the budget, the discussion in Rajya Sabha has at least established the point that the more one tries to understand the budget, the more perplexing it becomes. To some extent this is because of the odd ambivalence which Mr. Krishnamachari has shown towards the more novel of his predecessor's measures. This ambivalence has not merely been confined to fiscal programmes. For instance, in the case of gold control, it was open to Mr Krishnamachari either to enforce it strictly or withdraw it on the ground that adequate enforcement in the absence of popular sympathy or support, was beyond the reasonable means of a democracy. Either course would have been honest and would have secured the respect of the public. But he chose to do neither. Instead, he modified gold control policy to the extent of allowing the conversion of old ornaments of more than 14 ct. purity into new ornaments of equal purity. This change, in truth, was not a concession but a virtual abrogation of gold control. Here is an open invitation to the public to violate gold control provided it is not done too openly. The result is that gold control regulations are being circumvented extensively with consequent lowering of public and private morality.

Similarly equivocal have been his attitudes and actions with regard to the compulsory deposit scheme and the super profits tax. It would have saved trouble all round had Mr. Krishnamachari merely modified the residual compulsory deposit scheme (which had earlier been restricted to income-tax assessees) to the further extent that incomes up to Rs. 15,000 per annum were freed from the liability, while incomes of Rs. 15,000 or more continued to be covered. Mr. Krishnamachari, however, has chosen to scrap the scheme altogether and introduce in its place an annuity deposit scheme for incomes of Rs. 15,000 or more. Initially, he was disposed to claim that his formula had reduced the tax burden on incomes below Rs. 15,000. It has since been shown that this is not so and the Finance Minister in his reply to the budget debate in Rajya Sabha virtually conceded that his original reading had not been correct.

As regards the annuity deposit scheme, Mr Krishnamachari had argued that its purpose was only to curtail, for the time being, the disposable incomes of those affected. But an examination of the various provisions of the scheme is beginning to suggest that the repercussions of the levy may not be as simple or limited as is assumed by the Finance Minister. It is conceivable that, under this scheme, the affected tax-payers may not merely be temporarily deprived of a part of their disposable incomes but may have to undergo a permanent and substantial financial deprivation not contemplated presumably by the Finance Minister. In Lok Sabha, Mr. Krishnamachari, in cruel fun, offered to release people in their seventies from the obligation of the annuity deposit scheme. We hope, however, that this is not his last word on the subject and that he would consider

the possibility of reframing repayment terms as well as the tax liabilities attendant on repayment so that what is virtually a compulsory loan imposed arbitrarily on a small section of the people is rendered much less red in tooth and claw than it is at present. Incidentally, there is surely irony in the fact that while the compulsory deposit scheme was, in fact, not compulsory, the annuity deposit scheme is certainly a compulsory one.

As regards the substitution of the super profits tax with the surtax, here again the less equivocal and ambivalent course would have been to drop the SPT and make up for the loss of revenue by a temporary surcharge on the normal corporate tax. Unfortunately, this simple alternative failed to appeal to the Finance Minister. Instead, he needs must fit out in frills and fancy trimmings, a surtax to take the form of the super profits tax. It is difficult to see that this has any clear advantage. Mr. Krishnamachari is, no doubt, convinced that the surtax, generally speaking, has reduced the aggregate burden of taxation on companies from the SPT level. Now, this claim has several obvious limitations. Firstly, although the aggregate tax burden might have been reduced, the reduction has certainly not been of an order sufficient to put heart into the capital market or vigour into the economy as desired by the Finance Minister. Secondly, Mr. Krishnamachari himself has admitted that companies, in certain circumstances, might even be worse off with the surtax than they were with the SPT. It follows that it cannot be said for the surtax that it is in the nature of a general relief to industry, when the case obviously is that some companies are likely to be more unfavourably dealt with under the new tax than under SPT.

Finally, while it is a sound principle of taxation that new taxes should generally be avoided, especially when the existing taxes could be made to serve the purpose, it is also a prudent feature of good fiscal management that the implications of a new tax proposal should be simple to comprehend and that the proposal should be capable of making promptly a positive impact. The surtax certainly is deficient in these virtues. Whereas the SPT at least had the merit of being recognised promptly as an oppressive tax which was bound to halt industrial expansion, the surtax has reduced the entire nation, including the Finance Ministry, to the comic opera situation of the five blind men of Hindustan gone to find out what an elephant was like. Thanks to a whole host of refinements and rebates, even weeks after the budget, there is still considerable bewilderment over the precise pattern and extent of the impact of the surtax on company finances or industrial expansion.

The Finance Minister's attempted clarification in Lok Sabha in the course of his reply to the budget debate in that House, although intended to be helpful, only succeeded in making confusion worse confounded. He said: "Out of the 31 companies examined, 20 companies were paying super profits tax in the previous year. In the case of all these companies the tax as a percentage of the total income that would be levied according to the budgetary proposals would be less. In the case of some of the companies which were not liable to pay super profits tax, the position will be different. It only reveals that the operation of the super profits tax was somewhat uneven and put an additional burden on many of the companies, while others got away with advantage". The Finance Minister in this passage was certainly putting a far too favourable construction on the consequences of the surtax. It would have been more convincing had Mr. Krishnamachari indicated, at least broadly, the extent of the relief in the case of the 20 companies, and secondly, explained more fully what were the circumstances of the 11 companies which attracted to them a penalty despite the generally more liberal provisions of the surtax as compared with the super profits tax.

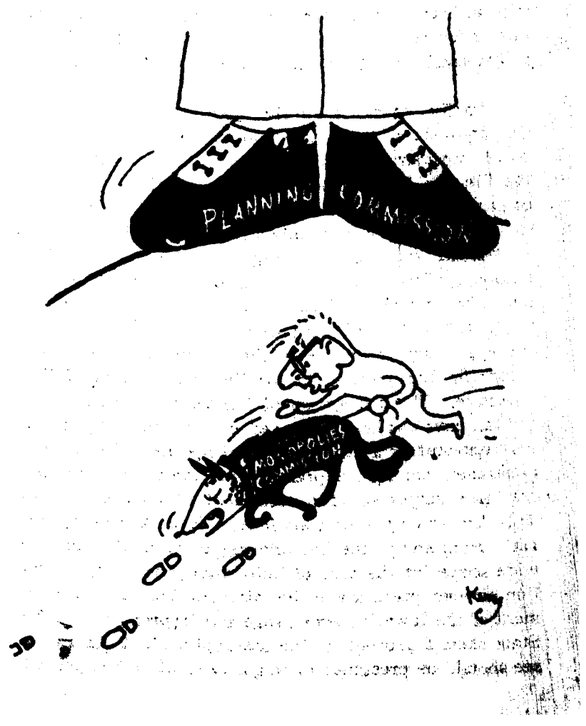
The Finance Minister's observations in this context, in fact, had the effect of turning a puzzle into a mystery. On the face of it, the surtax has a moderate rate structure; in the case of the SPT, the rate of tax of 50 per cent applies on residual profits between six and 10 per cent of the capital base and the rate of 60 per cent on residual profits in excess of 10 per cent of the capital base, but the surtax does not apply until the residue of profits — after deducting 10 per cent of the capital base, or Rs. 2 lakhs (whichever is higher) — has reached 10 per cent of the capital base; and even then the surtax rate would be only 40 per cent of such residual profits. This apart, the capital base as defined in the Surtax Bill has been considerably widened from the definition in the Super Profits Tax Act by the inclusion of long-term borrowed capital. The additions made are in regard to debentures, monies borrowed from the Industrial Finance Corporation of India or the Industrial Credit and Investment Corporation of India or any other financial institution which the Government may notify in this respect in the official gazette or any monies borrowed by it from any banking institution under an agreement providing for the repayment of such monies during a period of not less than 10 years or any monies borrowed from any person in the country outside India for the creation of any capital asset in India.

If, nevertheless, the surtax has not given substantial relief to some companies, while it has actually made the conditions of others worse in comparison with the situation under SPT, it must surely be because there must be commissions and omissions in the surtax scheme which tend to defeat the Finance Minister's own objective of giving substantial positive relief to the industry reeling under the impact of SPT. It follows that it is desirable and necessary for the Finance Minister to re-examine the Surtax Bill from this angle so that the new tax may be made to conform to the intentions of the economic and fiscal policies which the Government wants to pursue. Here attention may be drawn to some of the specific features in the surtax scheme which might detract from its acceptability as a superior alternative to the SPT. While borrowed capital has been included in the capital base for the surtax, interest paid on the capital has been included in chargeable profits. This has been done on the ground that there would otherwise be an element of double-counting in calculating the relief. We concede the truth of this retention but would also point out that since the cost of borrowed capital ranges from 7½ per cent to 9 per cent, the bulk of the advantage accruing from the widening of the capital base is lost, since the net effective benefit to residual profits will not be more than from 2½ per cent to one per cent of the borrowed capital. Granted that the purpose of admitting loan capital into the capital base is to mitigate the arbitrariness and unevenness of the super profits tax, especially in respect of its incidence on new companies, it would surely be more in conformity with the intentions of the Finance Minister if a larger net benefit could be secured to borrowed capital. We suggest that this may be done by providing that so far as the loan capital base is concerned, the exemption limit should be somewhat higher than 10 per cent, say, 12 per cent.

We have noted that the surtax has tried to be kinder than the SPT to companies which lean heavily on borrowed capital, but should this kindness be extended at the expense of those companies which have built up substantial reserves and through prudent management or high productivity have reached relatively high rates of profits? Whereas under the SPT, deduction from chargeable profits is available to the extent of 10 per cent of the total income before payment of any tax, no such concession is provided in respect of surtax. It may be recalled that the 10 per cent deduction from pre-tax profits was introduced into the Super Profits Tax Act in order to provide for repayment of debts, creation of additional fixed assets, payment of preference dividends in excess of six per cent or appropriations to a reserve which could be used for specified purposes within a period of five years. It is surely worth considering whether the principle of this deduction is not also relevant to the surtax.

The absence of a provision for relief by way of carryforward has been widely noted as a feature of the surtax which makes it compare unfavourably with the super profits tax. The Finance Minister has argued that the comparatively light incidence of the surtax makes it unnecessary to provide for this relief. We confess that we are unable to follow this extremely sophisticated argument, especially as there is a clear difference of opinion on how "light" is the incidence of the surtax in comparison with the incidence of the SPT. We do hope that, following the precedent of the SPT in regard to which the deficiency, or any part thereof, could be carried forward for three assessment years, the Finance Minister would still allow himself to be persuaded to provide for similar relief in the case of surtax.

In the course of his reply to the general debate in Rajya Sabha, Mr. Krishnamachari said that nothing more might be expected than a few refinements or minor adjustments. We do hope that some at least of the suggestions we had made in the earlier paragraphs would qualify for consideration even within the bounds of this strictly qualified generosity. We may indeed confess that, in the light of the Finance Minister's declaration, it may not be of practical significance to press for more substantial changes in his budget proposals. Nevertheless, it is certainly desirable to record once again our basic objections to some of the new fiscal proposals. We are convinced that Mr. Krishnamachari has made out no case at all for the imposition of an outright levy on all dividend distribution. Even assuming that it is necessary or desirable to discourage increased dividend distribution, the Finance Minister ought to have been content with levying an excess dividend tax and not a flat tax on all dividends. Unearned income has already been discriminated against in many ways and additional penalties on investment in equities are certainly not calculated to spread out the ownership of shares in the community which the Finance Minister himself has described as a healthy and agreeable development. In the United States, the number of shareholders in companies has increased from seven



million to 17 million within 10 years. In Japan, in recent times, the concept and the institution of a shareholding democracy has been spreading no less spectacularly and it is surely strange that it should have fallen to the lot of a noisily socialist India to curb and curtail the ability and willingness of small savers in the community to invest in and own shares. Not less illogical or less injurious to the strength and stability of the capital market is the extension of the capital gains tax to bonus shares. One effect of this tax would be to compel disinvestment in shares by affected assessees having to meet the tax obligations. In the case of other forms of capital gains, the tax liability arises only at the point of the sale proceeds of the asset being received in the hands of the assessee. The assessee is, therefore, in a position to meet his tax liability out of a part of his realizations. By extending the capital gains tax to bonus shares, the Finance Minister may be compelling the sale of assets mainly for the purpose of finding money for the payment of the tax. Surely, this is not going to help strengthen investors' interest in equities.

The Finance Minister's proposals relating to the estate duty and the gift tax have been justly criticized as arbitrary excesses. Whether these criticisms have made any real impact on him we confess we do not know at this stage. But Mr Krishnamachari did say in Lok Sabha that he was prepared to examine suggestions that the incidence of the increased duties might be expropriatory. We do hope that the arguments urged in favour of more moderate progression will at least qualify for the Finance Minister's attention in terms of his undertaking in Rajya Sabha that he might consider refinements and minor adjustments.

Finally, there is surely genuine concern in the country—not all of which motivated by narrow personal considerations—over some of the provisions of the Finance Bill relating to concealment of income or evasion of tax. Every citizen of this country, and more so every taxpayer, certainly has a personal as well as a national interest in seeing that the tax laws are enforced effectively and assessees are made to render unto Caesar what is Caesar's. Nevertheless a large and important section of the public is justifiably unable to see eye to eye with him in the matter of some of the means he has resorted to for the achievement of that objective. The abrogation of the secrecy provisions of the tax laws has been criticized in Parliament by speakers representing a cross-section of opinion. Even more uneasiness has been expressed over the attempt to hold assessees suspected of concealment of income responsible for proving their bona fides. Given the extraordinary complexity, the bewildering technicality and the wide scope for the play of individual judgment, discretion or even prejudice in the interpretation and enforcement of the laws, it seems dangerous to propose that the State should proceed on the assumption that the assessee should be presumed to be guilty until he has proved his innocence. It has been pointed out that the provision that the assessee is to be called upon to prove his bona fides only where concealment is suspected to have been in excess of 10 per cent of the assessed income is not a sufficient safeguard against abuse of authority or vindictiveness on the part of taxing authority, since a difference in interpretation, for instance, of what may constitute chargeable income in the form of perquisites, could well break through the protective limit of 10 per cent.

Mr. Krishnamachari had shown in the past that even when he is anxious to arm the executive with special powers, he was also keen on associating the exercise of those powers with judicial institutions or attitudes. That being so, we do hope that, on second thoughts, he would not insist on countenancing the infringment of the Rule of Law as is now contemplated in some of the provisions of the Finance Bill. It is true that he has repeatedly declared his intention to pursue and penalize "unaccounted" money. It may even be argued that, considering the extreme means he might possibly have been tempted to adopt for the purpose, what he has now sought to do in terms of tightening the tax laws could be regarded and accepted as a moderate re-

Eastern Economist 20 Years Ago

MARCH 17, 1944

AT THE press conference which took place in New Delhi last week and at other meetings the distinguished authors of the non-official plan were asked: What is the guarantee that over a period of fifteen years during which the plan is to be put through, the Government will not change and that successive governments will continue to execute the plan? If no such assurance can be given, will not planning result not merely in waste of time but in needless dislocation and disorganization of the economic life of the people of the country? Is success possible except under conditions of dictatorship or totalitarian economy? These questions were answered variously, and, in our opinion, satisfactorily. Speaking at the annual meeting of the Federation of Indian Chambers of Commerce and Industry, Mr. G. D. Birla said: "The success of the plan, first of all depends on a national government that can inspire confidence not only of the majority of the people but of almost all the important sections of the country. Then, such a government should be a stable government with a continuity of policy. The planning authority should be above party politics so as to be in a position to get the fullest co-operation of the people." Similarly views were also expressed by other signatories of the plan who pointed out that once the basic structure of the plan was accepted by the country differences would only be in the order of smalls and that its main feature would not be tossed about by the changing fortunes of the parties in elections. Sir Purshotamdas summed up the position by saying that the planners believed in the commonsense of the people who would ensure that the integrity of the plan was not allowed to be sabotaged by any party government.

action. That, however, could hardly be a reasonable justification for legal proposals which *per se* are neither fair nor even just. The power to tax, as we have said on a previous occasion, is an awesome power in the hands of the Government and it is, therefore, an obligation on the part of law-makers in a civilized community to exercise that power with dignity and restraint. No nation has ever been bullied or black-mailed into virtue. There is therefore no point or prudence in making the attempt.

Taxing Growth and the Common Man

THE ONLY industry in India which has been in existence for less than 15 years but has already attracted an increase in excise duty for the seventh time since 1956 (when the duty was first enforced) is the rayon industry. It is not surprising, therefore, that the industry has been obliged to complain to the Union Finance Minister that the latest instalment of additional tax is well-nigh the last straw on the camel's back. In a well-documented representation, the Association of Man-made Fibre Industry (AOMFI) has advised the Finance Minister that the imposition of the excise duty on the industry as per the 1964-65 budget "is out of the ordinary, burdensome and out of proportion to the capacity of the industry to bear" and has urged its withdrawal. The latest budget, it may be noted here, imposes an additional excise of 50 per cent in respect of filament yarn of cellulosic origin and of 100 per cent in respect of non-cellulose fibre. A comparison of the prevailing rates of excise duty with the proposed rate shows that, including the special excise, the cumulative burden on the industry has risen appreciably. Thus, the excise duty forms, in relation to the basic ex-factory selling price, some 50 to 72 per cent in respect of different deniers of yarn. In other words, whereas there have been so many increases in the rates of excise duty since 1956, the basic selling prices have, thanks to controls, almost remained constant.

A statement prepared by the AOMFI indicates that the incidence of the increase in excise duty since 1956 to-date works out to between 627 and 640 per cent on different deniers. Surely, on any reckoning, this is unconscionable. Compared with the excise duty imposed on traditional fibres like cotton, wool and silk, the excise duty on man-made fibres, notwithstanding the tender age of the latter vis-a-vis the other industries, is disproportionately high. Indeed, it is so high that a stage has been reached when the authorities cannot afford to cajole or brow-beat the industry to accept any further increase. The anomalous position in which the industry finds itself today will be evident from the following points made out by the AOMFI.

In the first place, the Indian consumer pays a much higher price for his yarn, compared to his confrere in most advanced countries where a similar yarn is consumed. At Rs. 11.46 per kg. for 150 denier, Rs. 12.43 per kg. for 120 denier, and Rs. 15.50 per kg. for 100 denier, the selling price (inclusive of excise duty) in India is higher in each case. The actual difference between selling prices in India and Japan for example, is as much as 173.85 per cent in respect of the price of 100 denier yarn. The disparity becomes all the more glaring when we compare the respective purchasing power of the Indian consumer with that of consumers in other countries. Secondly, the yield from the excise duty on the industry to the Exchequer continues to be under-estimated by the Finance Ministry, as actual figures of yield from time to time have clearly shown. In the present instance, the revenue from the latest increase has been estimated at only Rs. 396 lakhs from the 50 per cent increase in basic duty and Rs. 74 lakhs from the special duty. As against these estimates, the AOMFI estimates the yield to work out to Rs. 597 lakhs and Rs. 199 lakhs, respectively, or Rs. 326 lakhs higher in all. It is really a sporting offer on the part of the industry to suggest to the authorities that, if the exigencies of the circumstance demand that the industry should again be subjected to a further levy of Rs. 470 lakhs, they should fix the enhanced rates of duty at just those levels that would yield Rs. 470 lakhs and no more. Thirdly, it is common knowledge that, apart from every conceivable control that has been clamped on the industry, selling prices of viscose and filament yarn have been allowed to remain pegged at the 1957 level in spite of repeated representations and even a reference to the Tariff Commission (which is believed to have found from its preliminary investigations that there exists a good case for an increase in these prices). Again, pressure or persuasion has been employed, time and again, to make the industry absorb the greater part of the increase in the excise duty or to sell yarn at concession rates in the name of export promotion. Coming on the top of it all, what has been proposed in the 1964-65 budget is the unkindest cut of all.

In the context of this seemingly studied singling out of the rayon industry for repeated victimisation, it is necessary to ask the authorities whether they feel that the rayon industry is not making any contribution at all to the country's economic progress. Considering the important and the useful part that the industry has played all these years and is likely to play in the years to come as well, it seems that the development of this industry is not only essential but also such as to warrant priority consideration. If for nothing else, there must be unqualified praise to the industry at least for the rapid progress made by it since its inception in 1950. Within the course of a decade or a little more

the industry has been able to conserve for the country nearly Rs. 55 crores of foreign exchange by reducing the import bill to that extent. This is, of course, besides the contribution that the industry has made to the provision of employment and development of ancillary and allied industries, not to speak of its potentialities to a country that is about to develop the petro-chemical industry in a big way.

There is possibly a lurking doubt in the minds of some people that rayon is a luxury item confined only to the well-to-do. Such doubt should be dissipated by the findings of a recent expert survey which has established that rayon fabrics have become "a middle class urban necessity." Anyway, the conclusion is certainly not warranted that man-made fibres are a luxury in the same sense as, say, a motor car or a radiogram. Moreover, the use of rayon in India today, even as it is in a number of other countries which are faced with a shortage of cotton is a necessity. In fact, the growth of the rayon industry in different parts of the world is primarily due to the need for bridging the ever-widening gulf between the internal demand and the supply of cotton. It is needless to labour the point that cotton production in India has been lagging behind plan targets, which means that the country has no alternative but to tap other natural cellulose resources like rayon.

There is another important consideration why the country cannot afford to be indifferent to the needs of the industry. In a developing economy with a sharp increase in national outlay from year to year there is bound to be a steady increase in purchasing power which will exert pressure on prices. This pressure can only be neutralised by an adequate supply of essential goods and services like food, clothing, education, etc., and, in the field of clothing, the part that the rayon industry has to play is by no means inconsequential. In fine, there is need not only to keep the rayon industry going, but also to see it expand to meet the growing demand for clothing. If this is conceded it follows that there must be enough incentives provided to the industry to attract risk capital and managerial and technical talent. It is only when the tax structure is such as to allow sufficient reserves to be built up not only to maintain current position but also to implement expansion programmes and pay a reasonable return to shareholders that an adequate incentive may be said to exist for an industry. The latest Reserve Bank's survey of 1001 leading companies shows the average of profits as percentage of net worth to be 10.8 per cent. As against this, the average of profits of the rayon industry works to only 9 per cent which gives the direct lie to the belief, in certain circles, that the man-made fibre industry has been making fantastic profits. If, over and above all these, one also bears in mind certain basic and precise features of this industry, such as use of highly corrosive chemicals, round-the-clock operations, rapid obsolescence, uninterrupted research and, above all, keen competition and the consequent need for constant and promotional campaigns, one will be able to place in proper perspective the plea of the industry for relief from such excessive excise duties as the powers-that-be have chosen to impose.

EASTERN ECONOMIST BUDGET NUMBER

March 6, 1964

THE BUDGET NUMBERS of "Eastern Economist" are a popular and valued annual feature of the Journal. This year's Number should be of special interest and importance in view of the complexity as well as ingenuity of the economic and fiscal policies presented through the Central Budget.

An attempt has been made in the Budget Number to analyse the various aspects of the Budget proposals and study the Budget documents with a view to bringing out the larger and deeper implications of Government policies for the future course of the national economy. The result is an objective and critical evaluation of the economic situation and outlook at a significant turn in the course of national development.

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Highlights of the Week

WHAT PRICE CEASE-FIRE?

IF PAKISTAN persists in seeking trouble along the cease-fire line in Kashmir, India will see to it that she finds it. This is the import of the Prime Minister's forthright declaration in Lok Sabha on Wednesday that Indian troops would cross the cease-fire line "if it becomes necessary to defend our territory. . . ." While shouts of approbation greeted the statement, it was also clear that the national mood was inclined to be rather more bellicose than Mr Nehru would presently wish it to be. Mr Hem Barua (P.S.P.) would have our troops occupy "Azad Kashmir" should Pakistan continue to carry out raids into Indian territory. Although Mr. Nehru rightly discountenanced such mock heroics, there is little doubt that the Indian people are fast becoming impatient with the hit-and-run tactics, in the military as well as in the diplomatic fields, of the Ayub regime.

Indeed, the national under-current of resentment has become so difficult to ignore that the correspondent of the London "Times" has found it necessary to inform its readers that "the demand and campaign for the possession of Kashmir, which ever since partition have poisoned relations on the sub-continent, have now reached a dangerous and irresponsible climax." The "Times" correspondent has told the Western countries bluntly that by tacitly encouraging Pakistan in its aggressive attitudes, they have placed themselves in a position where they must share the responsibility "for all the harm and suffering for the minorities in both countries that is likely to be the only result." This admonition, of course, is cruelly topical. On March 17, about 100 Muslim workers going to report for the night shift in a cotton mill in the Calcutta area were attacked and as a result 21 were killed and a few others injured. It may be recalled that this grim and ghastly episode was strikingly imitative of a similar orgy of communal violence in East Pakistan earlier this year, when the victims happened to be Hindus.

And Still They Come

Outbreaks such as these are the flash points of the basic state of tension, thanks to which a steady stream of refugees from East Pakistan has been crossing into Assam and West Bengal. Mr. Mehr Chand Khanna, Minister for Works, Housing and Rehabilitation, has said in the course of a statement that up to March 9, 58,000 refugees had reached West Bengal while about 75,000 had been received into Assam. Among those who had sought asylum in Assam were Christians numbering more than 37,000. Apart from the problem of relief and rehabilitation of bona fide refugees, the Assam Government has also had to deal with infiltration by Pakistani nationals. A delegation of the Assam Pradesh Congress Committee, which met the Home Minister, Mr. G. L. Nanda, has suggested that this infiltration should be stopped by establishing checkposts and organizing a "cordon sanitaire" along the border.

In the circumstances, the proceedings over Kashmir in the Security Council, where familiar complaints have currently been met with counter-complaints no less familiar, have become more unrealistic than ever, with a grand debate waging over the life-and-death question whether the debate should be continued now or adjourned to a future date. At the time of writing, India has asked for an adjournment and Pakistan has stoutly opposed this request which means that the collective wisdom of the world is being called upon to pronounce its views on a time-table.

WHEN BANKS BORROW

ON WEDNESDAY, March 11, the Reserve Bank gave a full turn to the monetary screw by tightening bank credit. The measures took the form of reducing the quota for borrowings by scheduled banks from the Reserve Bank from 150 per cent of the statutory reserves to 100 per cent and by introducing a penal rate of interest of 6.5 per cent per annum for special accommodation at the third tier. These decisions reverse the relatively liberal credit policy initiated about 4½ months earlier, on October 30, 1963 at the beginning of the busy season. Until the present changes were made, while the withdrawals within the permissible overall quota could be made at the bank rate of 4.5 per cent, withdrawals beyond that limit were charged 6 per cent. Now the Reserve Bank's system of quotas and lending rates for both bills and Government securities are to be as follows: First slab, 4.5 per cent per annum—quota for borrowing 50 per cent of the statutory reserves; and second slab, 6 per cent per annum — quota for borrowing another 50 per cent of the statutory reserves. Any borrowing beyond this limit will be in the nature of special accommodation calling for a careful assessment of a bank's overall position and will bear interest at a rate of 6.5 per cent per annum.

Official and semi-official expositions of this revised monetary policy have claimed that the purpose is only to curb the use of bank credit for speculative transactions, particularly in agricultural commodities. Consistent with this objective the Reserve Bank has also raised the margin on advances by scheduled banks against the security of groundnuts from 45 per cent to 50 per cent and has also re-imposed the ceiling on such advances. Scheduled banks have been asked, moreover, to reduce clean advances to those other than industrial borrowers.

Dear, Dearer....

It has been claimed for this policy that neither in its intentions nor in its consequences is it likely to hamper bank accommodation for genuine productive purposes, especially for augmenting the output of goods for defence or exports. The Reserve Bank has simultaneously advised the banking system to intensify its efforts to mobilise deposits by all possible measures, including a re-examination of the rates of interest offered by them on deposits. This piece of advice, coupled with the introduction of the three-tier system for Central Bank accommodation, has prompted reports that the Government may be poised for another and even more fundamental change in monetary policy, namely, a straight increase in the Bank rate. While there are undoubtedly enthusiasts for such an increase, both in official and non-official circles, more than one opinion have certainly been expressed on the wisdom of such action. Given the assumption that the latest credit measures are mainly intended to deal with currently rising prices in agricultural commodities, it may not be necessary to think in terms of an increase in the Bank rate in such a transient context. Secondly, even now there is extensive scepticism with regard to the Government's assurance that credit would continue to be freely available for all productive purposes. Industrial and business borrowers know from bitter experience that this is not and cannot actually be the case. They apprehend that an increase in the Bank rate might well formalize and lend a certain rigidity to a passing stringency. Thirdly, the banking industry as a whole is far from hopeful that an increase in deposit rates is either desirable in terms of the finances of the industry or for the particular purpose of attracting more deposits. The argument is that, in the matter of attracting deposits, there may perhaps be more to be gained by a vigorous pursuit of branch banking to attract new accounts than through paying more for deposits in an effort to enthuse those who have already developed the banking habit. Fourthly, financial circles point out that, although the Government's immediate concern may be to deal with the suspected hoarding of agricultural coommodities, the Finance Minister himself has made it clear that the basic problem is

one of stimulating current production as well as investment for future production. In Part "A" of his budget speech, the Finance Minister had dwelt on the fact that controls discouraged production and investment and this criticism of controls, it is pointed out in business circles, might apply to monetary and credit controls as much as to price or distribution controls. Meanwhile, with the superimposition of dear money measures on an already stringent monetary situation, the stock markets have found further reason to be depressed—a mood which has not been improved by talk of the Bank rate being raised.

COMMITTEE ON CUSTOMS TARIFF

THE PRESENT structure of the Indian Customs Tariff follows, in its broad aspects, the League of Nations Draft Customs Nomenclature prepared by the Sub-Committee of Experts of the Economic Committee of the League of Nations set up in 1927. In the post-war period, new classification and nomenclature of products have been evolved to suit the changed pattern of international trade. One of them is the "Brussels Tariff Nomenclature" prepared by the European Customs Union Study Group, 1955, which claims to have taken into account the common features of the tariff nomenclature of the 17 European countries which constituted the Group and also the latest technological and commercial developments. Another is the "Standard International Trade Classification" prepared by the UNO for compilation of national trade statistics on a uniform basis.

With the implementation of the successive five-year Plans, considerable progress has been made in industrial and economic development leading to a substantial change in the composition and pattern of India's external trade. Both the Government of India and the business community have, therefore, felt the need for a detailed study of the present tariffs with a view to revising them on modern lines and in a manner which, having regard to the pattern and composition of India's external trade, will be more appropriate. The need for a complete reform of the Indian Customs Tariff had also been stressed in the reports submitted by the various committees and commissions set up by the Government of India from time to time, the most important among them being the Ramaswami Mudaliar Committee. In view of all this, the Government of India has now appointed a Committee to conduct a comprehensive enquiry into the Indian customs tariff structure and to recommend the lines on which it may be revised and improved. The Committee will examine the present structure of the Indian Customs Tariff (Import and Export) Schedule with reference to the composition of products and pattern of India's import and export trade. In the light of the examination thus made and having regard to the international developments and changed pattern of trade, the Committee will recommend whether the Import Tariff Schedule should be based on the Brussels Tariff Nomenclature or other international nomenclatures or whether India may continue to have its separate import tariff schedule after necessary improvements. The Committee will also advise the Government regarding the revision of customs tariff schedule, with particular reference to the need for (a) the creation of additional tariff items for articles of recent development and of commercial importance; (b) revision of classification of machinery, iron and steel and textile industries in the context of the changed pattern of trade, and (c) provision for assessment of parts of articles. Suitable amendments to the classification and nomenclature of the export tariff schedule will also be considered by the Committee. Substantive provisions of the Indian Tariff Act, 1934, Tariff (Amendment) Act, 1949 and other relevant legislations will also be reviewed. The Committee, however, is not required to go into the question of rates of duty applicable to individual products or different classes of products, and it will not be concerned with the level of duty applicable under the customs tariff.

The Joint Secretary of the Ministry of International Trade will head the Committee. The members will consist of one officer each to be nominated by the Ministry of Finance (Department of Revenue), Ministry of Industry, Ministry of Petroleum and Chemicals, Department of Technical Development, Department of Iron and Steel, Department of Mines and Metals, the Chief Controller of Imports and Exports and the Export Promotion Directorate, and a representative each of the Tariff Commission, the Federation of the Indian Chambers of Commerce and Industry, the All-India Manufacturers' Organisation, the All-India Importers' Association, and the All-India Exporters' Chamber. A senior officer of the Ministry of Finance (Department of Revenue) will act as Member-Secretary. The Committee will co-opt members as may be necessary from time to time.

U.S. WHEAT FOR RAJASTHAN

FOLLOWING famine conditions in Rajasthan, the U.S. Government has come forward to provide relief for the people in distress. Ambassador Chester Bowles, in a simple ceremony at Jodhpur recently, presented a bag of wheat to a representative of the Rajasthan Government which symbolised a U.S. Government gift of 20,000 tons of wheat for this relief programme. The Government of India, in consultation with the Government of Rajasthan, has decided to distribute wheat in part payment to 100,000 workers engaged in building roads and water supply projects in the districts of Jodhpur, Bikaner, Barmer, and Jaiselmer. The U.S. wheat gift is sufficient to cover distribution at this rate for 20 weeks for a population of 500,000. Wheat valued at approximately Rs. 1.5 crores is a donation under Title II of U.S. P.L. 480 which provides for gifts for relief to people affected by natural calamities. It may be added that the United States had donated, under this Title, food worth more than Rs. 4 crores for the people affected by floods in Orissa and other parts of India.

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FROM THE PRESS GALLERY

TTK Yields Little Ground

By Our Parliamentary Correspondent

NEW DELHI:

DEFENDING HIS budget proposals in the Rajya Sabha this week, Mr T. T. Krishnamachari asserted that there was very little room for manoeuvre in them. The Government had tried to put before the country a tax structure, both for the corporate sector and individuals, which might need "some chisling and refinement" but not any radical alteration. He, thus, ruled out any major modification in the taxation measures proposed for the next financial year.

The Finance Minister's reply to the budget debate in the Upper House, however, contained the welcome announcement that the family pension scheme, recently introduced for Central Government employees, will be extended to all other subscribers to the provident fund as a measure of social security. He proposed to make the scheme applicable to about 25 million contributors to the provident fund during the fourth Plan period, thus benefiting nearly 125 million persons dependent on them.

The Finance Minister reiterated that the only answer to high prices was some measure of effective control at strategic points; it might be in the form of State trading, control through co-operative societies, licensed dealers or operators. He refuted the charge that his budget proposals were capitalistic in character and emphasised that the proposals he had made in regard to property were very severe—more severe than in any other country in the world. He as well asserted that the concessions he had proposed for foreign investments did not in any way bypass the Industrial Policy Resolution of 1956. He wanted the public sector undertakings to make adequate profits and become model industrial enterprises.

Mixed Reception

Earlier, the House accorded a mixed reception to the budget proposals. The general refrain of speeches was not much different from that of those made in the Lok Sabha. Concern was expressed over the rising prices, States' finances and lack of relief for the poorer sections. The passage of time appeared to have chastened the critics with the result that the philosophy behind the budget came to be slightly better appreciated. Mr K. K. Shah and Mr A. D. Mani, of course, well brought out the dampening effect that the capital gains tax on bonus issues, the dividend tax and the steep upward revision in the estate duty and gift tax rates would have on investment in industry. Mr K. Santhanam pleaded for the setting up of a national valuation commission, with branches in every State, to evaluate taxable incomes and property. This, he argued, was necessary for checking large-scale tax evasion. Mr R. P. Sinha urged fostering of consumer industries for holding the price-line. Mr. Sitaram Jaipuria wanted that the list of industries entitled for rebate in surtax be extended to include consumer goods like sugar.

The Lok Sabha started consideration of demands for grants Ministry-wise and voted the demands for the Ministries of Education and Cultural Affairs and Petroleum and Chemicals. The Education Minister, Mr M. C. Chagla, announced the Government decision to set up a commission of experts to review and survey all the aspects of education. The discussion on the Ministry's affairs, however, lacked lustre. The various ills of the education system, such as the falling educational standards, lack of discipline among students and piracy in text-books, of course, were highlighted.

Mr Chagla reaffirmed the Government's faith in Hindi as the link language for India, but pointed out that Bengal and South had also to be persuaded to take to it. He pleaded tolerance towards non-Hindi speaking people and suggested that Hindi would succeed only by persuasion and not by compulsion. He agreed that the medium of University education should be the regional language or Hindi, but cautioned that, until they can replace English, especially in science and technical subjects, the standards of education would fall. With a view to reducing pressure on universities, Mr. Chagla proposed correspondence courses, evening colleges for working people and alternative vocational courses at the secondary stage. He also announced a crash programme for training of teachers and conversion of the Social Welfare Board into an autonomous body, subject to the scrutiny by Parliament.

The discussion on the demands for grants for the Ministry of Petroleum and Chemicals mostly followed the beaten track. The reply of Mr. Humayun Kabir, however, was refreshingly forward-looking. He disclosed that the Government had now decided to keep the supply of petroleum products ahead of demand and for this purpose, the oil refining capacity target would be pitched at a level 10 to 15 per cent in excess of requirements. This marks a great improvement in official thinking over what it used to be in the days of Mr. K. D. Malaviya.

Foreign Collaboration

The Minister for Petroleum and Chemicals also revealed that the nine proposals received by the Government for foreign collaboration in the proposed Madras Refinery were so attractive that they had led his Ministry to think in terms of not only going in for (along with the Madras Refinery) the Haldia Refinery but also another one. Offers for the Madras refinery, Mr. Kabir said, had been received from parties in Europe, the United States, Japan and Kuwait. Another important announcement made by Mr Kabir envisaged appointment of a committee to consider the question of prices of petroleum products afresh after the next financial year when the Damle Committee prices would no longer be in force.

Mr. Kabir indicated that the three private sector oil companies operating in India at present were willing to replace their refinery agreement by ordinary industrial licences. He, however, made no direct reference to the plea of these companies for expanding their refining capacities further. The Minister chartered a course of rapid expansion for the State-owned Indian Oil Company and announced that it had been decided to merge it with the Indian Refineries Limited.

Mr. Kabir expected significant developments in the activities of the Oil and Natural Gas Commission next year. Apart from intensifying its efforts at oil exploration within the country, this State agency, he envisaged, might participate in oil prospecting abroad as well. Discussions in this respect, the Minister stated, had taken place recently between the ONGC and the authorities in Kuwait and Iraq. About petrochemicals, Mr. Kabir announced the Government decision to build these complexes around every refinery in India.

In regard to fertilisers, Mr. Kabir indicated that the third Plan target would be achieved 12 to 18 months after the end of the Plan. The Planning Commission and the Union Finance Ministry, he said, had agreed to give high priority to fertiliser manufacture in the coming years and a crash programme to boost production was being drawn up. The Minister also indicated that it was proposed to sanction an additional capacity of 50,000 tonnes for synthetic rubber production

and that molasses and alcohol exports might be included in the restricted list.

Earlier, the Minister of State in the Ministry of Petroleum and Chemicals, Mr. O. V. Alagesan, expressed dissatisfaction at the slow development of the petro-chemical and fertiliser industries. He underlined the need for foreign collaboration in the petro-chemical industry and gave the encouraging news that the contract for setting up a benzene extraction unit at Koyali would be finalised within this month. He assured the House that foreign participation in petro-chemicals would not be allowed to shackle the Government's freedom of action.

Question Hour

Merger of Goa: Replying to a question in the Lok Sabha on March 16, the Prime Minister firmly ruled out, for the present, merger of Goa with any other State of the Indian Union. Some time, he said, was needed for the feelings raised during the liberation movement to quieten down. There was a strong party representing nearly half the population of Goa which was opposed to merger, he added.

Asked what duration of time would have to elapse before the question of this merger could be taken up again, the Prime Minister said that possibly five to ten years would have to go by.

L.I.C. Premium Rates: The Minister of State for Finance, Mr. B. R. Bhagat, told the Rajya Sabha on March 11 that there was no proposal at present to reduce the rates of premium of life insurance. The question would, however, be examined again, if necessary, when the results of the investigation of the mortality of assured lives during the years 1961 to 1964 were available. The Union Minister, Mr. T. T. Krishnamachari, added that mortality rates alone did not cover the case of insurers. There were other factors also which had to be taken into consideration. The increased cost of living, he said, had naturally affected insurance because the cost of procuring insurance was going up.

Indian Insurers in Ceylon: The Deputy Minister for External Affairs, Mr. Dinesh Singh, disclosed in the Rajya Sabha on March 10, that eight Indian insurance companies had been affected by the recent order of the Government of Ceylon nationalising insurance business in that country. No compensation had been paid to these concerns. Their assets and liabilities, however, were still vested in them. Six officers of these companies were in Ceylon at present winding up their business. All the other Indian nationals employed in these firms had returned to their parent organisations in India. The six officers still in Ceylon would return to their parent companies after winding up business in Ceylon.

Pakistan-Nepal Trade: The Union Minister without Portfolio, Mr. Lal Bahadur Shastri, told the Lok Sabha on March 16 that India had argreed to the request of the Nepalese Government to provide transit facilities for Nepalese trade with Pakistan. There was no question of exercising any control over this trade across India's frontiers. He allayed the fears that expansion of trade between Pakistan and Nepal would be at the cost of India.

Steel Policy: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, told the Lok Sabha on March 13 that the Government was not contemplating any shift in policy in order to facilitate participation of foreign private capital in the Indian steel industry. He added that machinery for the Bokaro Plant had to be acquired from outside and the United States was one of the countries from where private concerns had shown interest. Referring to the fourth Plan steel target, Mr. Subramaniam said that the Steering Group on Steel had recommended a target of 13 million tonnes of rolled and mild steel and 17.25 million tonnes of steel ingots. Steps were being considered to ensure the raw materials needed for such a programme. The final target of steel production in the fourth Plan would be determined by the Government after taking into account all the relevant factors.

Alloy Steel: Mr. Subramaniam told the Rajya Sabha on March 12 that the Special Tool and Alloy Steel Project at Bhadrawati, designed to produce 77,000 tonnes of finished steel per annum, was expected to go into production this year, The Mysore Iron and Steel Works had concluded a technical collaboration agreement with Bohlens of Austria for this purpose.

Phyto-Chemical Plant: The Minister of State in the Ministry of Petroleum and Chemicals, Mr. O. V. Alagesan, revealed in the Lok Sabha on March 11 that the Union Government was having second thoughts on the proposed establishment of the phyto-chemical Plant in Kerala. The initial cost of the project, which was intended to be implemented with Soviet assistance, had gone up. This had put the economics of the entire proposal out of gear. The whole matter was being re-examined by the Indian Drugs and Pharmaceuticals Ltd.

Penicillin Prices: Mr. Alagesan told the Rajya Sabha on March 12 that the question of reduction in the sale prices of penicillin and penicillin products would be examined after the existing manufacturers had completed their expansion programmes which were currently under implementation.

Radar Manufacture: The Union Minister for Irrigation and Power, Dr. K. L. Rao, told the Rajya Sabha on March 11 that a proposal for the manufacture of radars indigenously for use in flood-forecasting was under the consideration of the Government. It was very likely that these radars would be manufactured by Bharat Electronics, Bangalore.

Road Board: The Minister for Transport, Mr. Raj Bahadur, stated in the Lok Sabha on March 10 that the State Governments generally did not seem to be favourably inclined to the proposal for setting up a Road Board. The matter, however, was still under the consideration of the Union Government. In order to facilitate the examination of the proposal, information in regard to Road Boards or any other similar bodies which might have been set up in some of the foreign countries was being collected.

Review of Projects: The Minister for Planning, Mr. B. R. Bhagat, told the Rajya Sabha on March 12 that the Planning Commission had carried out a detailed review of the programmes and projects for the iron and steel, non-ferrous metals, heavy engineering, fertilisers and cement industries in consultation with the Ministries concerned with the view to speeding up the rate of growth of these key industries. The following steps had been proposed: (1) Pig Iron—establishment of one blast furnace each at Bhilai and Durgapur in advance of the fourth Plan expansion programmes of these projects; (2) Non-ferrous Metals — expediting of the implementation of the aluminium projects in Mysore, Maharashtra and Madhya Pradesh; (3) Heavy Engineering — setting up of a second foundry/forge plant, a new heavy electrical equipment manufacturing unit, a roll foundry, a fabrication shop for fertilisers and chemical equipment and a structural plant; (4) Fertilisers — increasing of the supply of gas to the Rourkela Fertiliser Factory; and 5) Cement — setting up of additional capacity on an emergency basis for the production of slag cement.



WINDOW ON THE WORLD

Tactical Retreat

ASHOK V. DESAI

OXFORD:

GIVEN THE present political climate, Sir Alec Douglas-Home's decision against a March election was a relatively simple one to take; the opinion polls, reports from constituencies and the Party morale give the Conservatives little chance of immediate success. The decision on a June election is likely to be a little more difficult. The major event between now and June is the Budget on 14th April, and the indications are that it will be anything but an election Budget. The worsening of the balance of trade dictates a deflationary budget, and Government expenditure will rise at least six per cent over the last year. This leaves no alternative to a rise in taxes. Hence a decent interval will be necessary between the Budget and the election. Once the Budget is behind them, the Conservatives can expect to benefit from the growing prosperity over the summer. My guess, therefore, is that there will be an autumn election.

Assuming that the election is six months away, what can be said about the electoral prospects? At present the Labour Party has a lead of 5½ per cent according to the Gallup poll, and polls in the few months before elections have correctly predicted the winning party in the last three general elections. On the other hand, swings to the Government are not uncommon in the months before the election; discontented Government supporters, who often refrain from answering polls, go back to the Party fold when the election draws near. Besides, Labour needs to get two per cent more votes than the Conservatives to get the same number of seats since a larger proportion of its supporters is in safe constituencies. Hence it is unlikely that Labour will do as well in a general election as in polls. On the other hand, the odds against Conservatives are heavy; they would have to gain much ground before they can hope to win.

Labour Handicap

The Labour Party has suffered from some basic electoral disabilities in the last twelve years. It is worth giving them a look, since its chances of a win depend closely on how far it has left them behind for ever.

The first adverse factor has been structural changes in Britain's population. As in all Western countries, Britain's white collar population has grown much faster than the number of manual workers. With the post-war increase in earnings, middle-class standards of living have come within the reach of an increasing number of workers as well. With middle-class living come middle-class aspirations — aspirations to a house, car, television, holidays abroad and on the seaside; and the Conservatives with their tendencies towards lower taxes and laissez faire have catered to these aspirations better than Labour which inclines towards more puritan views.

Second, the Labour Party has been unable to put across its leanings towards nationalisation to the electorate. It has been unclear about the reasons itself. Nationalisation might be advocated as a means of redistributing income between wages and profits, between the rich and the poor. But the nationalisations of the late forties were designed to do just the opposite. The nationalised industries were told not to make profits in the long run; they were thus supposed to provide cheap goods to other privately owned industries. Just before the 1959 election, Mr Gaitskell proposed a state organisation to buy shares in private firms, thus bringing a share of profits and capital gains to the State. This would have been an effective way of redistributing incomes between the private and public sectors; but it never caught on, and in fact the Conservatives made much political capital by calling it "back-door nationalisation." As regards the argument that the Government must control the basic industries in the national interest, it has been difficult to interpret it as an argument for the transfer of ownership, as distinct from control. An argument could also be built up that nationalisation was necessary to reduce the political power of private enterprise, and in support the Labour Party might point to the contributions of industrialists to the Conservative Party funds, or to the extremely effective anti-nationalisation campaigns of the Institute of Directors, the Iron and Steel Federation and other industrialists' organisations in 1957-59. But it would be difficult to show that nationalisation was the only remedy here. Whichever the case for nationalisation might have been, the Labour Party has failed to convince the majority of it.

Third, the last two general elections were held—in fact, timed so that they were held—in times of relative prosperity, and the Conservatives could take credit for it. Labour had to make the much more difficult case that everything was not as well as it could be; it had to propose changes, whose appeal was marred by the prosperity. The appeal evidently failed; the electorate did not want experiments.

Fourth, the Conservatives have hitherto managed to show themselves as the more nationalistic party. This impression is not entirely fair; after all, the Labour Government dealt as roughly with Mr Moussadeq over Abadan as any Conservative Government might have done; and Britain's nuclear armoury is a heritage of the Labour era. But the Conservatives scored by taking a more nationalistic line on Suez, on immigration from the West Indies, India and Pakistan and on defence.

Finally, the view has dominated British public affairs that the payments difficulties which are the chief obstacle to growth in Britain have been due to price inflation, and that price rises are due to wage increases. Hence trade unions, their wage demands and strikes have acquired much stigma which has harmed the Labour Party as well.

The Climate Changes

These adversities beset the Labour Party less today than ever before. The new middle classes were against Labour because of its puritanism, because it seemed to believe that incomes and consumption had to be taxed to make room for more investment, and because of its inclination towards the socialization of housing. In these respects, it has acquired much electoral wisdom. Ironically enough, it is the Conservatives who are promising increased taxes this year. The needs of public investment —in roads, universities, arms and so on—are going to be so heavy that the days of bonanza budgets are over for a long time to come, and Sir Alec has discounted all hopes of a reduction in the general tax burden. In the meanwhile, the attractions of a free property market and free rents have declined. Houses are not being built fast enough; and towns, especially in the South-East, are getting congested. The consequence is exorbitant rents, rising property values, fortunes made out of speculation, and homeless families taking refuge in municipal poor houses. It is noteworthy that about the only trace the Profumo affair has left on British public life consists of the word it has contributed to the vocabulary—Rachmanism. Housing is a political issue of greater significance than the sex life of politicians, and Labour can take credit for some constructive thinking on it, while the Convervatives have the invidious task of defending the status quo. As a result, the middle class has much less reason to feel committed now.

The nationalistic image of the Conservatives was tarnished by their attempt to take Britain into the EEC. The belated decision to negotiate was a defeat for Conservative nationalism. But it could be and was based on an appeal to West European nationalism: Mr Macmillan did take up and use Professor Hallstein's argument that the future was going to be dominated by continental powers like the U.S.A., Russia, China etc., and Western Europe needed to unite to retain political weight. Now, it is an open question whether Western Europe is going to become a united power bloc with supra-national authority, and if it does not, it will be a sorry affair, divided against itself and ungenerous towards others. But the vision of a West European nation is an attractive one and could certainly be used as a political carrot. Anyway, the Conservatives did not take it up wholeheartedly, and allowed Labour to adopt the stance of nationalists and protectors of the Commonwealth. The traditional images of the two parties crumbled, and the loss of image is the gravest handicap of the Conservative Party today.

Common Market Affair

In my view, the decline of the Conservatives began with the Common Market affair, and this for two reasons. First, the decision to start the negotiations was taken by the Government, voluntarily but under strong pressure from the Americans. This was not in itself an error, for the Conservative rank and file are not used to initiating policies, and would normally regard opposition to the leadership as a sacrilege. But they do require time to become enthusiastic advocates of a new idea. And they had no time over the Common Market; it caught them confused and cacophonous like an unpractised choir that couldn't read a score. And it left them feeling out of touch with the leadership. Events since have accentuated this feeling—Mr Macmillan's drastic reshuffle of his cabinet in July 1961, the Profumo affair, and the choice of a dark horse as Prime Minister. The utterances of leaders do not find an echo in the rank and file; the boisterous willingness to be led, so essential to an electoral victory, is lacking.

Second, the Common Market discussion brought into the open the fact of Britain's slow growth in the 1950's. The economic success of the Common Market countries was advertised as one of its attractions, and it was argued that Britain needed the competition in the EEC as a bracer. While Britain's performance could be blamed on wage inflation, it was no good advertisement for the Conservatives. And the loss of economic and political status could not be forgotten with the failure of the negotiations, it is a fact which has to be lived with. It is reflected in event after event—the abandonment of the Blue Streak missile, the strains imposed by small military operations in East Africa and Cyprus, the inability to confront Sukarno, the neglect of public investment, overcrowding of schools, and more recently, the migration of scientists to America for lack of finances and facilities for research. The improvement of the British terms of trade in the early fifties brought the Conservatives enough freedom of manoeuvre to see them through two elections. Now, however, the economy is embattled, and so are the Conservatives.

The economic failure is reflected in the opinion polls: will it also decide the general election? Probably not. For where parties are so well balanced as Labour and the Conservatives abstentions from voting are the most important factor influencing the outcome of elections, and the people who refuse to answer opinion polls may be quite different in composition to those who fail to vote. The success of the Conservatives will depend greatly on how far they can induce their supporters to turn up at the polling booths, and keep away Labour supporters.

This consideration will evidently affect the timing: there cannot be an election in summer since relatively more Conservative supporters go away on holiday. Cold, wet evenings are good for the Conservatives since more of their supporters vote by day, while more Labour voters go in the evening after working hours; this favours autumn with its bad weather. Contentment and lack of excitement also keep away more Labour supporters, but the Conservatives cannot rely on keeping things cool this time.

Their political tactics must also be designed to get a high Conservative turn-out. This can be done by scaring supporters with the prospect of a Labour Government or by convincing them that urgent tasks remained for Conservatives and for them alone to do.

Scare campaigns have been an important and highly successful part of election strategy. The Zinoviev letter might be mentioned as the most daring example, although it has not been proved to be part of a scare campaign. In 1924 the Labour Government charged the editor of the Communist Workers' Weekly with sedition and then withdrew the charge. This led to an enquiry on whose report the Government was defeated in Parliament. It was heavily criticised for dropping the charge as well as for a proposed loan to Russia. In the middle of the ensuing election campaign, the Daily Mail published a letter purported to have been written by the Comintern to the British Communist Party, encouraging it to incite revolt and sedition. The original letter has not been found to this day; but it seriously embarrassed the Labour Party, and it lost the election. In the 1945 and 1950 campaigns, the Labour Party took special pains to inoculate the electorate against last-minute scares by making them expect one, and tried to portray the Conservatives as the party which would bring unemployment and scrap social services. Nevertheless, the Conservatives made some adroit use of scares in 1959. When Labour promised a 10 per cent rise in old-age pensions, building of hospitals, aid for depressed areas etc. in their election manifesto, the Conservatives began giving warnings that the resulting increase in public expenditure would lead to both higher taxes and inflation. Mr Gaitskell responded by promising that Labour would not increase the income tax. This was immediately advertised by the Conservatives as an attempt to bribe the electorate, and finally turned the tide against Labour.

Value of Scare

Scares will play their part in the next election as well; their value is well realised. Mr Wilson warns that the Conservatives will take Britain into the Common Market if elected; Sir Alec Home fears that Mr Wilson will bury the hydrogen bomb and leave Britain defenceless. Labour can profitably build on the fears that Conservatives will go on with their stop-go policies—deflating whenever a boom got going. These are all predictable election gambits. But to be really effective, a scare has to be fresh and sizzling, and no one can tell whether a good bombshell will burst just at the time of the election. It is, however, probably fair to say that considering Mr Wilson's political judgment, the Conservatives will find scares much more difficult to come by.

Barring scares, the outcome of the election would seem to depend on whether the Conservatives could demonstrate the need for the further continuance of their rule. They suffer from the fact that the future calls for different priorities in policy-making: growth will have to have a higher priority than the curbing of inflation to which they have paid so much attention since 1955. The Labour Party has a flying start on this issue: it has come out with proposals which would make profits taxation discriminate more heavily in favour of investment and which would accelerate research and improve its co-ordination. Mr Wilson's entire approach is oriented towards more rapid technical progress and use of ideas—this led to his being called "that slick salesman of synthetic science," it is alleged, by Sir Alec's ghost-writer.

I do not think this dig was supposed to do more than show the excellence of Sir Alec's enunciation, for he is equally sold

on synthetic science—he prefers to call it modernisation. Perhaps he does not rate it highly as a vote-catcher, perhaps he is not even very fond of it. But whether by conviction or by force of circumstances, he and the party he leads have begun to favour higher investment and more education. It does not help to look shame-faced about this: it will have to be incorporated into the image of the party.

If then, the Conservatives are to be fit for the election, they will have to show off their investment programmes — integrate them, wrap them up together, make them presentable. And more important, they will have to *convince* their supporters that the programmes are worthwhile, that they are worth fighting for. And this must be done in the short space of six months. Recently, Sir Alec declared himself against one-party rule, but asked the country for another ten years of *Conservative* government. It might well be thought that he was dragging his feet.

The Six Before Geneva

From our Special Correspondent

BRUSSELS:

THE COMMON Market Six will approach each of the coming Geneva conferences on international trade in radically different ways. At the first, the United Nations conference, they will appear as six individual nations because they have been unable to define a common attitude on the crucial issue of aid to developing countries. At the second, the GATT negotiations that are still called the Kennedy Round, they will, in contrast, speak with one voice because they are determined to defend the joint case on tariff reductions worked out by their Commission. This is anomalous because the Common Market as such is the chief accused in both these proceedings, both of which are liable to degenerate into a "settling of scores", with no ultimate benefit for world trade. Why should the Six be in agreement on how to defend their union against the Americans but unable to find a joint retort to the criticisms of that union by developing nations?

Not that they are totally disunited in this latter case. When the UN conference opens this month, the Common Market will be present in the person of its Commission (in addition to the six national delegations), which will have the rank of observer with a voice but no vote. Moreover, though they have failed to work out a joint stand, they have entrusted their present chairman of the Council to make an inaugural statement on their account. The chairman this quarter happens to be M. Maurice Brasseur, a former Belgian trade minister whose name is associated with a plan to promote the manufactures exports of developing countries. But when he speaks for the Six, M. Brasseur will have to remain fairly neutral on all the important issues, reserving defence of his "Brasseur Plan" for when he speaks on Belgium's behalf. The most the Six can agree on is to defend at the UN conference their common external tariff, their joint agricultural policy and their grant of "associate" status to certain African countries.

Radical Disagreement

The reason for this confusion within what is still the world's tightest-knit economic group is radical disagreement about how far the rich industrialised powers should help the developing countries. At the one end, the French and Belgians espouse the case for "organised markets": a global plan for disposal of Western food surpluses, schemes to support commodity prices, and use of quota system to regulate a planned increase of sales of *manufactures* in the West by developing nations. The main lines of this system of organised markets were set out here last week in an analysis of the French document on world trade prepared for circulation at the Geneva conference.

At the other end, Holland staunchly defends the Anglo-American view that world trade is to be promoted by liberal means exclusively, that is by reduction of tariffs all around and by preservation of "traditional" outlets such as America's food markets in West Europe. In between, West Germany and Italy, though apprehensive about the cost of ambitious Franco-Belgian schemes in favour of developing countries, are unable to accept the dogmatic liberal line and would no doubt have aligned themselves on the French side. Holland's firm refusal, however, is enough to prevent agreement, so the Six will appear this month in Geneva in disorder.

In May, on the other hand, they will present a united front against American demands for a form of tariff disarmament that would in effect leave the Common Market unprotected vis-a-vis high-tariff countries like the USA itself. At least, this unity has just been re-asserted after the visit to Washington of the Common Market's envoys, who sought to get the preliminary negotiations out of deadlock. That Washington voyage produced no more agreement than the earlier talks in Geneva, but the Six have maintained all the propositions the Americans reject. Before going into the details of this debate, one should note a general fact that explains, in large part, the European stand. The ECM Commission has just published figures showing that the total trade deficit of the Six last year doubled, from $1,400 million to $2,800 million, and that most of this huge gap appeared in their trade with the USA (accessorily, with Britain and Latin America).

Unequal Concessions

In other words, the Six are about to enter into negotiations with a country that is scoring an immense surplus in trade with them — and which asks for unequal concessions that would increase that surplus further. This is a matter that concerns them all equally, Holland and West Germany no less than France and Italy. For one needs to note that, although West Germany has a large trade surplus, most of this surplus is earned in commerce with her Common Market partners, whereas with the USA she runs a deficit as notable as any of the others. Her imports from the USA last year were worth 7,941 million DM (up sharply from 7,033 million in 1962), against exports to that country worth only 4,195 million DM (up moderately from 3,853 million the year before). Thus the one nation among the Six that currently has no anxieties about her foreign trade balance in general has as much cause as her partners to resist exaggerated American pretensions.

The debate between the USA and the Six over tariff reduction has made progress in that the Americans now admit the existence of the disparities which, the Six pointed out, make it unequal to reduce duties on both sides by an equal percentage. (Specifically, to halve a duty of 60 per cent in the US Customs schedule might be "equal" to halving a duty of 18 per cent in the ECM's common external tariff, but the proceeding has quite unequal consequences, which are all to the USA's advantage.) The Six claim to find 900 instances of such disparity; actually they started out with thousands, but whittled down the number by agreeing to disregard numerous cases where the commercial consequences would not be significant. For those 900, they have asked that the Americans (and the British too, they also being in the high-tariff clan) should halve their high duty while the Six be let off with a 25 per cent cut in their relatively low duty. The latest state of the discussion, after the Washington talks this month, is that the Americans admit *numerous* disparities where differential treatment will be required, but ask that the list of such exceptions be brought down from 900 to 450. This would be about one-tenth of the 5,000 products covered by the negotiation: the rest would be subject to the simple rule of a 50 per cent reduction on both sides.

This amounts to a convergence between two cases, both of which have much reason in their favour, and so seems to leave room for fruitful negotiation. It is sure that it will be very difficult negotiation, and it will certainly drag on through much of 1965, if not into 1966. Yet the ECM envoys to Washington have returned quite pessimistic. Dr. Mansholt has expressed their scepticism that the Kennedy Round will ever come to anything but a product-by-product bargaining, far removed from the grand design of John Kennedy. The reason for these doubts does not lie in the evolution of discussions about industrial tariffs, which we have just seen leaves room for hope. Rather, it stems from the blank opposition between the Six and the USA over trade in agricultural produce which forms an essential part of the Kennedy Round because so much of US exports to Europe consists of farm produce.

Here we discover once again the clash of doctrines about organised and "liberal" markets that we found at the centre of the United Nations trade conference, with the Americans arguing for reduction of tariffs on farm produce (plus preservation of traditional outlets) while the Six reply that organised markets, world trade pacts and harmonisation of farm-support policies are needful. The contrast of "organisation" and "liberalism" is probably misleading, for what the Americans really want is a carve-up of Western food markets that would perpetuate the present productivity-advantage of their farms over European; whereas the Six are answering that no country's farm policies are "liberal" but depend on subsidies, price supports, export aids and the like, and so it is not enough to fiddle with tariffs and quotas if one does not harmonise these State interventions.

It is idle to hope that, since agreement seems possible in the long run over trade in industrial goods, this question could be separated from trade in farm produce, where agreement is clearly remote. When the Americans suffered some loss of markets for their poultry in the Common Market, they countered by tripling or quadrupling duties on West German trucks and Dutch dextrine. That is, selling food to Europe and importing manufactures, the Americans will retaliate for any disadvantage their farmers suffer by increasing the protection their industrialists enjoy; the two subjects are inseparable. Apparent progress in the dispute about tariffs on manufactures is meaningless as long as positions remain basically contradictory in the field of trade in farm produce.

Indeed, far from there being any prospect of liberalisation of trade in manufactures across the Atlantic, there is ground to fear a repetition on a larger scale of the late "chicken war". For the common agricultural programme of the Six definitely spells a reduction of outlets for US farm produce in West Europe — not out of cussedness, but because that is inevitable as European farms boost their productivity to American levels and as European nations give preference to their neighbour's food, as must be the case inside any economic union. So the outlook for the Kennedy Round is not much better than for the earlier trade talks in Geneva.

Planning: Promise and Performance

From Our Special Correspondent

PARIS:

HOW GOOD are West Europe's economic planners at forecasting the evolution of their national economies? Though a majority of countries in this region now publish some sort of plan or programme, most are newcomers to the art and it is too early to compare promise and performance. Four of them, however, have been at it long enough for us to be able to compare the estimates and the actuals of their most recent plans: namely, France, Holland, Norway and Sweden. The table that follows does this, in the barest statistical fashion; the figures in it are annual percentage rates of growth over the years indicated for each of the global economic quantities such as GNP, industrial production, etc., and for each entry there are two figures, the forecast and the actual result. These figures have been selected from a much more complicated table drawn up by the United Nations Economic Commission for Europe, and it is hardly necessary to emphasise that the whole thing is bristling with statistical pitfalls. Ignoring here all such finer points, we will be entitled only to the most general impressions, as, for example, when forecasts and actuals persistently differ. (Differences of a few decimal points are not significant; the margin of error in this game is wider than that.) As it happens, such persistent, significant discrepancies do emerge, so we can learn something from the comparisons.

First of all, one should recall that this is not the first time that the ECE has tried to check up on the planners in this way. Ten years ago it compared the guesses of planners in several West European countries made just after the war, with the actual results achieved in the period of postwar reconstruction. The comparison was necessarily sketchy, for planning had not got under way at that time. But it appeared then that the planners' forecasts were regularly inferior to actual results, as regards increases in total production. The planners persistently erred on the pessimistic side by under estimating the increase in productivity per worker. This is worth recalling because the present study reveals that the same error was made in 1950's. Productivity grew faster than had been expected, so that industrial production and GNP rose more quickly than foreseen, in turn causing an expansion in foreign trade and consumption that exceeded estimates.

	France 1960-61	Holland 1951-60	Norway 1958-61	Sweden 1956-60
Gross national product				
Planned	5.5	3.1	3.1	2.9
Actual	5.4	5.0	4.1	3.5
Industrial Production				
Planned	7.4	3.3	3.7	5.0
Actual	8.4	6.0	4.5	3.9
Employment				
Planned	0.2	1.2	0.5	0.7
Actual	0.4	1.2	0.3	0.7
Investments				
Planned	6.0	2.1	2.4	3.5
Actual	6.9	5.9	3.8	5.7
Consumption				
Planned	4.6	3.2	2.4	2.5
Actual	5.2	3.7	4.1	3.0
Exports				
Planned	11.2	4.7	4.5	4.0
Actual	10.4	9.7	6.5	8.0
Imports				
Planned	8.6	3.9	3.5	2.3
Actual	11.8	7.3	3.8	7.7

It emerges that the planners in those four countries underestimated the expansion of GNP, except in France in this period where they were about *right*. (But that French plan was a very short, "interim", plan that had to be cast to allow for the economic revolution of the end-1958 monetary reform.) All under-estimated the growth of industrial production, save in Sweden, where agriculture did better than foreseen. This more rapid expansion was achieved with the small increment in the number employed that the planners foresaw more or

less correctly. So the error was due to increase in productivity, for which we find the explanation in the uniformly fast expansion of investments, which the planners nowhere expected. Having made that basic error, the planners all naturally under-estimated the growth in consumption, sometimes grossly so. For related reasons, they were all badly out in their forecasts of foreign trade. Exports generally rose faster than expected, while imports always did, and always very much faster in this case.

This concordance in error is surely no accident. Planners were not taking enough account of the rising efficiency of West European industry, and they thought that capital would be harder to accumulate than it actually was. Moreover, they overlooked the effects of increasing specialisation, or the division of labour, as between nations in West Europe. All the four countries considered belong to one or other of the trade groups (Free Trade Association or Common Market), and were therefore seeing the effects of economic integration in the shape of rapid increase in their foreign trade, both imports and exports, and also in the form of higher productivity in the lines in which they specialised. Investments and foreign trade having been under-estimated, the growth of national product (and of its main constituent, private consumption) necessarily was so too.

The French case, it has been noted, is not strictly comparable with the others because it was an emergency plan made necessary by the stabilisation operation. It has been cited here because it is the latest for which actuals are available. But if we take the previous completed French plan, we find the same errors of under-estimation. In 1954-57 the GNP was planned to rise 5% annually but in fact rose 5.4%; industrial production was planned to increase 5.2% annually but actually rose by 8.6%; investments were put down for a 5.8% yearly increment but really scored a 10% gain annually. On the contrary, employment had been expected to rise 0.4% each year, but in the event rose only 0.2%. Of course, the increase in imports and in consumption also far exceeded expectations, whence the necessity of the 1958 devalution of the French franc. In other words, there was the same story as emerges from the table, with the difference that the Common Market had not then got going, so French exports did not benefit from the specialisation of tasks that is visible in the later period.

Bad Guesses

From this series of bad guesses, the planners could have drawn either of two conclusions. Firstly, that the 1950's were an unusual period of economic progress, and so there is no reason to revise moderate expectations for the following decade. Secondly, they could have concluded that they have been persistently minimising the effects of rising productivity and economic integration, and so it is time to raise the sights for succeeding plans. I have nowhere seen it openly said, but a glance at the forecasts incorporated into current economic plans suggests that the planners have come to the second conclusion. For the period 1960-1970, the plans of the industrialised nations of northern Europe almost all bank on an annual increase of 4 to 5 points in GNP, or more than was attained in the 1950's, and of course much more than was forecast in most cases for the last decade.

The planners seem to have learned the lessons of earlier plans, because they base these more optimistic expectations on the very factors that falsified their previous forecasts. That is, they now expect persistent rises in productivity, rapidly increasing investments and a more profitable use of resources, thanks to division of labour within economic groupings. That would explain too why their various national forecasts are nowadays much closer together than they were a decade ago. Not only in the four countries cited, but among the newcomers to national planning, the estimates of probable increases in GNP, investment and the other global quantities are more concordant than they were.

Yet there is another reason for the less pessimistic forecasts being written into current national plans. It is that the view has gained ground that excessively cautious estimates by the planning authorities work to depress economic agents and thus limit progress to less than could have been achieved in a more optimistic climate. On the contrary, more sanguine expectations in a national plan stimulate efforts and thus have every chance of being realised. Or it may be that politicians in office feared that electoral opponents could exploit against them failure to attain glowing targets, but now that this has nowhere happened (but, on the contrary, actuals have usually exceeded prudent forecasts), they are willing to let their natural optimism have free rein. Either way, this is a reminder that economic planning is governed by intangible political and psychological factors, and is no science to be judged on the concordance of predictions and actual results.



LISTENING POSTS

Closer Indo-French Co-operation

By Our Special Correspondent

NEW DELHI:

THE INDO-FRENCH trade and economic relations should get a good fillip as a sequel to the signing of a special protocol between the two countries here this week. The protocol was signed on behalf of the French Government by Mr. Jean Wahl, Leader of the French Economic Mission which arrived in New Delhi last week, and on behalf of the Government of India by Mr. D. S. Joshi, Special Secretary, Ministry of International Trade.

The protocol not only visualises substantial liberalisation of imports from India by France, but also envisages collaboration by the latter in a number of key industries here. It as well proposes exchange of views, documents and experts between the planning authorities in India and France and hints at a decision having been taken by the two countries to achieve a minimum set of objectives at the forthcoming United Nations' Trade Conference in Geneva.

A special significance is attached to this protocol in view of the fact that Mr. Wahl is one of the principal advisers of the French President and his mission to India has resulted from President de Gaulle's decision to strengthen the economic ties between France and the developing countries.

In regard to trade, the protocol reveals that the French Government proposes to remove in the near future quota restrictions on some more items of interest to India. Among these are included woollen carpets, Kashmir rugs, basketware and sports goods. Restrictions on cotton and jute yarns imports were done away with by France last year. In the case of products on which restrictions will still continue, India will be given larger quota allotments. Increased facilities will be afforded in particular for India's jute goods for packing purposes. Simplification of administrative procedures has also been promised.

Industrial Collaboration

In the field of industrial collaboration, the protocol emphasises that the quickest results can be obtained in the petrochemicals, rilsan fibre, salt (mechanisation of salt works), fertilizer, iron and steel and aluminium industries. It has been suggested that specialist missions of French technicians may be sent to India to carry out the necessary studies particularly for French collaboration in these industries during the five years to 1970-71. India has also expressed desire to see established between the French and Indian undertakings agreements on technical co-operation for the production of glass, machine tools, measuring and control apparatus, scientific instruments and tractors.

The protocol takes notice of India's appreciation of the decision taken recently by the European Economic Community in the domain of tariffs and her desire that the EEC should expedite further measures in this direction.

As regards the forthcoming UN Conference on Trade and Development, the protocol says that the two delegations agreed that (1) stabilisation at sufficiently remunerative level of the prices of primary products and raw materials should be brought about; (2) "invisibles" element in the balance of payment of the developing countries should be improved; and (3) steps should be taken to expand the imports into developed countries of manufactured products from the developing countries.

Addressing newsmen on Sunday last, Mr. Wahl indicated that if there was to be greater industrial collaboration between France and India, France would naturally come out with larger economic aid. This could be the case both during the remaining period of the current Plan and the next Plan period.

The French industry, Mr. Wahl pointed out, did not feel any inhibition in extending collaboration to the public sector in any country. If an agreement were concluded between India and France on avoidance of double taxation (negotiations in this regard have been going on for quite some time now), it would help in attracting the French private capital to India, he said. He also hoped that the present administrative controls in India, which were found irksome by the foreign investors, would be simplified soon.

Trade between India and France, Mr. Wahl asserted, could be increased substantially if the Indian exporters established contacts with the French importers. There were tremendous possibilities of India exporting to France iron ore, manganese ore, electric fans, fancy goods, etc. One difficulty in the way of France importing manganese ore from India was that Indian supplies were not considered to be suitable to French specifications. This impression needed to be corrected.

Another delegation of French importers is in India currently to explore the possibilities of expanding trade between the two countries. Consisting of eminent representatives of the different sectors of the French import trade, it is particularly interested in purchasing from India large quantities of cotton and jute goods, manganese ore, vegetable oils, hides and skins, tobacco and tea.

***

India will be providing technical credit to the tune of Rs. 12.5 crores to the East European countries during 1964-65.

COUNTRY-WISE CREDIT LIMITS FOR 1964-65

(Rs. lakhs)

Country	Ceiling Limit for Technical Credit in 1964-65		Additional Amounts sanctioned
	Without interest	With interest	(With interest)
Poland ..	40	260	100 (up to March 31, 1964)
GDR ..	50	100	..
Czechoslovakia	65	135	..
Yugoslavia ..	75	105	120 (up to August 31, 1964)
Rumania ..	35	50	..
Hungary ..	50	150	25 (up to December 31, 1964)
Bulgaria ..	10	40	..
USSR ..	100	Unlimited	..

with a view to ensuring that their purchasing programmes are not affected for want of funds.

The necessity for providing these credits arises because payments for imports by India from these countries, which should balance her exports to them, are sometimes delayed on account of the deferred payment arrangements concluded with them or delayed deliveries.

According to the trade agreements concluded last year with the East European countries, India's total trade with them during 1964 is proposed to be increased to Rs. 335 crores, —Rs. 167.5 crores exports and Rs. 167.5 crores imports. The technical credits to be provided take note of this.

A technical credit to the extent of Rs. 3.5 crores is also proposed to be made available to the United Arab Republic for enabling her to make adequate purchases from this country during the next financial year. The total trade between India and the UAR, both ways, is approximately Rs. 23.5 crores.

**

According to an assessment made by the Union industrial licensing authorities recently, the indigenous production of power transformers, electric motors up to 500 HP and cables and wires is likely to fall short of the country's requirements in 1965-66. Currently, there is available 4 million KVA capacity for the manufacture of power transformers. The demand for them in 1965-66 is estimated around 7 million KVA. The current capacity and the 1965-66 demand estimates for the other two products are: electric motors up to 500 HP — 2.56 KW, 3.4 KW; cables and wires — 9835 KM, 10400 KM.

The Union Government is anxious that new proposals for the manufacture of these items should be sponsored not only for meeting the 1965-66 requirements but also those of the fourth Plan. On the basis of an average annual increase of power generation to the tune of 2.3 million KVA during the fourth Plan, the demand for power transformers is expected to go up to 13.15 KVA by 1970-71. Including the six million KVA capacity that might be available at the Heavy Electricals, Bhopal, there will be a gap of about 5.5 million KVA to be filled in this line of manufacture.

Scope for Further Licensing

The demand for electric motors up to 500 HP is expected to increase to about 9 million KW by the end of the fourth Plan period. There will be a gap of nearly 6.5 million KW in the capacity for producing these motors. The requirements of cables and wires in 1970-71 are expected to be of the order of 20,000 KM. There is, thus, a scope for further licensing of capacity for their manufacture to the tune of slightly over 10,000 KM.

Another line of manufacture where there is a large scope for establishment of capacity is power rectifiers. The requirements of these at present are being met through imports. The demand for power rectifiers is expected to increase substantially with the proposed establishment of capacity for the manufacture of aluminium, steel, caustic soda and various other chemicals.

**

The indications available here reveal that the developing nations will press forth at the UN Conference on Trade and Development, starting in Geneva next week, a plea for price support for primary commodities in the world markets. Consensus of opinion is said to be growing among the developing nations that unless some sort of parity is established between the prices of primary goods exported by them and those of capital goods exported by the developing nations, the development plans of the poorer nations have little chance of being pushed through.

India is likely to put forth a proposal that the World Trade Conference should agree to an upward revision of prices of primary products in a phased manner over a period of ten years. Three or four commodities may be given price support every year. To begin with, a programme of ensuring reasonable prices for such commodities as cotton, rice, wheat, copra, tobacco, tea, rubber and mineral oils may be undertaken.

A scheme of price stabilisation for these products, it is to be emphasised, should contain an escalation clause, providing for 5 per cent annual increase in prices so that the developing countries can look forward to an increasing volume of trade at remunerative prices in these commodities.

For making the price stabilisation schemes a success, it is felt that buffer stocks of these commodities should be built up and an International Monetary Compensating Fund constituted. Both the developed and the under-developed countries should contribute to the resources of this Fund, which may further be strengthened by additions of profits from sale of buffer stock at times when prices tend to spurt.

India is also likely to impress upon the World Trade Conference the need to remove both tariff and non-tariff barriers to the entry of manufactured goods from developing countries into the developed ones.

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The Union Ministry for Petroleum and Chemicals is understood to have solicited help from the Italian Oil Combine ENI for setting up petro-chemical complexes in India. Exploratory talks in this connection are said to have been held with the ENI Chief, Prof. Baldrini, who is currently here. Assistance from ENI is also being sought for oil exploration, particularly in the Gulf of Cambay. The Italian combine is already engaged in oil prospecting in Uttar Pradesh as contractor to the Oil and Natural Gas Commission.

An approach is also likely to be made to ENI for securing facilities from it for training Indian technicians in various activities connected with oil. With the rapid growth proposed for the public sector in oil industry in this country, the shortage of trained personnel in this field is expected to grow more acute.

**

Three agreements have been signed here this week between the Governments of India and Britain, providing for the utilisation of the £12.5 million (Rs. 16.7 crores) balance credit committed by the latter for India's economic development at the Aid-India Consortium meeting held in July last. The first agreement is for a loan of £5 million. It will cover purchases of capital goods and components from Britain for projects and industries selected by the Union Government from an agreed list. The list includes: (i) components for British-oriented industries (up to a ceiling of £750,000 — Rs. 1 crore); (ii) capital goods for private sector industries (up to a ceiling of £1 million — Rs. 1.33 crores); (iii) a coastal ship; (iv) a bucket dredger and two hoppers, (v) equipment for the Nahorkatiya fertiliser plant; (vi) equipment for Singareni Collieries; (vii) equipment for the Hoshangabad paper mill; (viii) heat treatment furnace for the alloy steel plant at



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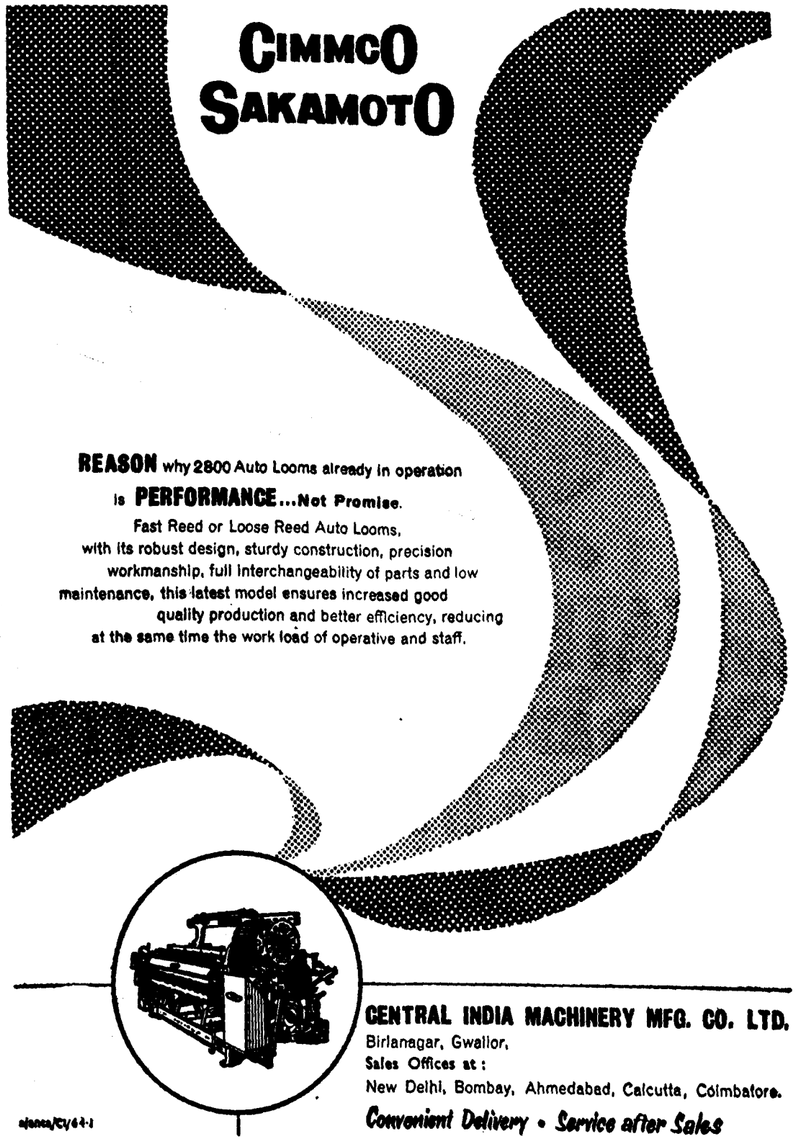
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Durgapur; (ix) requirements of the Indian Copper Corporation's expansion programme and (x) equipment for Oil-India Ltd.

The second loan, also of £5 million, has been provided for general purposes, to be used to pay for current British exports to India.

The third agreement covers a sum of Rs. 2.5 million which is earmarked for puchase of capital equipment and components for the Bhopal Heavy Electricals project.

With these three loans, the total financial assistance provided by Britain during the third Plan so far amounts to £125 million — Rs. 16 crores.

Demand for Engineers

From Our Correspondent

BOMBAY :

IN THE Plan period of over a decade and more, the paucity of trained technical personnel for manning the industrial projects that have been set up, has been prominently highlighted by official spokesmen from time to time. While inaugurating, at the Indian Institute of Technology, Powai, a six-day Seminar on collaboration between industries and institutions in the field of technical education, sponsored by the Institute of Applied Manpower Research, New Delhi, Mr. C. Subramaniam, Union Minister for Steel, Mines and Heavy Engineering, observed that the demand for engineers was a function of the pattern of production and investment in the country. The existing universities and educational systems established to suit the requirements of a pre-eminently agrarian economy were not quite adequate to meet the demand of the scientific and industrial revolution that is overtaking the country at present. He said that with the production pattern as envisaged and the heavy investments, the demand would still further grow and we cannot, and should not, make any rough predictions based on current or past experience.

Planning in Russia

In this connection, the Minister said that he was impressed with man-power planning in Russia. The industrial units in that country took over some institutions under their patronage and linked their man-power planning with them. The flow of information and personnel between the educational institutions and industrial units was also assured. Similarly, free exchange of persons and information characterised the educational development in the USA and the UK. He said about 19 per cent of students in the UK universities took to technology in 1962-63, and this ratio would be raised to 28 per cent in 1980-81. In India, the comparative position is that only 5 per cent took to engineering and technology at present. Thus, there was an imperative need to step up the ratio of students who are diverted to technological courses and for this purpose our colleges, designed to turn out clerks, lawyers and civil servants, found it difficult to change over to production of scientists, technicians and industrial managers. Therefore, the essential condition of creating an educational base which provided a continuous stream of technical personnel to industries should be satisfied first; and in this process, as industry was the main customer of education, particularly technical education, there should be closer co-operation and freer exchange of information and personnel between industry and education.

In order to meet this objective, Mr. Subramaniam further emphasised that research sponsored by industry had to be increasingly undertaken not only by research institutes but also by educational institutions. In the advanced countries of the West, the universities were the pioneers in the modern scientific revolution, and many problems of applied sciences and technology were sponsored by industry for research in technical institutions. In India also such an attitude will have to be developed. The contact between the teaching institutions and the industry was most vital, as the students could not learn the spirit of innovation and research if they lost touch with the industrial units. Thus, linking of the teaching institutions with the nearby industrial units for assisting them in solving the problems will contribute to the desired end of mutual exploration of the possibilities in improving the efficiency of industry. Mr. Subramaniam particularly stressed that the qualitative shift from civil to mechanical, electrical, chemical or industrial engineering should be carefully examined.

In the light of the observations of Mr Subramaniam for a more effective co-ordination between education and industry, it would be useful to have a comprehensive examination of the problems which have emerged in building up an educational base which would not only be balanced but would be more purposive in achieving the objectives under industrial planning. In fact, the problem of re-organization of technical education is a part of the basic change in the scheme of general education and from this point of view, the discussions of the Seminar should provide adequate material for further thinking on this most vital subject.

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The salt industry has had always a development potential in the State of Maharashtra, though in the last two decades there had been practically no projection of the possibilities of further expansion in this sphere, compared to the rapid strides made in the States of Gujarat and Madras. The inauguration on March 14, of the Gogte Salt and Chemicals at Nalla Sopara, 30 miles north of Bombay, marks the first step in the Plan period for the development of salt industry in the State. Mr. S. G. Barve, the State Industries Minister, who inaugurated the factory, hailed the project as a fore-runner to industrialisation in Thana District which is a part of the under-developed area of Konkan. He welcomed this project since salt production in the State was lagging behind in the past and required to be boosted. This would also contribute towards the success of the scheme of diversification of industries.

Earning Foreign Exchange

Mr B. M. Gogte, who gave an account of the industrial project, said that the salt works would have an initial capacity of 50,000 tons per year, and in a period of 5 years it would have risen to 100,000 tons. The factory would not only meet the requirements of many local industries but would also contribute to the earning of foreign exchange after a period. The foreign exchange component of the plant was Rs. 6 lakhs and the whole cost would be Rs. 25 lakhs for a production capacity of 50,000 tons. In the background of the present production of salt in India at 3.6 million tons (which, it is expected, will increase by 6 million tons within the next 3 years) the present project would significantly help the Maharashtra State to earn for itself an important place on the salt map of India. Besides, as already indicated, the new licences issued for production of salt in the State were for the development of only 540 acres, while Gujarat and Madras have planned for development of 30,000 acres each. The demand for salt is also growing in the State. In and around Bombay, there are several caustic soda plants which require regular supplies of high grade salt for use in electrolytic process. The demand for quality salt for

these plants alone was about 80,000 tons a year and was expected to go up to 1.5 lakh tons in the next three years. It is a matter for disappointment that little has so far been done in India for the commercial manufacture of several grades of salt and there is great scope for development of this industry in Maharashtra. The bitterns which are left after the extraction of common salt in the solar salt works in India are not being utilised though they contain valuable chemicals like potassium chloride, magnesium chloride and bromine. It is possible to process these bitterns for the manufacture of magnesium carbonate, sodium sulphate and other compounds. There are other possibilities in the use of salt; before crystallisation of salt it is possible to separate calcium sulphate as gypsum and this can be converted into plaster of paris and used as surgical plaster, building boards, plaster for bone-setting and for other uses. Thus, there are many industrial and commercial uses of salt and the factory that is opened should give an opportunity for exploring every means of utilising salt and its by-products to the maximum for industrial and other uses.

Mr. S. K. Wankhade, the State Finance Minister, who presided over the inaugural function, took the opportunity to plead for a change in the outlook of banks in making available finance for starting industries in the small-scale sector. Though some progress had been noticed in the banks providing fund for small-scale industries, there was still a tendency to extend credit only to big business and, he pointed out that if banks had offered assistance to the small-scale sector, there would have been no talk of nationalisation of banks. The diversification of industries would naturally require a greater flow of financial assistance and it is quite appropriate that the Finance Minister should have referred to the role of the banking system in increasing the flow of funds to small-scale industries.

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The Government of Gujarat has been planning for a more balanced distribution of industries from the point of view of a higher rate of development in the State. As an experiment in this direction, it is decided to arrange for a planned establishment of new industries in a specified area near Ahmedabad, in consultation with the City Co-ordination Council and the Gujarat Industrial Development Corporation. An area of 12,000 acres has been set apart in the east of Ahmedabad as an industrial area. This augurs well for a more studied location of industries in areas which could form the epicentre for further spread.

The Proper Pricing of Power

From Our Correspondent

CALCUTTA :

STILL FAR from satisfying the demands of her industrial and urban consumers in full, West Bengal, however, has an ambitious plans to electrify her villages. There is an integrated Rs. 100-crore scheme for complete rural electrification of the State by 1976, but to begin with, the West Bengal Government wishes to implement a Rs. 35 crore plan which would take electricity to at least 3,000 of the State's 38,500 villages by 1966. The scheme has already been forwarded to the Centre for approval; meanwhile, it will be discussed with Mr. Asoka Mehta, Deputy Chairman of the Planning Commission, when he comes here in the third week of the month. The Government maintains if New Delhi gives its sanction to West Bengal's thermal power projects, there should be no shortage of generating capacity to meet the requirements of the scheme. But the question is not as simple as that. The Centre's approval of power schemes of the States has the obvious financial implication for the former; in other words, the Centre will have to bear a substantial part of the cost itself. West Bengal feels aggrieved that not only has the Centre been sitting too long over the power projects which have been submitted for the latter's approval, but it is not willing to grant interest-free loans for power and irrigation schemes as Mr. G. L. Nanda is said to have once promised. At the discussions with the Planning Commission's Deputy Chairman next week, this question is likely to be taken up again.

Meanwhile, the State's Electricity Board, which will have to be entrusted with the rural electrification work if and when it is implemented, has been severely criticised by the Estimates Committee of the State Legislature as failing in its duties. In the first place, the SEB has been accused of making wrong local load surveys, with the result that the requirements of village industries have been consistently under-estimated. For instance, West Bengal's silk industry, which occupies an important place among the State's traditional small-scale industries, is now withering because of competition, and it is unable to strengthen its economic base without an adequate supply of power. The deep tubewell irrigation projects are not making any headway in the districts because of dearth of power. The Committee gives some more grounds for its criticism, but these two are the main ones. Finally, it recommends a reorganisation of the Board and a suitable reorientation of its policy.

These could help to some extent, but would they be enough when the basic commodity of power is itself in short supply? The Board has to borrow funds to finance its schemes and it is already so heavily indebted to the Government that it will have to pay above Rs. 2 crores in interest and towards principal by the end of the third Plan. Its working so far has ended in big deficits — that during 1963-64 at Rs. 24.23 lakhs was the heaviest so far. Consequently, the Board has been trying to achieve a better balance between its revenue and expenditure, and the Budget estimates for 1964-65 have been so framed that the anticipated deficit comes down to only Rs. 1.55 lakhs. These financial data explain why the Board is inclined to distribute power in areas where it would get the maximum revenue, and why it is unable to do much to help the State's projected rural electrification schemes. However, the question of making the Board's operations financially more profitable would depend upon the larger question of revising power tariffs, which has to be decided at a level higher than the Board itself. Meanwhile, the Board proposes to raise a market loan of Rs. 2 crores during the next financial year, which will bring the total of open market loans to Rs. 5.61 crores, against the target of Rs. 10 crores set under the third Plan. The revised estimate of the cost of all the schemes which the Board will undertake during the third Plan period has been now raised to around Rs. 57 crores, against the original Rs. 44.8 crores. Although it is trying its best to step up its revenue — in 1964-65 an increase of 87 per cent is expected in the revenue from Rs. 4.72 crores to Rs. 8.4 crores — the Board will not be able to contribute anything to the development schemes out of its own resources.

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Assam's power projects are making good progress — this has been testified by the State Government as well as the Central Minister for Power, Dr. K. L. Rao. At present, it is producing 33 MW of electricity, but the Central Government has already given its approval for augmenting this capacity by 79 MW during 1964. When the additional power capacity is commissioned, the State, it is stated, will be self-sufficient as far as the present requirements are concerned. Among the new unit being installed, there is one of 30 MW capacity at Gauhati; two gas turbine sets of 12.5 MW capacity each are being installed in the same place. These units will help in the installation of the petrochemical complex the Oil and Natural Gas Commission is reported to be considering for this State.

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A dispute concerning prices had threatened to stop rice supply from Orissa to West Bengal, but this was resolved last week by the Chief Minister of West Bengal, Mr. P. C. Sen, himself going to Bhubaneswar personally and settling the matter with the Orissa Government. Before this settlement, the West Bengal Government had fixed a price of Orissa rice which was substantially lower than what was being paid to West Bengal growers for similar grades. Orissa growers took exception to this action of the neighbouring State, feeling that West Bengal was taking undue advantage of the fact that Orissa has been placed in the same food zone as West Bengal. Consequently, an agitation grew to stop sending rice to West Bengal, and the agitation apparently had the sympathy of the local Government. West Bengal has had a bumper harvest this year, even so, her food requirements cannot be met out of local production entirely. A good part of the needs has to be obtained from Orissa which usually produces a surplus of rice in the food zone concerned. But if the prices to be paid to growers in that State are to be fixed on a discriminatory basis, a sharp fall in rice imports is bound to follow. Happily, the matter has been settled through Mr. P. C. Sen's personal intervention, and as a result, Orissa rice will fetch the same price as West Bengal's does. Orissa claims to have already despatched 35,000 tons of rice to West Bengal so far. The volume of despatch is usually higher at this time of the year.

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The first Budget of Nagaland — that new addition to the family of eastern States — shows a deficit for 1964-65. The gross receipts have been estimated at Rs. 10.56 crores — of this revenue receipts from the State's own resources are only Rs. 25 lakhs. The balance is made up of grants and loans from the Central Government. Of the gross estimated expenditure of Rs. 11.17 crores, non-Plan expenditure amounts to Rs. 9.13 crores, and expenditure on Plan projects is fixed at Rs. 2.04 crores. In other words, the Government of Nagaland is run with the funds of the Centre, and this is going to be the case for as long as one can foresee. The Finance Minister, Mr. Hokishe Sema's Budget speech was less specific than it should have been, on the two important questions: (1) the law and order situation and (ii) the development of the Naga State. Mr. Sema has only hoped that with the co-operation of all, "the menace to peaceful living" could be soon ended, but his Budget mentions no other step except a provision of Rs. 1.5 lakhs which may be spent on giving financial assistance "in deserving cases", and for the rehabilitation of those hostiles who surrender and want to live as law-abiding citizens. As for development schemes, the Finance Minister claimed that "in spite of heavy odds", the progress has not been insignificant, the proof of which is that the expenditure on account of Plan schemes has been mounting. The Planning Commission had originally agreed to give Rs. 7.25 crores, for 1964-65, and schemes costing Rs. 4.04 crores have already been approved by the Commission.

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Despite some heavy industries and great mineral resources, Bihar is still a predominantly agrarian State; 86 per cent of her population still depends on agriculture for a living. The pressure of population on land is consequently high. The average area of cultivated land per head is less than even 0.61 acres, which was the figure worked out in the 1951 census. Land utilisation in the State is the second highest in India. There is vast scope for setting up small industries, especially as ancillaries to the large industrial complexes such as already exist in Jamshedpur, and such as those which are coming up in places like Ranchi and Barauni. Several committees appointed by the State Government have emphasised this fact, but none has given a satisfactory reason as to why the local people themselves are so little interested in promoting these enterprises. From the records of the National Small Industries Corporation, it is found that applications from Bihar, to the Corporation for assistance so far number only 111, compared with 1,761 from Maharashtra and 1,325 from Madras. As for the firms which have registered themselves with the Corporation for the marketing of their finished goods, the number from Bihar is only 336, compared with 2,000 from West Bengal, 1,626 from Maharashtra and 1,306 from Madras. Orders received from the NSIC by firms in different States are very small in Bihar's case, accounting for goods worth only a few lakhs of rupees, as against Rs. 8 crores for Punjab, Rs. 5 crores for West Bengal, and Rs. 4 crores for Maharahtra. This indifference of the local people towards small enterprises is worth enquiring into. Perhaps there is need for a more positive encouragement from the Government.

Mysore Scrapes the Barrel

From Our Correspondent

MADRAS :

THE MYSORE Finance Minister is in the awkward position of being obliged to meet a heavy shortfall in resources in the last two years of the third Plan, in order to implement the various schemes, and at the same time not being able to levy additional taxation on account of the heavy burden already thrown upon the State's population and the rising cost of living. Mr. B. D. Jatti has actually indicated that against the Plan outlay of Rs. 250 crores, there will have to be much larger Central assistance as the State Government cannot gather Rs. 110 crores as originally anticipated on account of the delayed formulation of tax proposals and the sharp increase in non-Plan expenditure. The progress of work on the Sharavathy and other major projects has been satisfactory so far. But it will be necessary to keep a close watch on physical achievements as the estimates have gone wrong at some points and work also may be held up on account of the paucity of financial resources.

While thus the ways and means position is considerably strained and can be rectified only with the outright sale of securities held by the Government and in the sinking funds, it is hoped that the Central Government will take a sympathetic view of the requirements of the State Government and help at least the big projects like Sharavathy to be completed as early as possible. It is now estimated that the ultimate expenditure for installing capacity of 890 mW will be Rs. 85 crores on account of the need to import generating equipment from the USA which is definitely costlier than similar equipment from other sources. Besides the heavy expenditure incurred on the construction of the dam and the erection of generators, the distribution system alone may cost another Rs. 100 crores. It is needless to emphasise that the expenditure on the construction of transmission lines and distribution facilities cannot be grudged as otherwise Mysore State cannot hope to derive the full benefits out of the Sharavathy project. This expenditure would be worthwhile as the distribution system will be able to handle much larger quantities of electricity when the Kalinadi and other projects are completed. How exactly Mr. Jatti will be able to get over the many problems remains to be seen. Meantime, he has promised brisker collection of taxes, the practice of strict economies in expen-

diture and greater check over evasion of tax payments.

The Budget for 1964-65 estimates revenue receipts at Rs. 111.06 crores and expenditure at Rs. 110.99 crores leaving a small surplus under revenue account of Rs. 7.01 lakhs. But this surplus will be converted into a substantial deficit because the additional expenditure incurred on account of the introduction of old age pension and relief to pensioners and low paid staff has not been provided for in the Budget. Increased dearness to State Government employees drawing a basic pay up to Rs. 300 a month is to be granted. The benefit would be extended also to employees of Government concerns, local bodies and aided educational institutions. The additional expenditure is expected to be Rs. 1.25 crores annually. Old age pension to indigents above the age of 70 is being proposed at the rate of Rs. 15 per month while pensioners will get an ad-hoc increase of Rs. 5 per month in dearness allowance in the case of those drawing pensions up to Rs. 100 a month. This will involve an expenditure of Rs. 25 lakhs annually. The family pension scheme on the lines of the Central Government cannot be adopted on account of the paucity of funds. But it is being examined whether the existing scheme can be liberalised.

Sharavathy Project

With the availability of power from Sharavathy shortly, it can, however, be expected that the State would be able to get over many of its problems and plan further industrial development on a more definite basis. There is now the prospect of the huge aluminium project being erected in the west coast of Mysore as it has been stated that an agreement has been reached with the Maharashtra Government for obtaining bauxite and that proposals from various companies have been obtained for erecting the plant. These were being considered by the Central Government. There is also a proposal for starting a large newsprint factory while a fishing harbour is to be established with Yugoslav assistance. The cement industry is to be expanded in a big way with the installation of four new units. The Central Government has already agreed to the proposal for erecting factories at Nagargali and Wadi. The Government undertakings also are to be expanded in a big way while the biggest industrial project will relate to the scheme for producing alloy steel from Bhadravathi. The steel expansion plant taken up at a cost of Rs. 7 crores is now proposed to be converted completely into an alloy and special steel plant with an additional investment of Rs. 10 crores.

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It has now been definitely indicated by the Madras State's Minister for Transport that the Government was thinking in terms of revising upward bus fares on all the routes operated by the State Transport Department. It is estimated that there would be a loss of Rs. 7 lakhs for the current year against a profit of around Rs. 10 lakhs earned in the previous years. The higher cost of operation is due to costlier fuel and higher motor vehicles tax imposed by the State Government recently. Mr. Venkataraman actually said that other State Governments had already increased the fares by 3 nP. per kilometre while it was proposed to have the maximum of 5 nP. per kilometer in the Madras State. Service and not profit making was the guiding principle. This is the main reason for the undertaking being run on a departmental basis.

There has been a sharp increase in the number of buses in operation and in the revenue gathered. Even though the income from every bus has increased by 50 per cent, operating expenses have been more than in proportion and it is now feared that passengers boarding the buses plying in the mofussil will have to pay an increase in fares by 22 per cent while in the City it may be anything up to 30 per cent. The difficulties of the State Government are no doubt appreciated and the travelling public has accepted that the long distance buses are doing really useful work. But the cumulative effect of the higher bus fares will be serious as, so far as the individual is concerned, the cost of living has increased sharply and in the urban areas particularly, the office-going public belonging to the lower income groups will be badly hit. There is no doubt that with the proposed increase in fares, there will be a deflation in the volume of traffic as railway travel will be considered much cheaper while in the City more people might like to use bicycles. Even so, the State Department buses will continue to be busy. Only, the rate of expansion might be slowed down for a time. It is now wondered what will be the move of other transport operators now that it has been definitely stated that there is no early prospect of nationalisation.

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The Madras Stock Market has been truly quiet and business passing has been extremely restricted. Advices from Bombay and Calcutta have not been encouraging and prices have been marked down slightly all round. While there is anxiety to know what will be the reaction of the Finance Minister to the memoranda submitted by the Stock Exchange Associations and Industrial organisations regarding the grant of relief from some of the new tax proposals, Mr. T. T. Krishnamachari's reply in Parliament to the Budget debate has come as a great disappointment. The Finance Minister's reference to the opportunity for those above the age of 70 to opt out to the Annuity Scheme is considered a huge joke while the suggestion that income-tax payers might be exempt from the operation of the Annuity Scheme if they agree to pay a higher rate of tax than normal on that portion of the income which would have to be paid as annuity is considered cruel. The only constructive proposal that has been made relates to the likelihood of bonus shares issued out of the share premium account being differently treated for payment of capital gains tax. Otherwise, he has not given any indication of the Government's thinking in regard to the controversy about the notional determination of capital gains on the issue of bonus shares by companies, or the dividend tax which is considered iniquitous. It is, of course, generally agreed that the surtax on profits operates leniently. The assurance regarding the continuity of development rebate even after 1967 will be welcome by Indian entrepreneurs and foreign investors. It is still hoped that all industrial undertakings which have been granted licences and which are likely to be delayed in the construction stage, will be allowed to take advantage of the development rebate on the existing basis. The Finance Minister has stated that a new system of development rebate on a graduated basis might be announced next year.

The absence of any positive lead by the Finance Minister and the nervousness displayed by the bigger operators have given rise to the fears that many of the new capital issues that are awaiting to be placed on the market will not be successful. In Madras, a number of new issues such as Indian Graphic Arts, Coramandel Fertilizers and Chemicals and Plastics India Limited have to come on the market. There are many other new issues awaiting flotation in Bombay and Calcutta. The promoters in many cases would seem to be of the feeling that it would have been far more advantageous if they had come out with their propositions on the market early in February. The statutory financial corporations will no doubt be helpful in completing the underwriting arrangements. But they may be obliged to take up large parcels on their own account as the public response may not be quite encouraging in the absence of a recovery in the stock markets.

Meantime new fears have risen about the possibility of a further rise in short-term rates. The Reserve Bank's latest move imposing new credit restrictions has come as a great surprise and it is now wondered whether banks would be agreeable to increase their deposit rates and whether eventually there would even be an increase in the Reserve Bank's lending rate.

The moving finger writes

THIS HAS been a very interesting week indeed. A Deputy Minister at the Centre has had to go and tell her party men that she had not been taking part in any Tantrik rites or black magic abracadabra to destroy the Prime Minister as was alleged in a Bombay weekly. Another Bombay weekly, after having succeeded in provoking the comrades to set up an agitated defence of the fair name of one of their leaders, has had to publish an involved contradiction of a story put out by its editor that Mr. J. R. D. Tata was being offered the Finance portfolio. This has, in fact, been a week of mixed blessings for the newspaper world, with Mr. Satyanarayan Sinha threatening the big newspapers with the proposed Monopolies Commission, while promising to small newspapers an Ambar Charkha deal to be concocted by a small committee of non-officials under Mr. R. R. Diwakar.

The newspapers, in their turn, have also been serving a mixed fare to their readers. The Delhi Zoo — and I mean strictly "the zoo"—was a prolific source of stories. A tiger, a Nehru pet gifted to the zoo, was going blind and a lioness was bemoaning her barrenness, but as if to show that life was not all shadows, Rita, the female chimpanzee, had acquired a mate in Ravi, just imported from Holland, specifically to relieve Rita's solitude — and the resultant meeting of minds and mating of instincts prompted "Patriot" to shout, "I chimply love you, honey!" And that was not all, as there was yet another interesting acquisition at the zoo, a young hippo named Mani from Trivandrum in far Kerala, the majesty of whose arrival in the Capital, however, was considerably marred by the late running of the Janta Express from Madras.

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This is not to suggest that the newspapers have had to go out for "silly season" stories, for the Socialists misled by Dr. Lohia were there to provide a spate of spontaneous nonsense. Those doughty warriors did some re-sculpturing of the Irwin statue before Parliament House, placed Mr. Maniram Bagri on a cot near the entrance to the Legislature and, thanks to a sudden accession of intelligence, contrived to whisk him away just when the Speaker was threatening him to turn nasty and the public was beginning to get bored.

And then there was the news of the release from prison of Mr. K. M. Nanavati, formerly of the Indian Navy — a case of justice tempered with mercy; but there was also that front-page story in "The Statesman" of March 18 — a story with a less happy ending for its principle, a bandit chief called Ramnath, who kept his date with the hangman at the Indore Jail and thus paid for his brief but bloody reign of terror in the Chambal Valley.

Talking of the justice that man metes out to man, there was also the judgment of the Supreme Court in a suit filed by another Nanavati for the annulment of his marriage with a woman who had given birth to a child too soon after the wedding date; it must, however, be said in fairness to the lady that although the Supreme Court, by a majority of two to one declared the marriage null and void, the dissenting Judge stuck to the point that there had been a concurrent finding of facts by the courts below that the woman was not pregnant before her marriage — all of which shows that there may be more things in heaven and earth than are dreamt of in our biology.

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I am not easily amused, but the report in the Press that the Finance Minister advised a delegation of the Federation of Indian Chambers of Commerce and Industry that instead of complaining against tax measures the business community ought to give them a fair trial did draw out a chuckle from me. I know, of course, that Mr. Krishnamachari's sense of humour has an astringent quality, but I recall that this was precisely the advice which, at about this time last year, his predecessor was also giving to business men. I rightly concede that there should be a "fair trial", but the trouble is that it is the business community which is not getting a fair trial, thanks to idiosyncratic as well as ideological experimentation in Government policies. That apart, may I ask whether the Finance Minister would really wait for another year only to find that this "fair trial" business has not worked out. I suppose I should agree that a year is not a long time in the history of a nation, but a year is a considerable period in a five-year Plan, and when two babies are being born every day in the refugee camps, is it possible at all for the nation to think philosophically in terms of aeons of human existence? I wrote a great deal, and I wrote very strongly, about or against the Morarji budget of last year. I have again been writing much and I have again been writing strongly on the present budget. I make bold to plead that I have not merely been writing, but I have also been thinking — and with the best will in the world, I cannot help concluding that the hands of the clock of economic progress are being put back year after year. I am second to none in my admiration of Mr. Krishnamachari's genuine solicitude for the vulnerable sections of our community and his crusading zeal for social welfare or security, but I do not at all think that the good and noble purpose which he has in view can be achieved unless there is here and now an economic climate for more production and more investment. Mr. Krishnamachari cannot merely hope to serve the people or the people's cause by being soft on pensions while being hard on earnings. The State should not seek to turn the country into a vast orphanage or into an old people's home.

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The nation has reason to be deeply grateful to Mrs. Indira Gandhi for the first few authentic words which have been publicly said since the Prime Minister's recent illness on the real state of his health. Mrs. Gandhi says that Mr Nehru looks, feels and is much better physically now than he was in the weeks or months preceding his illness. This is a tribute to the medical care he has received and his mental and physical capacity to respond to treatment and rest. But the question of the physical competence of a man in his seventies to continue to shoulder the responsibilities of government leadership of a nation facing grave difficulties and dangers still remains to be dealt with. Mrs. Gandhi has disclosed that the Prime Minister's medical advisers have urged him to relax after lunch, not to work at all after dinner and to take complete rest for one day in the week. The implications surely are that Mr. Nehru's state of health is now such that he has to husband his mental and physical energies most scrupulously. It is consequently wholly legitimate and relevant to ask whether he could really be regarded as being in a position to function as an active, full-time Prime Minister. It is surely in the national interest that this issue should be settled in the only way in which it is possible to settle it, that is by medical opinion of the highest competence, integrity and courage. It is one thing to contradict reports in the foreign Press of the Prime Minister's resignation or plans for retirement and it is another to reassure the people of this country that resignation or retirement is not necessary.

V. B.

Trade Winds

RAJASTHAN CHAMBER

THE PLANS of the Rajasthan Chamber of Commerce for a new and modern building for itself took concrete shape on March 12 with Mr. G. D. Birla performing the foundation-laying ceremony of the J. K. Sabha Bhawan, an auditorium to accommodate about 800 persons. The Bhawan is a donation by Mr. Padampat Singhania on behalf of the J. K. Trust and will form part of a larger construction project which the Rajasthan Chamber of Commerce has in view. Mr. Ramnath Podar, President of the Chamber, stated that the Chamber had already collected for the purpose about Rs. 9 lakhs from the business community of Rajasthan and hoped to collect another Rs. 6 lakhs.

A silver plaque was presented to Mr. G. D. Birla on behalf of the Chamber in appreciation of his services to the business community of Rajasthan. Speaking on the occasion, Mr. Birla emphasised the desirability of business chambers equipping themselves with good buildings and a good organisation. The purpose of organisation, he pointed out, should be to educate public opinion which was important in a democracy. Mere propaganda or publicity would not, however, be of much use. The business community had to win the goodwill and trust of the public by keeping the needs and interests of the people of the country uppermost in its mind. Otherwise — Mr. Birla added bluntly — nobody would care for business men or what they said.

Discussing the task that lay ahead of the nation, Mr. Birla pointed out that, over a wide part of the world from Egypt to Indonesia, India was the only country where there was democracy, security and stability. Reminding his audience that during the freedom struggle and after the business community had always stood with the Congress, he said that the Congress Party was still the only political organisation capable of ensuring the stability of the country. He, therefore, pleaded that the business community and Congress men should understand each other so that they might work more effectively for the betterment of the lot of the 400 million people of this country. Mr. Birla, however, added that the future did not really lie either with the politician or with the business man in the narrow sense of one who buys and sells. It was the scientist and the technocrat who were becoming increasingly important in modern communities. So far as business men were concerned, what would matter was business acumen, enterprise and capacity for hard work. So long as these qualities were present, they were bound to ensure to the business community its proper place in the economic progress of the country. Viewed thus, inherited wealth was in itself not of decisive importance. Nor were government policies, fiscal or other, directed against such wealth. It was true that, with death duties rising to 85 per cent, vast fortunes could not be passed on hereafter to future generations of business men, but so long as the latter had the qualities of business leadership, they were bound to continue to play a useful and respected role in the life of the community, and the nation would need and reward their services.

Grave Challenges

Mr. Birla referred to the grave challenges facing the nation, and while appealing to politicians not to spoil the economic climate by stirring up sterile controveries, he advised the business community for its part to cultivate unity of purpose and dedicate itself to united action for the good of the people of the land. During the last 15 years many things had changed and new slogans had come up, but the fact remained that much of the economic progress of the country had come directly from the achievements of private industry. Describing this process, Mr. Birla pointed out that about five million people were employed in factories and business establishments. Production had been doubled since Independence and hundreds of new products were being manufactured in the country. So long as the business community could prove its willingness and ability to meet the new demands made on it by the nation, there was every reason to look forward to the future with hope and cheer.

INDIAN CONFECTIONERY

Inaugurating the eighteenth annual general meeting of the Indian Confectionery Manufacturers' Association, the Union Minister of Industry, Mr. Nityanand Kanungo, told the manufacturers that under the prevailing circumstances of the Indian economy, they would have to put up with shortages of various kinds including the shortage of raw materials such as sugar and cocoa beans, for some time to come. Mr. Kanungo added that the demand for plain sugar in the country was much more than that for made-up sugar, and, therefore, the consumer of plain sugar had a priority. Referring to the difficulty of procurement of sugar, as voiced by Mr. A. Bose in his presidential speech, the Minister said that an improvement in the procurement system would not increase the quality of sugar available for the confectionery industry. Regarding the industry's difficulties concerning the utilisation of import entitlements, the Minister advised the manufacturers to make a pool for exports and thereby distribute among themselves the benefits of import entitlements to their best advantage. Regarding the President's suggestion for the increase of import entitlement limit from 20 to 60 per cent, the Minister drew the attention of the manufacturers to the low priority enjoyed by their industry. Referring to the industry's demand for increased governmental incentives for exports, Mr. Kanungo emphasised the point that export performance depended more on good salesmanship than on the price and the quality of the product which, of course, had importance of their own.

In his presidential address, Mr. Bose said that the third Plan production target of 25,000 tons for the confectionery industry would be achieved without any difficulty provided the industry was assured of timely supplies of various essential wrapping, packing and raw materials. As assessed by Government, the annual production capacity of the industry, on single-shift basis, was 52,000 tons. But the actual production capacity, Mr. Bose pointed out, was only 20,000 tons, i.e. less than 40 per cent of the capacity. According to Mr. Bose, this was due to insufficient demand in the country. The demand was less because of high prices which, in turn, were due to the high cost of the basic raw material viz. sugar, which accounted for more than 40 per cent of the production cost. He, therefore, pleaded for the availability of sugar to the confectionery industry on subsidised prices. In support of his argument, he added that the supply of sugar for industrial purposes such as for use in food preservation industry, was being made at subsidised prices in certain foreign countries. He also suggested that the Government should exempt sugar utilized in confectionery industry from all internal taxes as a similar practice was being followed in many other countries. Mr. Bose further said that if a regular export market for the Indian confectionery was to be assured, the Government should provide sugar to the industry at the same price at which it was exported out of the country. Referring to the market within the country, Mr. Bose urged upon the Government to exempt confectionery from inter-State movement restrictions, irrespective of its sucrose content.

EXPORTS THROUGH FAIRS

Exclusive Indian Exhibitions are to be held in Belgrade and Kathmandu durnig 1964-65. The Exhibition in Belgrade is scheduled for February-March, 1965. Among the other exhibitions and fairs in which India proposes to participate during 1964-65 are: The International Fairs in Vancouver (Canada), Budapest, Paris, Barcelona, Poznan, Izmir (Turkey), Wellington (New Zealand) and Brno (Czechoslovakia). Participation is also proposed in the 7th US World Trade Fair in San Francisco, the Autumn Fairs in Zagreb and Helsinki and Spring Fair in Leipzig, the Food-stuff and House-hold Articles Display in Brussels, the Industrial Engineering International Exhibition in Sydney and the Milan Fair and Levant Fair in Italy. In the Asian and African regions, India is to participate in the Kabul International Exhibition ('Jashan' celebrations), the Industrial Exhibition in Colombo, the International Fairs in Bangkok and Accra and the Agricultural Show in Nairobi.

With the main object of promoting and organizing participation in industrial and trade fairs in India and abroad, a new autonomous organization, called the Indian Council of Trade Fairs and Exhibitions, was recently set up with its headquarters in Bombay. It will also have within its purview the establishment and maintenance of show-rooms, trade centres and depots in important commercial areas abroad.

The intention behind participation in these International Fairs, and the organization of exclusive Indian Exhibitions, is not only to give extensive, visual and commercial publicity to India's exportable merchandise but also to project abroad an image of our developing economy and to show the growing export potential of the country with a view to creating a demand for goods which India is likely to be able to export in the near future.

INVESTMENT GUARANTEE AGREEMENT

As disclosed by Mr. P. A. Menon, India's Ambassador to Bonn, the Government of India is planning a bilateral investment guarantee agreement with West Germay. The aim of the agreement would be to dispel German fears about the safety of investing capital in India.

Addressing the 64th Anniversary Assembly of the German East Asia Association, in Germany, Mr Menon welcomed the substantial German Government's development aid of 1,353 million marks to India, but complained that this was linked-up with specific projects, which narrowed the manoeuvring ability of the Indian Government. He described the flow of the West German capital into India as a mere trickle. Assuring the German investors, Mr. Menon said that the extensive British investments totalling 3,361 million marks, and the flow of 880 million marks of private capital from the United States should be clear proof that German investment in India were safe.

The West German investments in India were 15 million marks per year and totalled 69 million marks altogether. Mr. Menon said that India's heavy imports of machinery from West Germany in recent years had caused a deficit of 475 to 650 million marks every year in the balance of trade. The volume and value of mutual trade was falling, the situation for India being "very unfavourable". The Ambassador said that India wished to increase considerably her exports of machine products and electrical goods, tools, light wooden and steel furniture, sports goods and footwear to West Germany.

The Chairman of the East Asia Association, Mr. Hermann Waldemar Breuer pointed out that German businessmen preferred partnership with private firms when doing business abroad. He said Indo-German Investment Protection Agreement, safeguarding West German trading organizations, and similar other measures would certainly make the Indian market more attractive for German investors.

MINIMUM PRICE OF SUGARCANE

The Government of India has announced the basic minimum price of sugarcane payable by sugar factories during the crushing season 1964-65, which will commence in October-November, 1964. The price announced works out to Rs. 1.85 per maund, linked to a recovery of 9.4 per cent and below, with provision for increase in the minimum price by 1.5 nP. per maund for every 0.1 per cent increase in recovery over 9.4 per cent. This price is 4 nP. per maund higher than the price which is payable at 9.4 per cent recovery during the current crushing season. The price of Rs. 1.85 nP. per maund will be payable for recoveries of 9.4 per cent or below, while last year the minimum limit was related to a recovery of nine per cent. These prices will be the minimum payable by sugar factories for sugarcane delivered at the gate of the factories. The permissible limit for deduction from the cane price at receiving centres situated away from the factory-gate would be 1.5 nP. per maund per mile up to a distance of 8 miles. Thereafter up to 24 miles there would be no further deduction beyond 12 nP. per maund and the balance of transport costs i.e. up to 24 nP. per maund would be debited to costs of manufacture. This would constitute an additional advantage to the growers from whom in the past these deductions were made in full out of the cane price.

ERGONOMICS IN INDUSTRY

Inaugurating the symposium on ergonomics, Major-General, S. P. Vohra, Director of Electrical and Mechanical Engineering, Army Headquarters, stressed the need for a radical reorientation of the basic concepts of design of machinery and equipment in order to adapt them to the capabilities of the human agency operating them. With the application of ergonomic principles, industrial output in some of the Western countries has been stepped up by 10 to 50 per cent, incidence of errors has been cut down by even 90 per cent, human fatigue reduced and general efficiency increased. Ergonomics has a multi-disciplinary approach in which experts in the fields of physiology, psychology, engineering and other subjects pool their experience to design machines and devise labour saving methods to suit the workers.

The symposium was conducted under the joint auspices of the Defence Institute of Work Study and the Institution of Work Study(India),and was attended by representatives of industry, the scientists and the servicemen.

RUBBER AWARD

Beginning in 1922 with a single water-proofing unit, the rubber industry in India has in its fold today, about 800 manufacturing units producing almost every conceivable item, with a production turnover of more than Rs. 100 crores and giving employment to over 50,000 persons. That the people working in this industry should merit some recognition, the 'Polymer Publications' have instituted, commencing 1964, a prize; "Rubber News Gold Medal" to be awarded annually to an Indian citizen for outstanding services to the rubber industry, whether it be in the field of research and development, production techniques or process, management or other such spheres.

Company Affairs

UNITED COMMERCIAL BANK

THE DIRECTORS of the United Commercial Bank Ltd. in their annual report for the year ended December 31, 1963, have reported a net profit of Rs. 76.43 lakhs after providing for taxes etc. This compares favourably with the last year's profit of Rs. 73.33 lakhs. The bank recorded considerable progress in terms of deposits which improved from Rs. 105.74 crores at the end of 1962 to Rs. 120.98 crores at the end of the year under review. Major increase was recorded in fixed deposits which went up from Rs. 57.77 crores to Rs. 68.15 crores. Advances also increased from Rs. 71.08 crores to Rs. 85.95 crores. The directors contributed a sum of Rs. 2 lakhs to the National Defence Fund, transferred Rs. 17 lakhs to the reserve fund, Rs. 4 lakhs to the gratuity trust fund and Rs. 19 lakhs for bonus to staff. They have recommended the payment of dividend at the rate of Rs. 6 per share subject to deduction of tax which will absorb Rs. 33.60 lakhs. The directors consider it desirable to capitalise a sum of Rs. 20 lakhs out of Rs. 40 lakhs standing to the credit of the share premium account and have accordingly applied to the Controller of Capital Issues for his consent. They await the final outcome of this year's budget proposals relating to the taxation of bonus shares before taking further action. The bank's continued expansion was reflected in the number of branches which were 175 by the end of 1963 as against 160, a year before. It opened branches at Dum Dum and Jadavpur in Calcutta, Santa Cruz and Warden Road in Bombay, Theagaroyanagar in Madras, Shivaji Nagar in Poona, Chawri Bazar in Delhi and at Anand, Robertsganj, Jammu, Mesra, Jharia, Vasco da Gama, Aurangabad, Cambay, Mavoor, Korba and Pinjore.

STATE BANK OF INDIA

During the year ended December 31, 1963, the State Bank of India recorded an increase in its deposits from Rs. 567.37 crores to Rs. 594.40 crores. In line with deposits, advances also increased and touched a figure of Rs. 290.15 crores against Rs. 270.49 crores a year before. The composition of advances broadly remained the same — against 72 per cent for industries in 1962, the bank has advanced as much as 75 per cent to industries towards the end of 1963. Commerce claimed something like 9.6 per cent against 9.5 per cent last year. Profit during the year increased to Rs. 274.82 lakhs as against Rs. 269.25 lakhs last year. Dividend to the shareholders at the rate of Rs. 23 per share, subject to deduction of tax (made up of interim dividend at the rate of Rs. 10 per share and final dividend at the rate of Rs. 13 per share) will absorb Rs. 129.38 lakhs. A sum of Rs. 55 lakhs has been transferred to reserve fund, Rs. 8.61 lakhs to pension funds, Rs. 82 lakhs to bonus to staff, Rs. 5 lakhs to staff welfare fund and Rs. 5 lakhs to staff co-operative housing fund. A sum of Rs. 35.51 lakhs is to be carried forward. The bank opened 20 branches under the Second Branch Expansion Programme in 1963 as compared with 25 branches in 1962. Apart from this programme, nine branches were opened in metropolitan cities and big towns. At the close of the year, the bank had 1,076 offices comprising four local head offices, the office in London, five offices in Pakistan, one office in Ceylon and 733 branches and 332 sub-offices in India.

HIND CYCLE—GWALIOR RAYON AMALGAMATION

A scheme of amalgamation of Hind Cycles Ltd. with the Gwalior Rayon Silk Manufacturing (Weaving) Company Ltd. has been finalised. It will be effective from April 1, 1964. It provides that every member of the Hind Cycles Ltd. holding equity shares of Rs. 100 each in that company will be allotted 2.5 equity shares of Rs. 10 each of Gwalior Rayon credited as fully paid-up and ranking in all respects 'pari passu' with the existing ordinary shares of the latter. Every member of the Hind Cycles Ltd. with 5 per cent redeemable cumulative preference shares of Rs. 100 each will be allotted 5 per cent redeemable cumulative preference shares of Rs. 100 each of Gwalior Rayon to be called Series 'C' together with a cash payment of Rs. 15 per share. The holders of 5½ per cent redeemable cumulative preference shares of Rs. 100 each will be allotted 5½ per cent redeemable cumulative preference shares of Rs. 100 each of Gwalior Rayon to be called series 'D' plus a cash payment of Rs. 16.50 per share. The shareholders of 5 per cent redeemable cumulative preference shares of Rs. 25 each in Hind Cycles Ltd. will be allotted the similar share of Rs. 25 in Gwalior Rayon to be called series 'E' plus a cash payment of Rs. 3.75 per share. The shareholders of 8.57 per cent redeemable cumulative preference shares of Rs. 100 each in Hind Cycles Ltd. will be allotted 8.57 per cent redeemable cumulative preference shares of Rs. 100 each in Gwalior Rayon to be called series 'F' plus a cash payment of Rs. 25.71 per share.

The cash payments to be made to the shareholders of preference shares of Hind Cycles Ltd. represent the arrears of preference dividend for the three years ending March 31, 1964. If the scheme of amalgamation is sanctioned and put into effect, the Hind Cycles Ltd. will be dissolved without being wound up in which case the shareholders of the Hind Cycles will forfeit the dividend. The Directors of Gwalior Rayon, however, feel that in fairness to the shareholders of preference shares of Hind Cycles Ltd. they should not be deprived of their right for arrears. The new series of preference shares 'C', 'D', 'E' are redeemable at par at any time on giving three months' notice, while series 'F' will be redeemable at par on March 6, 1971. The existing series 'A' and 'B' are redeemable at par on March 31, 1972, by giving a year's notice. A scheme of amalgamation requires the approval of the respective shareholders of both the companies and the sanction of the High Court of Madhya Pradesh.

ELECTRIC CONSTRUCTION

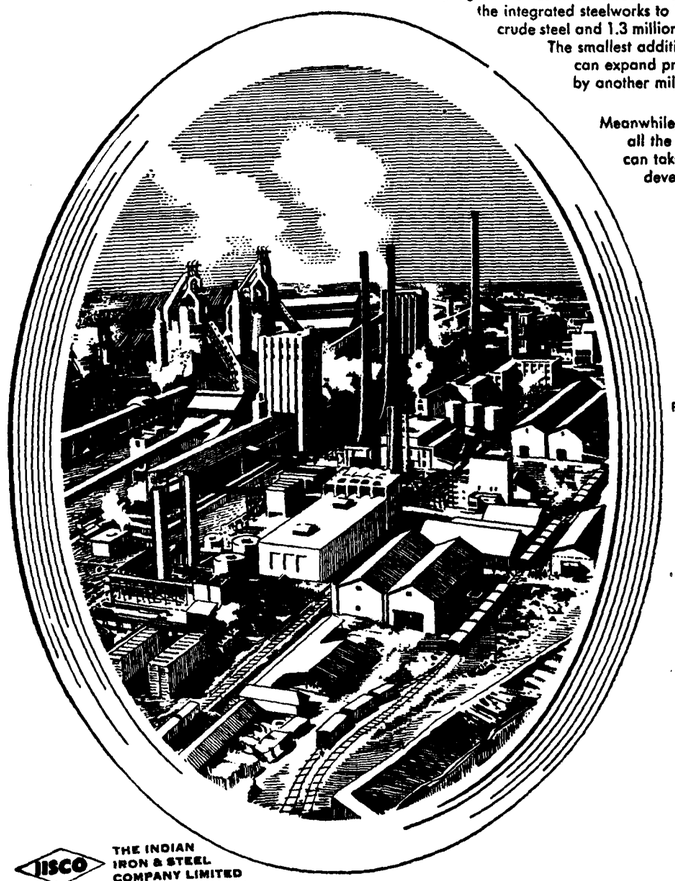
The directors of Electric Construction and Equipment Company Limited, have reported a net profit of Rs. 11.84 lakhs for the year ended October 31, 1963. A sum of Rs. 5.50 lakhs is to be transferred to general reserve, Rs. 6.25 lakhs to dividend reserve and Rs. 21,399 are to be carried forward. Dividend on equity shares at the rate of Re. 1 per share of Rs. 10 each absorbed Rs. 6.09 lakhs. Sales and earnings touched the record level and the expansion programme continued according to schedule. Net sales were around Rs. 2.86 crores against Rs. 2.08 crores last year. The directors have reported that production of transformers at Cossipore and Vizag divisions accounted for a major portion of the company's business. A programme of increasing the range and variety of electric motors produced is being pursued vigorously and for this plans are being formulated to set up new unit to manufacture a wider range of motors. The unit at Budge Budge to produce switchgears and lifts maintained a steady rate of progress. The Government has approved the collaboration agreement which the company has entered into with Messrs. Ateliers de Constructions Eletriques de Delle of France for the manufacture of a wide variety of switchgears and production is hoped to be started towards the beginning of 1965. Progressive manufacture of lifts is also continuing and now nearly 95 per cent of the total component parts of single speed lifts are being manufactured locally. The construction work of the company's factory to produce house service meters at Hyderabad was completed and initial production of single phase meters was started during November 1963. The manufacture of poly phase meters is intended to be taken up towards the later part of the current year. When the factory

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Yet less than ten years ago, the rated annual capacity at Burnpur was about half a million tons of crude steel and a similar quantity of pig iron. A two-step expansion programme has since raised annual production at the integrated steelworks to 1 million tons of crude steel and 1.3 million tons of pig iron. The smallest additional capital cost can expand production further, by another million tons of steel if need be.

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IISCO THE INDIAN IRON & STEEL COMPANY LIMITED
MANAGING AGENTS: MARTIN BURN LTD.

BC-40

SYNDICATE BANK LTD.

Regd. Office: MANIPAL

Consolidated Statement of position as on 31-12-1963

LIABILITIES :

1. Paid-up Capital	Rs.	80,58,467
2. Reserves	Rs.	75,25,000
3. Deposits	Rs.	45,49,17,001
4. Due to Bankers	Rs.	1,91,08,058
5. Bills for Collection Acceptances etc.	Rs.	5,60,46,280
6. Other Liabilities	Rs.	2,75,74,260
	Rs.	57,32,29,066

ASSETS :

1. Cash in hand with Bankers and Money at call	Rs.	4.95.58.280
2. Investments in G.P. Notes, Shares, Debentures etc.	Rs.	16,47,06,697
3. Advances	Rs.	27,82,93,063
4. Premises Furniture & Fittings	Rs.	54,96,000
5. Bills for Collection Acceptances etc.	Rs.	5,60,46,280
6. Other Assets	Rs.	1,91,28,746
	Rs.	57,32,29,066

Branches : 190

Over 7 lakhs Customers

reaches full capacity, it will produce 6,000 nos. of single phase meters and 18,000 poly phase meters on a single shift basis. The company is contemplating the manufacture of transformers and switchgears at Sonepat in Punjab for which an industrial licence has been received and the project is being pursued.

NATIONAL RAYON

The directors of National Rayon Corporation Ltd. have maintained the dividend at Rs. 16 a share, less tax, for the year ended December 31, 1963. The directors have also decided to issue rights in the ratio of one share for every 10 held. The gross profit has risen from Rs. 2.18 crores to Rs. 2.54 crores and sales have risen from Rs. 8.27 crores to Rs. 11.64 crores. After providing Rs. 1.32 crores for depreciation, Rs. 66 lakhs for taxation and Rs. 9.15 lakhs for development rebate reserve, the net profit is Rs. 46.31 lakhs against Rs. 21.31 lakhs in the previous year. The preference dividend at 5.55 per cent absorbs Rs. 9.67 lakhs and equity dividend at 16 per cent Rs. 38.57 lakhs.

DENA BANK

The working results of Devkaran Nanjee Banking Co. Ltd., for the year ended December 31, 1963 show a rise of Rs. 8.02 crores in its total deposits from Rs. 51.07 crores to Rs. 59.09 crores. Savings bank deposits alone accounted for an increase of Rs. 3.45 crores. Despite a sharp rise in its total deposits, its borrowing from other banking companies increased from Rs. 71 lakhs to Rs. 168.75 lakhs. The bank advances and bills discounted have gone up by Rs. 7.07 crores to Rs. 38.81 crores, showing an increase in advances-deposits ratios. It may be added that at the end of 1963 advances to industry were around 53.06 per cent, advances to trade 30.55 per cent and other advances 16.39 per cent. Investments have also been strengthened by Rs. 4.17 crores to Rs. 20.19 crores, raising the investment ratio. Income from interest and discount recorded an increase and profit after providing for taxation also improved from Rs. 24.08 lakhs to Rs. 26.59 lakhs. The bank opened 17 new branches bringing the total to 129 at the end of 1963. An interim dividend of Rs. 2 per share had been paid and now a final dividend is proposed to be paid at the rate of Rs. 4 per share, making in all 12 per cent per annum, subject to deduction of tax.

BANK OF RAJASTHAN

During the year ended December 31, 1963, the Bank of Rajasthan Ltd. recorded an increase in its deposits to Rs. 7.18 crores as against Rs. 6.27 crores at the end of 1962. The profit of the bank during the year under review amounted to Rs. 4.09 lakhs as against Rs. 2.34 lakhs last year. After providing Rs. 1.02 lakhs for income-tax, the directors have recommended the payment of dividend at the rate of 10 per cent, subject to tax, which is the same as last year. It will absorb Rs. 1.17 lakhs.

BANK OF INDIA

The Bank of India Ltd. has recorded an increase in the deposits from Rs. 157.16 crores to Rs. 173.97 crores during 1963. Advances have risen from Rs. 127.20 crores to Rs. 135.93 crores. It has made a profit of Rs. 125 lakhs against Rs. 111.53 lakhs in the previous year. Its working funds have increased from Rs. 191.31 crores to Rs. 213.45 crores. The Directors have recommended a final dividend of 10 per cent, less tax, making 18 per cent for the year. Subject to the consent from Controller of Capital Issues, the directors propose to increase the authorised capital of the company from Rs. 10 crores to Rs. 11 crores by the creation of 200,000 "A" category shares of the face value of Rs. 50 each and issue therefrom 40,500 'A' shares as fully paid bonus shares in the proportion of one such bonus share for every 20 existing shares whether ordinary shares and/or 'A' category ordinary shares by capitalising Rs. 20.25 lakhs out of the share premium account.

NATIONAL EKCO

The new radio factory of National Ekco Radio and Engineering Company was inaugurated in Bombay recently by its Chairman, Mr. A. D. Shroff. Built on a 7½ acre site of Andheri, the new factory is claimed to be the largest radio factory. The proportion of indigenous material now being used in the manufacure of radios has gone up to 84 per cent from 20 per cent in 1957 and the substitution of the indigenous from the imported items is being carried out systematically. The present production is nearly 70,000 sets per year and it hopes to raise this capacity to 200,000 sets a year.

PHALTAN SUGAR

The Phaltan Sugar Works Limited proposes to issue upto 20,000 cumulative producers' participating preferenoe shares of Rs. 50 each to be offered at par to canegrowers who agree to deliver cane to the company. The directors point out that in view of the Maharashtra Agricultural Lands (Ceiling on Holdings) Act. 1961, the company has handed over the possession of surplus agricultural lands to the State Government. It has, therefore, to buy cane supplied from outside sources. This scheme of participation in the company by the cane-suppliers of the adjacent areas has been formulated to ensure a continuous supply of cane. The suppliers will be offered preference share capital with a cumulative preference dividend of 8 per cent.

During the year 1962-63, the company manufactured nearly 161,000 bags of raw sugar for export with a recovery of 12.94 per cent. The production has been higher by 10,724 bags despite lesser crushing, mainly owing to the increased recovery. The company could not complete its expansion programme due to the late delivery of imported machinery, but it is expected to be completed in time for the 1964-65 season.

WALCHANDNAGAR

During the year ended September 30, 1963, Walchandnagar Industries Limited recorded a sharp rise in its profits from Rs. 67.11 lakhs to a peak figure of Rs. 82.80 lakhs. There was a larger turnover in sugar mill machinery. The sugarcane crushing was lower at 189,966 tonnes against 203,239 tonnes and sugar output also dropped from 248,015 bags to 230,634 bags following a drop in recovery from 12.25 per cent to 12.13 per cent. The production of spirit improved substantially from 7.62 lakh litres to 37.22 lakh litres.

The company has recently entered into an agreement with a Czechoslovak firm for the manufacture of cement plant and its parts at Walchandnagar. A Swiss firm has agreed to provide technical collaboration for the manufacture of paper plant and ancillary equipments. The draft of the proposed agreement has been sent for Government approval. It is also negotiating with another Swiss firm — MAAG-Gear-Wheel Company Limited, Zurich, for technical collaboration for the manufacture of speed-reduction gears, penions and their accessories. Proposals to manufacture steam turbine for sugar mills in collaboration with G & J Wier Limited, Glasgow, U.K. is also under consideration. It has been granted a foreign exchange loan of $525,300 by the I.C.I.C.I. to meet the cost of the imported equipment for the proposed cement machinery making project.

AEROQUIP PRODUCTS

Aeroquip Corporation of the U.S. has entered into a financial collaboration with Mr. K. R. Patel's group for the manufacture of aeroquip products in India. American participant will subscribe 49 per cent of the equity capital against which machinery and equipment will be imported and the

balance will be held by the Indian participants and the Indian public. Under this collaboration high pressure hose assemblies, self-sealing couplings and other fittings required for development projects will be manufactured in India. Aeroquip is to produce the first hose line which could be made up simply by cutting the hose to the desired length and then attaching the fittings quickly in the field. This was the answer to the serious difficulties being encountered during the war years by the users of the hydraulic equipment.

BOMBAY OXYGEN

Bombay Oxygen Corporation Ltd. has announced that its acetylene plant has gone into operation on March 10. The operation of the oxygen and acetylene plants would meet the demand of the States of Maharashtra and Gujarat and other adjacent areas. The capacity of the acetylene plant is 640 cubic metres per shift per day, whereas that of the oxygen plant is 5,760 cubic metres per day.

BOMBAY DYEING

The Directors of the Bombay Dyeing and Manufacturing Company Ltd. have maintained the final dividend of Rs. 2.50 a share less tax for a year ended December 31, 1963, making a total of Rs. 3.50 a share or 14 per cent for the whole year.

ENGEL INDIA MACHINES

The shares of the Engel India Machines and Tools Ltd., which were recently offered to the public, have been fully subscribed. Allotment letters have been despatched to the applicants in accordance with the scheme of allotment approved by the Calcutta Stock Exchange Association. Official permission has been granted to the company by the Calcutta Stock Exchange Association for listing and dealing in its shares at the Calcutta Stock Exchange.

AMERICAN EXPRESS DIVIDEND

The Board of Directors of American Express Company at its monthly meeting held recently declared a quarterly dividend of 35c per share on its $5 par common stock payable on April 1, to shareholders of record of March 6. In making the announcement, President Howard L. Clark said this is the same quarterly dividend as was paid in each quarter of 1963 and the 95th consecutive year in which American Express will have paid dividends.

CAPITAL ISSUES

Five companies have been authorised to raise fresh capital exceeding Rs. 6.44 crores. Of these, two are State Government Undertakings and one is a Central Government Undertaking. Three companies are issuing equities, one is issuing equities plus cumulative redeemable preference shares and the fifth is raising its capital through debenture bonds. Two companies involve foreign collaboration. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

The Industrial Development Corporation of Orissa Ltd., a State Government Undertaking, is to issue capital of Rs. 175.44 lakhs divided into 1,75,440 equity shares of Rs. 100 each to be issued for cash at par. The money will be utilised for financing the expansion of the Low Shaft Furnace Plant and a Cast Iron Pipe Plant and a Grey Iron Foundry.

Andhra Pradesh Industrial Development Corporation Ltd., a State Government Undertaking, will be issuing capital of Rs. 1 crore in debenture bonds, carrying interest at 4¾ per cent payable half-yearly. The bonds will be issued to the State Bank of India and/or its subsidiaries for cash at par. The capital will be utilised for the purpose of rendering financial assistance to industries in Andhra Pradesh and also for the promotion of industrial projects.

Hindustan Cables Limited, a Central Government Undertaking is to issue capital of Rs. 19 lakhs divided into 1,900 equity shares of Rs. 1,000 each, to be issued for cash at par. The money will be utilised for manufacture of telecommunication cables.

Madras Alloy and Stainless Steels Limited, Madras, is to issue Rs. 300 lakhs in equity shares of Rs. 10 each, to be issued for cash at par, of which shares of the value not exceeding Rs. 16 lakhs may be offered to English Steel Corporation Limited and Firth-Vickers Stainless Steels Limited, both of U.K. The capital will be utilised in financing the company's project for the manufacture of stainless steel sheets, tool and die steels etc.

Thakur Chipboards Limited, Bihar, will be issuing capital of Rs. 50 lakhs divided into (i) 4 lakhs equity shares of Rs. 10 each and (ii) 10,000, 9.5 per cent (free of company's tax but subject to deduction of taxes at source at the prescribed rates) cumulative redeemable preference shares of Rs. 100 each. Equity shares of the value not exceeding Rs. 17.5 lakhs would be offered to Ultramar Fischer & Company, Dusseldorf, West Germany, against the supply of plant and machinery. The balance shares would be for cash at par. The money will be utilised for the construction of a factory for the manufacture of chipboard.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 7th March, 1964. The list contains the names and addresses of the licensees, the items of manufacture and annual installed capacity.

COAL

Shri M. C. Khanna, Ranidih & Pipratand Collieries, P.O. Mohuda, Distt. Dhanbad (Dhanbad Distt., Bihar) — Coal 30,000 tonnes.

INTERNAL COMBUSTION ENGINES

Rockwell India Ltd., C/o Batliboi & Company, Forbes Street, Fort, Bombay-1 (Gujarat) — Light Weight Gasoline Engines. 1st year 3,000 nos. 2nd year 4,200 nos. 3rd year and onward 7,000 nos.

ELECTRICAL EQUIPMENT

Shri P. Kumar, Industrial Estate, Lal baug, Bombay (Poona, Maharashtra) — Press Steel Radiators for (a) Transformers 1,32,000 sq. meters. (b) Other Heat-transfer applications in Chemical, Textile and other Engineering Industries 68,000 sq. meters.

AUTOMOBILES

Globe Auto Electricals Ltd., Green's Mansions, Gateway of India, Bombay-1. (Mulund, Greater Bombay, Maharashtra) — Ignition Switches for automobiles, 25,000 Nos.

INORGANIC CHEMICALS

Excel Industries Pvt. Ltd., 184-187, Ghodbunder Road, Jogeshwari, Bombay-10, (Jogeshwari, Bombay, Maharashtra) — Dicalcium Phosphate (Tooth Paste grade) 1,000 metric tonnes. Sodium Tri Poly Phosphate - 1,000 metric tonnes. Tetra Sodium Pyro-Phosphate (Detergent grade) — 5000 metric tonnes.

COTTON TEXTILES

North Gujarat Cotton Mills, Siddhpur (Gujarat) — 9036 spindles for manufacture of cotton yarn. N. K. Cotton Mills Ltd., Sadabad Gate, Hathras (Hathras, Uttar Pradesh) — 12,284 spindles for manufacture of cotton yarn. Niranjan Mills Pvt. Ltd., Falsawadi, Surat-3 (Gujarat) — 12,000 spindles for manufacture of cotton yarn. Arunoday Mills Ltd., 'Jyoti', Vallabhkanya, Vidyala Road, Rajkot (Gujarat) — 13,000 spindles for manufacture of cotton yarn. Bharat Commerce and Industries Ltd., Rajpura, Distt. Patiala, (Rajpura, Punjab) — 13,000 spindles for manufacture of cotton yarn. Dawn Mills Co. Ltd., State Bank Building, Bank Street, Fort, Bombay (Maharashtra) — 100 automatic looms for manufacture of cotton cloth. Modi Spg. and Wvg. Mills Co. Ltd., Modinagar (U.P.) (Modinagar, Uttar Pradesh) — 100 automatic looms for manufacture of cotton cloth. The Gokak Mills Ltd., Gokak Falls, Belgaum Distt., Gokak Falls, Belgaum Distt. (Mysore State) — 20,000 spindles for manufacture of cotton yarn. D. P. F. Textiles Pvt. Ltd., Mettupalayam Road, G. N. Mills Post, Coimbatore Distt. (Madras) — 12,006 spindles for manufacture of cotton yarn. The Vijayalakshmi Mills Ltd., Kuniyamuthur P.O., Coimbatore-8 (Madras) — 100 automatic looms for the manufacture of cotton cloth. Swadeshi Cotton Mills Co. Ltd., Kanpur (Kanpur, Uttar Pradesh) — 48, automatic looms for manufacture of terry towelling cloth. Jagatjit Cotton Textiles Mills Ltd., Thapar House, 25-Brabourne Road, Calcutta (Phagwara, Punjab) — 24, automatic looms for the manufacture of terry towelling cloth. Bombay Dyeing and Manufacturing Co. Ltd., Neville House, Graham Road, Ballard Estate, Bombay (Maharashtra) — 26, automatic looms for the manufacture of terry towelling cloth. Ahmedabad Kaiseri-Hind Mills Co. Ltd., Ahmedabad (Gujarat) — 2,000 spindles for manufacture of cotton yarn. Mahalakshmi Mills Co. Ltd., Beawar (Beawar, Rajasthan) — 7,500 spindles for manufacture of cotton yarn. Jaya Shree Textiles and Industries Ltd., Rishra, (Distt. Hooghly), (Rishara, West Bengal) — 148 plain looms. Bharat Commerce and Industries Ltd., Kolshet Road, Thana (Thana, Maharashtra) — 13,000 spindles for the manufacture of cotton yarn. The Kanti Cotton Mills Private Ltd., Surindranagar (Surendranagar, Gujarat) — 6,180 spindles for the manufacture of cotton yarn.

PAPER

Orient Paper Mills Ltd., 15, India Exchange Place, Calcutta-1 (Brajraj Nagar, Orissa) — Paper & Board 11,600 tonnes, Pulp 11,600 tonnes. Sirpur Paper Mills Ltd., 15, India Exchange Place, Calcutta-1 (Sirpur, Kaghaznagar, Andhra Pradesh) — Paper & Board 12,000 tonnes, Pulp 12,000 tonnes. Shree Gopal Paper Mills Ltd., 25, Brabourne Road, Calcutta (Yamunanagar, Ambala Distt. Punjab) — Paper and Board 7,000 tonnes, Pulp 7,000 tonnes. Bengal Paper Mills Co. Ltd., 14, Netaji Subhas Road, Calcutta-1 (Raniganj, Distt. Burdwan, West Bengal) — Paper & Board 21,000 tons, Pulp 21,000 tons.

CERAMICS

Kiran Engineering Corporation, Maheshwari Mansions, 34, Napeansea Road, Bombay-6 (Near Vijapur, Distt. Mahisana, Gujarat), Proposed name: "Ceramics and Hardware (Gujarat) Ltd." — High Tension insulators 2,400 tonnes.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 7th March, 1964

(Information pertains to particular licences only)

From M/s. M. R. Industries Ltd., Bombay to M/s. Murphy India Ltd., Bombay. From Alfa-Laval Private Ltd., Bombay to Alfa-Laval Ltd., Bombay. From M/s. Gillanders Arbuthnot & Co. Ltd. (Managing Agents) Calcutta to M/s. The Hooghly Mills Co. Ltd., Calcutta. From M/s. Jay Shree Textiles Ltd., New Delhi to M/s. Jaya Shree Textiles and Industries Ltd., New Delhi.

LICENCES REVOKED OR SURRENDERED

During the week ending 7th March, 1964

(Information pertains to particular licences only)

M/s. Khandelwal Ferro Alloys Ltd., Bombay — Cast Iron Spun Pipes. Name of licensee: M/s. The Moradabad Spinning & Weaving Mills Co., Ltd., Moradabad, Name of the undertaking: M/s. The Electric Hoist Manufacturing Co., Moradabad — Electric Hoists. M/s. Blucmerint, Switchgears Associates Pvt. Ltd., Coimbatore — Machine Tools. M/s. Dhrangadhra Chemical Works Ltd., Bombay — Potassium Chloride. M/s. Vikram Industries, Bombay — Art silk fabrics. M/s. R.R. Loyia Textiles Ltd., Kamptee — Cotton yarn.



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BOOKS BRIEFLY

Rural Household Saving

Rural Household Saving Survey, 1962: Published by National Council of Applied Economic Research, New Delhi; Pp. 8; Price one rupee only.

THE PRELIMINARY estimates of rural household saving in India released recently by the National Council of Applied Economic Research indicated that in 1962, aggregate saving in the rural sector was of the order of Rs. 8,300 crores, disclosing a six per cent saving-income ratio. Eliminating the net increase in livestock and in consumer durables, which are usually not taken as a part of saving, the saving-income ratio works out to 4.7 per cent. The corresponding ratio for the urban sector was earlier estimated by the Council at 12.2 per cent.

The survey was conducted in the first quarter of 1963, but related to the calendar year 1962. The saving component considered consisted of the changes in assets and liabilities of the rural households. A representative sample of 8,655 households was selected in a three-stage sample design. The stages were: (1) districts; (2) places under 10,000 population and (3) households within such places. The districts were grouped in 60 strata with per capita gross agricultural production, population etc. as the stratification variables. A standard procedure for control was applied and one district was selected out of each stratum. In all, 320 places were selected out of which only 19 were towns according to the census classificaion. The definition adopted by the National Council put all towns below 10,000 of population in the rural sector. Earlier, the urban households survey had put all towns with population of more than 10,000 in urban areas. According to the census classification, the line of demarcation between rural and urban areas is at 5,000 population.

The gross increase in rural saving in 1961 was placed at Rs. 736 crores. Increments in physical assets such as housing and buildings, farm investment, business investment, consumer durables, stocks, livestocks and land were valued at Rs. 766 crores. The increase in financial assets was put at Rs. 179 crores consisting of currency and coins at Rs. 70 crores, small savings at Rs. 33 crores, life insurance premia at Rs. 22 crores, commercial and cooperative bank deposits at Rs. 19 crores, provident funds at Rs. 16 crores, co-operative shares and other securities at Rs. 10 crores and chit funds etc at Rs. 9 crores. The increase in investment in gold and silver was Rs. 39 crores. On the liabilities side, there was an increase of Rs. 219 crores, while capital transfers of the order of Rs. 29 crores took place.

The rural household survey has confirmed the finding of the earlier urban household survey that practically all the new absorption of gold and silver was taking place in the rural sector. The Council has, however, not given any details under the head "liabilities" as the data are still being processed; the opinion has been given that the figure of Rs. 219 crores is, perhaps, on the higher side as a result of some over-statement of borrowing and even larger under-statement of lending. Again, a comparison with the figures collected in 1951-52 by the Reserve Bank in its rural credit survey shows that gross farm investment did not rise between 1951-52 and 1962. The Council is of the opinion that this is hardly credible and, therefore, a further probe is necessary. Because the procedures of inquiry adopted by the National Council and the Reserve Bank were different, the comparison is of a tenuous nature. The increase in currency and coins by Rs. 70 crores in one year (out of a total increase in notes in circulation and coins of Rs. 177 crores) in the hands of the rural population shows that banks have failed to mop up the increased liquid funds available to the people. A distribution of the liquid funds according to the income scale will show if all the new liquid funds are scattered in the hands of the lower income brackets in driblets or they are in the hands of a few rich people. This analysis of the data is awaited and this detailed study may become available by the middle of the current year.

INVESTORS' GUIDE

Kothari's Economic Guide and Investors' Handbook of India, 1963: Compiled and Published by Kothari and Sons; Price Rs. 50/- Pp. 2592.

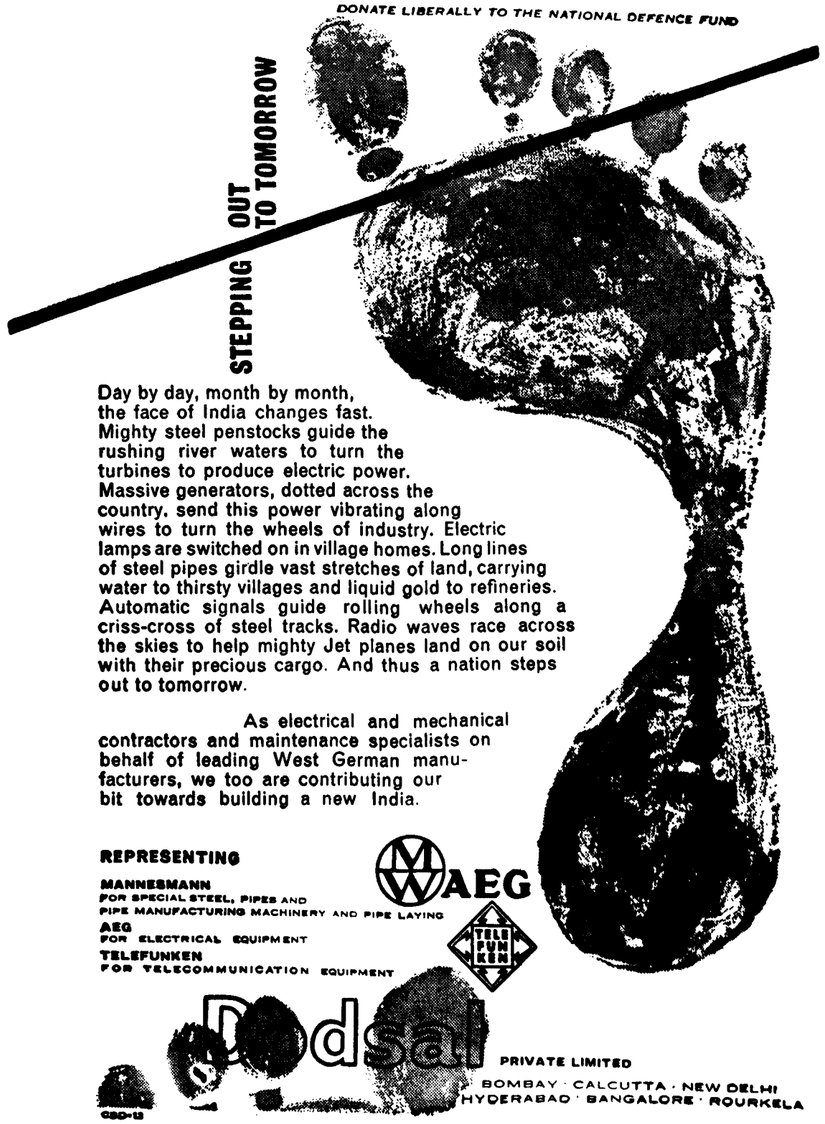
The Investors' India Year-Book 1963: Compiled by Place, Siddons and Gough (Private) Ltd.; Published by Orient Longmans Ltd.; Price Rs. 25/- Pp. 400.

The 25th edition of Kothari's voluminous compilation is a comprehensive source of information regarding year-to-year performance of the corporate sector. The working results of nearly 4,000 companies have been tabulated to provide comparative figures for the last seven years up to the end of 1962 along with other information like the names of directors, registered offices, capital structure, etc. It also contains a general review of the economy and brief commentary on the performance of the public sector, the Central Budget 1963-64, the Compulsory Deposit Scheme and the Gold Control Rules. The statistical section, illustrated with graphs, contains data on the movement of share prices, foreign collaborations and licences granted.

The 49th edition of the Investors' India Year-Book has been brought up-to-date by the inclusion of facts from the latest reports issued by various companies as well as the new companies that have come into being. Facts like the capital structure and the directors associated with each company have been documented with considerable care. The section under 'Miscellaneous Companies,' which includes paper, engineering, chemicals and metals industries, is rather long. A break-up into separate sections can definitely be of added assistance to the readers. The volume contains additional information relating, for instance, to new issues offered during the year and the price movements of important shares.

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COMPANY MEETING

THE STATE BANK OF INDIA

Speech of the Chairman, Shri B. Venkatappiah, at the Ninth Annual General Meeting of the Shareholders held in Bombay

Gentlemen,

I welcome you to this meeting and am glad of the opportunity to tell you of the progress which the State Bank of India and its Subsidiaries have made since we met a year ago. More specifically, we are concerned today with the Report of the Central Board of Directors of the State Bank of India for the year 1963, the Bank's Profit and Loss Account for the same period and the Balance Sheet as at 31st December, 1963. You have already had an opportunity of perusing these documents.

2. Last year we met under the shadow of Chinese aggression. The impact of that event on the economy of the country and, of particular relevance from our point of view, the dislocation caused to the normal operation of credit in certain sectors are no doubt still fresh in your mind. As I then told you, we immediately took several measures in collaboration with trade and industry, with the Reserve Bank of India and with Government. This was in order to ensure that credit, both medium-term and short-term, was available in appropriate form and adequate quantity in what were then regarded as the more vulnerable areas; that the distribution of foodgrains, whether by Government, Co-operatives or the trade, was suitably and promptly financed; that the manufacturers of goods and equipment for meeting the defence needs of the country were assisted with credit in all the ways open to the Bank and that such assistance was especially directed, for here the need was greatest, to small and medium entrepreneurs engaged in defence industries; that special attention was devoted to export credit with a view to stepping up exports, since, as I said last year, a new dimension of gravity had been imparted by the National Emergency to the problem of foreign exchange; that the Bank and its Subsidiaries, through every single one of their branches and offices — and these together now number 1,644 — participated in the countrywide work connected with the collection of funds, gold and valuables for the defence effort; and, last but not least, that special facilities, also on a country-wide scale, were made available to the members of the Armed Forces in the matter of maintenance of accounts and remittance of moneys to families and dependents. I am glad to be able to report to you that in all these respects we succeeded in acting promptly, helpfully and in large measure effectively. In what follows I shall tell you of our other and more usual activities, those relevant to us as the biggest commercial banking organisation in the country: one, moreover, which has been enjoined by its charter to keep in mind both its commercial character and the public interest. I shall endeavour to review briefly not only the financial results of the year's working — these are satisfactory in so far as we have more than maintained our profits — but also our total performance, firstly in relation to our normal banking activity and secondly with reference to those spheres of development which have all along claimed our special attention. Further, I shall try, in continuation of what I said last year, to indicate as succinctly as I can the progress we have made in other matters pertinent to our own growth and efficiency such as recruitment and training, premises and housing, personnel welfare and personnel relations, delegation and decentralization.

3. In comparison with 1962 we earned substantially more in 1963. Our income went up for two principal reasons. The main one of course was expansion of business. The advances touched a new peak: Rs. 309 crores in 1963 as against Rs. 289 crores in 1962. I may mention in passing that in the current busy season, that of 1964, advances have already passed the 325-crore level. The other factor which contributed to increased earnings was the modification which we effected in our lending rates from the close of business on April 5, 1963, so as to bring them into greater conformity with prevailing conditions, including the already enhanced Bank Rate, as also of course our own needs. The State Bank of India Advance Rate was accordingly raised from 5 per cent to 6 per cent. But the increases actually effected were graduated. Little or no addition was made to the higher ranges of interest rates charged by the Bank and the full rise of 1 per cent was confined to the lowest range. Moreover, certain types of advances continued to be concessionary in the matter of interest. On loans to Small Industries, for example, the rates were stepped up only marginally; and on advances to Co-operatives they were retained at broadly the same level as before. We earned more than we did in 1962 not only on interest and discount but also on commission, exchange and brokerage. It will be seen that after allowing for all the usual and necessary provisions from the resultant earnings, our income has increased by Rs. 2.79 crores to Rs. 25.37 crores in 1963.

4. I have referred to certain needs which, along with other factors, necessitated a modification of our lending rates. These were two. The first was connected with our deposits and the second with our wage bill. Our policy in regard to deposits is quite simple. We do not want to enter into undesirable competition with other banks, that is to say competition which is either unhealthy in itself or harmful to the economy. At the same time, in the important process of building up our own deposits, we propose to make every effort, along with other banks, to attract savings and bring them increasingly into the banking system. Accordingly, as one such measure, we raised the rate of interest on various categories of fixed deposits and savings deposits by ½ per cent during the course of the year. On the same date as we effected this, viz., April 1, 1963, we reduced the minimum acceptable amounts of call and short-term deposits from Rs. 1 lakh to Rs. 25,000 and introduced for the first time fixed deposits for periods of 24 and 36 months. Our deposits have increased. If demand and time deposits are taken together, there was an increase of Rs. 25 crores from Rs. 496 crores in December 1962 to Rs. 521 crores at the end of 1963. These figures however do not take into account the transfer of P.L. 480 Funds to the Reserve Bank of India. This transfer was of the order of Rs. 20 crores in 1962 and Rs. 42 crores in 1963. If P.L. 480 Funds were excluded altogether for 1962 and 1963, the increase in aggregate deposits was Rs. 69 crores in 1963. Of this, time deposits accounted for an increase of as much as Rs. 48.8 crores. The enhancement of our rates of interest on deposits, together with the larger quantum of deposits on which interest has had to be paid, accounts for an increase of about Rs. 95 lakhs in our expenditure. There is another big item of increase. I have referred to recruitment. We have a fairly large backlog to make up. Also we have a further and very considerable branch expansion programme ahead of us. We have assessed our needs and drawn up and started implementing an intensive plan of recruitment at both clerical and supervisory levels. I mentioned last year that apart from the increases

effected in the salaries and allowances of those governed by the Award, we had found it necessary to revise the pay scales and otherwise improve the emoluments of various categories of our supervisory personnel. For some of these categories, the full year's cost of such revision is reflected in the expenditure for 1963. On all these counts and others, including the increased dearness allowance payable under the Award in relation to the cost of living index, the establishment bill has gone up by Rs. 1.43 crores. In all, as compared with 1962, our expenditure has increased by Rs. 2.73 crores to Rs 22.62 crores.

5. Income being Rs. 25.37 crores and expenditure Rs. 22.62 crores, the net profit for 1963 is Rs. 2.75 crores (as against Rs. 2.69 crores for 1962). Together with the balance of Rs. 0.46 crore brought forward from last year, the sum available for appropriation to various heads, including dividend to shareholders and bonus to staff, is Rs. 3.20 crores. The dividend has been maintained at the same level as in the previous year, viz., Rs. 23 per share, subject to deduction of tax. This accounts for Rs. 1.29 crores. The bonus to staff is broadly on the same basis as last year, viz., two months' salary; the actual amount provided is however larger than last year's—Rs. 82 lakhs against Rs. 72 lakhs — because of the increase in the number of employees and the increments meanwhile earned by them. To the Reserve Fund has been added the same amount as in 1962, viz., Rs. 55 lakhs. Lastly, a sum of Rs. 5 lakhs has been transferred to the Staff Welfare Fund and an equivalent amount to the Staff Co-operative Housing Fund. These provisions too are identical with those made last year.

6. It will be convenient if I refer at this stage to our Subsidiaries. They have made progress in various directions. An outstanding measure of reorganisation, as you are aware, was the establishment on January 1, 1963, of the State Bank of Bikaner and Jaipur. This institution, which in effect combined the State Bank of Bikaner and the State Bank of Jaipur in one large unit, is now in a position to serve more effectively than before the entire State of Rajasthan. In their traditional operations no less than in the developmental sphere, the performance of the Subsidiary Banks has been a noteworthy one. The number of offices of the seven Banks together rose from 519 at the end of 1962 to 568 at the end of 1963. Also in the aggregate, their deposits rose by over Rs. 13 crores to Rs. 156 crores and their advances by about Rs. 4 crores to Rs. 75 crores. There was an increase in profits from Rs. 58.50 lakhs in 1962 to Rs. 67.97 lakhs in 1963. The State Bank of Travancore has raised the rate of dividend from 5 per cent for 1962 to 6 per cent for 1963. The State Bank of Patiala, which had not declared any dividend for 1962, has been able to declare a dividend of 5 per cent for the year under review. The State Bank of Saurashtra, while once more not declaring a dividend, has nevertheless taken opportunity to strengthen its reserves further. The other Subsidiaries maintained the same level of dividend as in the previous year.

7. I will now turn to the programme of Branch Expansion of the State Bank of India and in the same context deal with connected topics such as premises, recruitment and training. As mentioned in the Directors' Report, the Bank had 4 Local Head Offices, 733 Branches and 332 Sub-Offices in India at the end of 1963. It had besides an office each in London and Colombo and five offices in Pakistan. In all, therefore, the Bank had 1,076 offices at the close of the year which together with the 568 offices of the Subsidiaries make a total of 1,644, a figure I have already mentioned, for the entire organisation. During the course of the year the State Bank of India increased the number of its branches by 29 (of which 20 were under the Expansion Programme) and of other offices by 37. In consultation with Government and the Reserve Bank of India the Bank has now entered, as from January 1, 1964, on a new five-year phase of planned expansion comprising 75 branches (to be opened before the middle of 1965 under the previous programme) and 319 branches (to be opened before the end of 1968 under the new programme), making a total of 394 or nearly 400 for the next 5 years. This is as big a project of expansion as the State Bank had undertaken on its establishment and successfully executed during 1955-60. It is at the same time more complicated in many ways. Suitable buildings are hard to come by in the smaller towns. Personnel has to be recruited and trained. Inter-branch accounts and their reconciliation, if only because of the number of Branches and offices involved, will present further complexities. The farther the Bank goes into semi-urban and rural areas the greater will be the need for it to evolve new techniques whether for mobilisation of adequate deposits or disbursement of appropriate credit. These difficulties are real but it is my firm faith that they are not insurmountable, provided always that, in finding solutions, we are allowed a perspective that is long enough. Endeavouring to act on this assumption we have already done some planning and taken certain measures. Premises Divisions have been constituted both in the Central Office and at the Local Head Offices in order to devote special attention to finding suitable sites and buildings, constructing our own premises if needed and, incidentally, renovating existing branches wherever that may be necessary from the point of view of improved customer service or better working conditions. A Committee has recently made detailed suggestions in all these respects and the recommendations are being implemented. I have earlier referred to the larger programme of recruitment at different levels which is already in operation. Further, we have revised and expanded our scheme of training. There is now a three-level training programme for the officials and a two-level programme for the clerical staff, with special courses for different categories wherever appropriate. The three-level programme consists of a preliminary and induction course, an intermediate course and a senior course, while the two-level programme consists of an induction course and an intermediate course. We have now, apart from the Staff Training College at Hyderabad, 4 residential training schools at Patna, Indore, New Delhi and Nagapattinam, in addition to 3 training schools at Local Head Offices and 10 zonal centres. With these training facilities as also the training arrangements provided by outside agencies in India and abroad, it has already been possible to train over 1,600 clerks and about 200 officers during the year. We have taken certain steps to simplify the accounting procedures which operate in and between our branches. For devising the further measures of reform that will no doubt be called for in this context, as also for dealing in a planned manner with the long-term problems of the Bank generally, a Planning, Organisation and Methods Division has been recently constituted in the Central Office with appropriate personnel. Lastly, in regard to the mobilisation of deposits in the rural areas and elsewhere we are experimenting at several centres, keeping always in view the need, firstly, to improve customer service, secondly, to employ suitable forms and media of communication and, thirdly, to ensure that the cost is commensurate with the results. I may mention in passing, though this has specific reference to the Subsidiaries, that a Committee has been asked to investigate and report on the subject of mobilisation of rural deposits in relation to the area covered by the State Banks of Mysore, Hyderabad and Travancore. The Committee has recently submitted its report.

8. Against the background of wider economic planning, may I at this stage take the opportunity of welcoming some of the new financial institutions which have been or are about to be established? I refer to the Unit Trust in its bearing on investment, the Export Credit and Guarantee Corporation from the point of view of export trade and the Development Bank in relation to industry. These will fill existing gaps in institutional assistance and I have no doubt that, in more

than one context, the State Bank of India will be able to collaborate fruitfully with the new institutions as it does with those already in the field. It is pertinent to mention here that our advances are now increasingly industry-oriented, while at the same time there is no decrease in the quantum of the credit we make available for trade and commerce. In relation to the total advances of the Bank, industry accounted for 72.1 per cent in 1962. This percentage has increased to 75.1 in 1963. Further, about 30 per cent of the advances to the industrial sector were utilised by basic industries such as iron and steel, heavy engineering, cement, and fertilisers, and about 18 per cent by export-based industries like jute textiles. We have not of course neglected agriculture and food. Thus the jute buffer stocks financed by us accounted for more than Rs. 7 crores and the advances to State Governments for financing the distribution of foodgrains aggregated Rs. 13.5 crores. In the important sector of small-scale industry, our total credit commitments now aggregate Rs. 17.6 crores, so far as working capital is concerned. I would point out that this figure is exclusive of advances granted to small units of a traditional type such as rice and oil mills. You are aware that the facilities we now offer to small industrialists include medium-term loans and instalment credit. Further relaxations have been made in granting accommodation against supply bills drawn on the Directorate General of Supplies and Disposals. Also, where small units have secured order from Government, we are arranging to ensure, by entering into a fresh agreement with the National Small Industries Corporation, that the units can obtain further facilities from us by way of advance payment for purchase of raw materials. We are thus continuously examining the scope of increasing our assistance to small entrepreneurs and have implemented a number of measures suggested in this context by the Study Team to which I made a reference last year. Further, in this sphere of our activity even more than elsewhere, we have been laying stress on simplification and improvement of procedures, introducing flexibility in our operations in order to meet the varied requirements of the small entreprencurs, training our field staff specially for this purpose, and strengthening our staff position, in branches and Local Head Offices, so that the work is attended to with efficiency and promptitude.

9. We have made some progress in the financing of co-operatives, and the total credit limits sanctioned by the Bank to all types of co-operative institutions increased from Rs. 33.4 crores on September 30, 1962 to Rs. 45.2 crores on September 30, 1963. In addition to the several types of credit facilities already provided, we started during the year to finance primary co-operative consumers' stores through co-operative financing agencies, in addition to the wholesale consumers' co-operative stores we had already been financing. Other new measures we initiated during the year include the extension of term loan facilities to industrial co-operatives and the financing, on certain conditions, of labour contract and construction co-operatives. Advances against warehouse receipts issued by Central and State Warehousing Corporations declined to some extent in the course of the year. It may be noted in this connection that the advances had been brought within the purview of the Reserve Bank's Selective Credit Controls. It is nevertheless my belief that there is considerable scope for improvement in this business provided the warehouse receipt commands the unqualified confidence of depositors and lenders and thereby wins general acceptance and circulation as an instrument of credit. I have no doubt that the Corporations are cognizant of the steps which have to be taken in order to bring about such confidence. It goes without saying that, in the absence of such steps, the Bank itself is helpless in the matter of promoting the usefulness, much less the popularity, of warehouse receipts.

10. Last year, I referred to the need as well as scope for building up an enduring and harmonious relationship between the staff and the management. We have since taken several measures to this end. Firstly, in order that the issues might be clarified dispassionately and a programme of further steps drawn up constructively, we held in July-August 1963, with the assistance of experts on the subject, an internal seminar on Management-Staff Relations. This was attended by those in the top management and other officers who were handling staff matters. In pursuance of the discussions in the seminar we are exploring the possibility of having regular consultative meetings between management and staff at various levels, as also of evolving other relevant procedures. These matters are being discussed with the representatives of the Staff Federation and I hope that suitable arrangements will soon be agreed upon. It is needless for me to say that, important as all such procedures will be, the spirit behind them — a spirit of understanding and co-operation between Management and Staff — will be much more important. We have already made some headway in the matter of staff welfare following our discussions with the Staff Federation and the evolution of an arrangement for the utilisation of the Staff Welfare Fund. Further, we have decided to encourage the formation of consumer co-operatives at important centres so that all employees might obtain their requirements of foodgrains and consumer goods at reasonable prices. Two such consumer stores have already been started — one at Madras and the other at New Delhi — and a few more are likely to be established shortly. While the Bank will help to establish these co-operatives by providing premises and other necessary equipment and facilities, what is contemplated is assistance of such a nature as would enable the societies to develop into autonomous and truly co-operative organisations within as short a time as possible. I am glad to be able to say that appreciable progress has been made in the matter of staff co-operative housing. In all, 49 co-operative housing societies have been established at 39 centres. Buildings have been completed in 3 cases and are under construction in about 20 cases. Loans are sanctioned on concessionary terms and in suitable instalments by the Bank. The loans sanctioned amount to Rs. 68 lakhs and those already utilised to Rs. 42 lakhs. Before leaving the subject of personnel I would compliment all categories of the staff on another year's good work put in by them. I would also thank them for their devotion to the interests of the institution.

11. I should like, before I conclude, to make a brief reference to the State Bank of India (Amendment) Bill, 1963, which was introduced by the Finance Minister in the Lok Sabha on December 21, 1963. The Bill seeks to facilitate further delegation and decentralization in the State Bank. It contemplates the creation of a larger number of Local Head Offices as and when the need arises. With this possibility in view it provides for certain changes in the composition not only of Local Boards but also of the Central Board. It seeks to vest certain specific powers in the Local Boards; in addition, the Central Board may delegate other powers, but in either case the exercise of the powers is subject to any general or specific directions which the Central Board may give. As the Statement of Objects and Reasons points out, the business and activities of the State Bank of India have expanded considerably since the Bank was established on July 1, 1955, and the provisions of the Bill are designed to enable the Bank to dispose of its business efficiently and expeditiously.

12. In conclusion, both on behalf of my colleagues on the Board and myself, I would pay a tribute to the very valuable services rendered to the Bank by Prof. D. G. Karve, first as Vice-Chairman and for the last two years as a Director of the Bank. He leaves us on relinquishing his assignment as a Deputy Governor of the Reserve Bank. I welcome at the same time Shri M. R. Bhide who has taken the place of Prof. Karve both in the Reserve Bank and on the Board. I would also record our high appreciation of the services rendered to the Bank by those who, during the year, ceased to be Directors of the Central Board or Members of the Local Boards.

Balance Sheet of the State

As at 31st December 1962 Rs. nP.	Rs. nP.	CAPITAL AND LIABILITIES	As at 31st December 1963 Rs. nP.	Rs. nP.
		1. Capital:		
	20,00,00,000 00	Authorised Capital — 20,00,000 shares of Rs. 100 each	20,00,00,000 00	
		Issued, Subscribed and Paid-up Capital — (pursuant to Section 5(1) of the State Bank of India Act, 1955) — 5,62,500 shares of Rs. 100 each ..		
5,62,50,000 00				5,62,50,000 00
3,75,00,000 00		**2. Reserve Fund and Other Reserves**		9,30,00,000 00
		2.A.‡ Integration and Development Fund (maintained under Section 36 of the State Bank of India Act, 1955)		
3,11,53,768 41				3,56,17,700 41
		3. Deposits and Other Accounts:		
	260,03,26,155 68	Fixed Deposits	264,10,44,188 33	
	57,88,20,461 91	Savings Bank Deposits	70,67,49,948 80	
567,37,08,689 49	249,45,62,071 90	†Current Accounts, Contingency Accounts, etc. ..	259,62,04,329 51	594,39,98,466 64
		4. Borrowings from Other Banking Companies, Agents, etc.:		
	48,00,000 00	§(i) India	72,40,000 00	
63,00,000 00	15,00,000 00	(ii) Outside India	..	72,40,000 00
		§Borrowed from the Refinance Corporation for Industry Ltd. as per contra		
		Particulars:		
	48,00,000 00	(i) Secured by the securities assigned for refinance, per contra	72,40,000 00	
	15,00,000 00	(ii) Unsecured	..	
	63,00,000 00		72,40,000 00	
9,07,99,705 53		**5. Bills Payable**		9,12,07,493 95
		6. Bills for Collection being Bills Receivable as per contra:		
	2,34,36,538 80	(i) Payable in India	9,39,35,070 82	
2,55,94,263 80	21,57,725 00	(ii) Payable outside India	27,51,045 04	9,66,86,115 86
		7. Other Liabilities:		
	73,12,500 00	*Final Dividend for the year	73,12,500 00	
	33,705 17	Unclaimed Dividends	46,740 97	
10,21,87,779 35	9,48,41,574 18	Inter-Office Adjustments	19,27,98,724 46	20,01,57,965 43
		8. Acceptances, Endorsements and Other Obligations per contra		
7,54,70,856 64				17,80,55,871 04
		9. Profit and Loss:		
	50,41,356 99	Balance brought forward from last year	45,67,522 02	
	2,69,25,376 03	Profit for the year	2,74,81,798 03	
	3,19,66,733 02		3,20,49,331 05	
		Amount set aside for payment of Dividend (made up of Interim Dividend Rs. 56,25,000 and Final		
	1,29,37,500 00	Dividend Rs. 73,12,500)	1,29,37,500 00	
614,89,65,063 22		Carried over ..		670,22,13,613 33

‡ In addition to the credit of Rs. 40,21,875 pertaining to the final dividend for 1962, a sum of Rs. 30,93,750 was credited to this Fund on account of the interim dividend declared in July 1963. A sum of Rs. 10,81,832 was appropriated from this Fund during the year, under the authority of the Reserve Bank of India, in respect of losses for the year 1962 of the new branches established under Section 16(5) of the State Bank of India Act, vide item 7(a) of the Profits and Loss Account. A further sum of Rs. 16,19,861 was appropriated from the Fund, with the approval of the Reserve Bank, in respect of the subsidies granted to the Subsidiary Banks towards losses of their new branches, in terms of Section 36(2) (aa) of the State Bank of India Act read with Section 48(1)(b) of the State Bank of India (Subsidiary Banks) Act.

† Includes Staff Welfare Fund and Staff Co-operative Housing Fund, ownership whereof vests in the Bank.

• Of which Rs. 40,21,875 is to be credited to the Integration and Development Fund (item 2A above) bringing the amount in the said Fund to Rs. 3,96,39,575.41.

Bank of India as at 31st December, 1963

As at 31st December 1962 Rs. nP.	Rs. nP.	PROPERTY AND ASSETS	As at 31st December 1963 Rs. nP.	Rs. nP.
		1. Cash:		
47,48,83,106 49		In hand and with Reserve Bank (including foreign currency notes)		44,17,01,014 70
		2. Balances with other Banks:		
		On current account On Deposit		
	..	(i) In India Rs. .. Rs. ..	..	
4,69,84,671 85	4,69,84,671 85	(ii) Outside India Rs. 3,09,84,500.59 Rs. 54,46,684.89	3,64,31,185 48	3,64,31,185 48
5,06,66,666 66		**3. Money at Call and Short Notice**		5,80,00,000 00
		4. @ ‡Investments (securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost):		
	241,95,65,935 15	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments.	260,74,48,554 15	
		(ii) Shares authorised under the State Bank of India Act, 1955		
		Fully paid-up Rs. 1,05,84,942.37		
	2,09,85,520 77	Partly paid-up Rs. 1,27,30,975.00	2,33,15,917 37	
	10,03,58,598 33	(iii) Debentures or Bonds	14,98,48,709 33	
262,48,81,020 12	8,39,70,965 87	(iv) Other Investments — Pakistan and other Government Securities, etc.	5,42,43,746 39	283,48,56,927 29
		‡ Of which investments of the face value of Pakistan Rs. 16,00,000 are pledged against borrowings etc. from other Banking Companies, Agents, etc.		
		5. Advances:		
		§(I) Loans, Cash Credits, Overdrafts, etc. —		
		(i) In India Rs. 268,34,32,370.05		
	254,54,20,935 59	(ii) Outside India Rs. 2,82,12,654.07	271,16,45,024 12	
		§Include term advances amounting to Rs. 5,44,13,140, of which refinance has been obtained from the Refinance Corporation for Industry Ltd. to the extent of Rs. 72,40,000 as per contra		
		(II) Bills Discounted and Purchased —		
		(i) Payable in India Rs. 14,52,62,411.92		
270,48,48,055 68	15,94,27,120 09	(ii) Payable outside India Rs. 4,46,43,997.16	18,99,06,409 08	290,15,51,433 20
		Particulars of **Advances:** See separate statement appended.		
		6. Bills Receivable being Bills for Collection as per contra:		
	2,34,36,538 80	(i) Payable in India	9,39,35,070 82	
2,55,94,263 80	21,57,725 00	(ii) Payable outside India	27,51,045 04	9,66,86,115 86
7,54,70,856 64		**7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations** per contra		17,80,55,871 04
		8. Premises less Depreciation:		
	2,09,05,968 47	Total Cost up to the 31st December, 1962	2,23,70,857 51	
	14,64,889 04	Additions (Rs. 18,66,586.51) less Deductions (Rs. 1,52,874.82) during the year	17,13,711 69	
	2,23,70,857 51		2,40,84,569 20	
600,33,28,641 24		Carried over ..		654,72,82,547 53

@ Includes Rs. 1,77,002 of investments, acquired consequent upon the amalgamation of the Bank of Baghelkhand under a scheme sanctioned by the Government of India in terms of Section 35 of the State Bank of India Act, which are still to be transferred to the Bank, pending completion of formalities.

Balance Sheet of the State

As at 31st December 1962 Rs. nP.	Rs. nP.	CAPITAL AND LIABILITIES	As at 31st December 1963 Rs. nP.	Rs. nP.
614,89,65,063 22		Brought forward ..		670,22,15,613 33
	55,00,000 00	Amount transferred to Reserve Fund	55,00,000 00	
	7,61,700 00	Amount transferred to Pension Funds	8,61,000 00	
	72,00,000 00	Bonus to Staff	32,00,000 00	
	5,00,000 00	Amount transferred to Staff Welfare Fund ..	5,00,000 00	
45,67,533 02	5,00,000 00	Amount transferred to Staff Co-operative Housing Fund	5,00,000 00	35,50,831 05
		10. Contingent Liabilities:		
	Rs. 9,67,915.59	Claims against the Bank not acknowledged as debts Rs. 17,24,469.26		
	Rs. ..	Bills of Exchange rediscounted Rs. ..		
	Rs. 47,89,31,834.87	Outstanding Forward Exchange contracts Rs. 32,92,48,116.86		
	Rs. 2,19,55,300.00	On partly paid-up shares Rs. 2,04,71,450.00		
	Rs. 1,50,00,000.00	Balance of call to be made on Debentures Rs. ..		
	Rs. 4,13,700.00	Guarantees given on behalf of Directors, Local Board Members or Officers of the Bank Rs. 2,26,750.00		
	Rs. 158,60,29,483.55	Guarantees given on behalf of others Rs. 155,37,95,159.40		
615,35,32,596 24	Total ..	..	Total	670,57,64,444 38

Particulars of Advances

As at 31st Dec. 62 Rs. nP.		As at 31st Dec. 63 Rs. nP.
234,96,09,979 37	(i) Debts considered good in respect of which the Bank is fully secured ..	246,45,93,589 15
4,16,31,439 51	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	6,11,72,349 03
31,36,06,536 80	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	37,57,85,495 02
..	(iv) Debts considered doubtful or bad, not provided for	..
270,48,48,055 68		290,15,51,433 20
25,30,305 26	(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other person	29,84,795 39
72,80,69,984 75	(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	70,69,46,680 89
27,26,687 86	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other person ..	30,00,564 22
78,20,64,915 08	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	86,27,21,551 95
10,71,00,237 08	(ix) Due from banking companies	9,40,46,011 39

Bank of India as at 31st December, 1963

As at 31st December 1962 Rs. nP.	Rs. nP.	PROPERTY AND ASSETS	As at 31st December 1963 Rs. nP.	Rs. nP.
600,33,28,641 24		Brought forward ..		654,72,82,547 52
1,98,40,873 51	25,29,984 00	Depreciation written off up to the 31st December, 1963 less depreciation previously provided on property which has passed out of the Bank's possession	30,17,688 00	2,10,66,881 20
	2,16,15,934 69	**9. Furniture and Fixtures less Depreciation:** Total Cost up to the 31st December, 1962	2,39,99,859 59	
	23,83,924 90	Additions (Rs. 31,81,463.82) less Deductions (Rs. 1,18,855.85) during the year	30,62,607 97	
	2,39,99,859 59		2,70,62,467 56	
1,53,01,535 86	86,98,323 73	Depreciation written off up to the 31st December, 1963 less depreciation previously provided on property which has passed out of the Bank's possession	1,06,02,748 73	1,64,59,718 83
..		**10. Other Assets, including Gold and Silver:** Bullion	..	
	2,97,92,758 93	Adjusting Account of interest, commission, etc. ..	3,18,03,155 00	
	1,73,17,180 33	Stationery, Stamps, Suspense, Tax Recoverable, etc.	2,06,99,006 26	
11,50,61,545 63	6,79,51,606 37	Shares in Subsidiaries	6,84,53,135 57	12,09,55,296 83
		11. Non-banking Assets Acquired in Satisfaction of Claims		
..		**12. Profit and Loss**		..
615,35,32,596 24	Total		Total	670,57,64,444 38

Note: Consequent upon nationalisation of banks in Burma, the assets and liabilities of the Bank's Branch at Rangoon were taken over on 23-2-1963 by the People's Bank No. 8. Adjustment has been made in the accounts in respect of compensation due to the Bank which matter is still under negotiation with the Burmese authorities.

PARTICULARS OF REMUNERATION RELATING TO THE CHAIRMAN AND MANAGING DIRECTORS

	Salaries Rs. nP.	Allowances Rs. nP.	Sitting fees Rs. nP.	Bonus Rs. nP.	Employers contributions to provident fund, pension fund or any other superannuation fund Rs. nP.	Payments by way of gratuities, pensions or otherwise, in excess of the employer's contributions and interest thereon Rs. nP.	The monetary value of any other benefits or perquisites Rs. nP.
Chairman	41,333 28	..	..	..	2,066 64	..	5,166 66
Managing Directors	87,000 00	900 00	..	..	16,608 00	..	5,825 00

APPROPRIATION OF PROFITS

The Directors report that, the usual and necessary provisions having been made, the net profit of the Bank for the year ended the 31st December, 1963, amounted to Rs. 2,74,81,798.03 which with Rs. 45,67,533.02 brought forward from last year, makes a total of Rs. 3,20,49,331.05.

This sum, the Directors of the Bank have disposed of as follows:

1962 Rs. nP.		1963 Rs. nP.
1,29,37,500.00	Dividend to the Shareholders at the rate of Rs. 23 per share* (made up of Interim Dividend at the rate of Rs. 10 per share Rs. 56,25,000 and Final Dividend at the rate of Rs. 13 per share Rs. 73,12,500)	1,29,37,500.00
55,00,000.00	Transferred to Reserve Fund	55,00,000.00
7,61,700.00	Transferred to Pension Funds	8,61,000.00
72,00,000.00	Bonus to Staff	32,00,000.00
5,00,000.00	Transferred to Staff Welfare Fund	5,00,000.00
5,00,000.00	Transferred to Staff Co-operative Housing Fund	5,00,000.00
45,67,533.02	Balance carried forward to the Profit and Loss Account	35,50,831.05
3,19,86,733.02		Total .. 3,20,49,331.05

* Subject to deduction of tax.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1963

Year ended 31-12-1962 Rs. nP.	EXPENDITURE	Year ended 31-12-1963 Rs. nP.
7,91,44,547 24	1. Interest paid on Deposits Borrowings, etc.	8,86,29,339 34
9,41,70,579 35	2. Salaries and Allowances and Provident Fund	10,84,81,846 50
93,930 00	3. Directors' and Local Board Members' Fees and Allowances	94,430 00
68,53,976 19	4. Rent, Taxes, Insurance, Lighting, etc.	79,60,451 03
5,13,864 55	5. Law Charges	2,68,599 21
39,51,949 88	6. Postage, Telegrams and Stamps	44,93,257 60
1,00,000 00	7. Auditors' Fees	1,00,000 00
30,38,138 33	8. Depreciation on and Repairs to the Bank's Property ..	32,42,176 77
46,96,815 50	9. Stationery, Printing, Advertisement, etc.	51,41,855 00
..	10. Loss from Sale of or Dealing with Non-banking Assets	..
63,82,660 77	11. Other Expenditure	78,35,497 06
2,69,25,376 03	12. Balance of Profit	2,74,81,798 03
22,58,71,837 84	Total	25,37,29,250 54

Year ended 31-12-1962 Rs. nP.	INCOME (less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year ended 31-12-1963 Rs. nP.
16,19,07,118 11	1. Interest and Discount ..	18,48,43,451 78
6,14,82,262 76	2. Commission, Exchange and Brokerage	6,61,86,702 81
4,72,479 42	3. Rents	4,67,656 15
..	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets ..	..
..	5. Net profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets	..
..	6. Income from Non-banking Assets, and Profit from Sale of or Dealing with such Assets	..
	7. Other Receipts: (a) Recoveries from the Integration and Development Fund for the year 1962 Rs. 10,31,832.00 (b) Dividends on Shares in Subsidiaries received during the year 1963 Rs. 11,99,607.80	20,09,977 55 / 22,31,439 80
..	8. Loss	..
22,58,71,837 84	Total	25,37,29,250 54

REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA,

We, the undersigned Auditors of the State Bank of India, appointed under Section 41(1) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December, 1963.

We have examined the above Balance Sheet and the Profit and Loss Account and the Accounts relating thereto of the Central Office and the Local Head Offices at Bombay and Calcutta and the Returns submitted and certified by the Secretaries and Treasurers of the Local Head Offices at Madras and New Delhi, by the Manager, Pakistan Branches and by Branch Agents, which Returns have been incorporated in the above Balance Sheet and Accounts, and report (i) that, in our opinion, the Balance Sheet is a full and fair one, containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by the Books of the Bank; (ii) that where we have called for any explanation or information such explanation and information have been given to us and have been satisfactory; (iii) that the transactions of the Bank which have come to our notice have been within the powers of the Bank; (iv) that the Returns received from the Local Head Offices at Madras and New Delhi and from the Branches of the Bank have been found adequate for the purpose of our audit; (v) that the Profit and Loss Account shows a true balance of profit for the period covered by such account; (vi) that, in our opinion, the balance Sheet and Profit and Loss Account are drawn up in conformity with the law; and (vii) that, in our opinion, Books of Account have been kept by the Bank as required by law.

The audit of the Books and Accounts of the Central Office has been carried out jointly by Messrs. S. B. Billimoria & Co. and Messrs. Ray & Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs. S. B. Billimoria & Co. and at Calcutta by Messrs Ray & Ray.

12th February, 1964.

B. VENKATAPPIAH, **Chairman** — H. M. SEERVAI, **Vice-Chairman**

RAMNATH A. PODAR — D. G. KARVE
PURUSHOTTAM KANJI — D. P. GOENKA
PRATAPSINH MATHURADASS — K. K. BIRLA

S. B. BILLIMORIA & CO.) **Auditors**
RAY & RAY)

B. MUKERJI) **Managing Directors**
N. A. KRISHNAN)

HUGH MACKAY TALLACK) **Directors**
S. N. SEN)
BHARAT RAM)



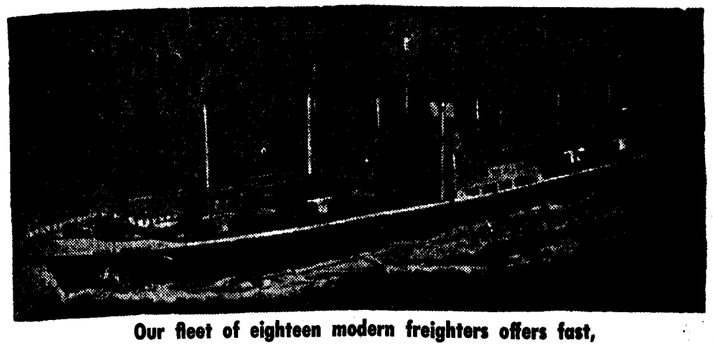
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THE UNITED COMMERCIAL BANK, LIMITED

Registered Office: 2, India Exchange Place, Calcutta-1.

To be placed before the Members at the Annual General Meeting to be held at the Registered Office of the Company at 2, India Exchange Place, Calcutta, on Wednesday, the 8th April, 1964.

Report of the Directors

The Directors have pleasure in submitting their Twenty-first Annual Report together with the Accounts of the Bank for the year ended 31st December, 1963.

The net profit for the year, after providing for taxes and for all known and anticipated charges, and including Rs. 18,992-29 brought forward from the previous account, amounts to .. .. .. Rs. 76,61,861-95

The Directors have contributed further Rs. 2,00,000 to the National Defence Fund and Rs. 25,920 to the Sydenham College of Commerce and Economics Golden Jubilee Trust Fund, transferred Rs. 17,00,000 to the Reserve Fund and Rs. 4,00,000 to the Gratuity Trust Fund and provided Rs. 19,00,000 for bonus to staff. They now recommend the payment of dividend at Rs. 6 per share subject to deduction of tax which will absorb Rs. 33,60,000 leaving an unappropriated balance of Rs. 75,941-95 to be carried forward.

The Directors consider that it is desirable to capitalise a sum of Rs. 20,00,000 out of the sum of Rs. 40,00,000 standing to the credit of the share premium account and they have accordingly applied to the Controller of Capital Issues for his consent in this behalf. The Directors now await the final outcome of this year's budget proposals relating to the taxation of bonus shares before taking further action.

During the year branches of the Bank were opened at Dum Dum and Jadavpur in Calcutta, Santa Cruz and Warden Road in Bombay, Theagaroyanagar in Madras, Shivaji Nagar in Poona, Chawri Bazar in Delhi and at Anand, Roberteganj, Jammu, Mesra, Jharia, Vasco da Gama, Aurangabad, Cambay, Mavoor, Korba and Pinjore.

The Directors are thankful to the Shareholders and the clients of the Bank for their continued support. They also express their gratitude to the Bank's Advisers and Advisory Commitees for their able help and guidance.

Mr. P. D. Himatsingka who has been a director of the Bank almost since its inception, tendered resignation of his office as a Director in order to devote more time to his duties and work as a Member of Parliament. The Board have reluctantly accepted his resignation and wish to place on record their appreciation of the very valuable guidance and counsel given by Mr. P. D. Himatsingka and his unstinted devotion to the interests and welfare of the Bank.

Under Article 86 of the Bank's Articles of Association, Mr. M. P. Birla has been appointed as a Director to fill up the vacancy caused by the resignation of Mr. P. D. Himatsingka.

Mr. G. D. Birla, Mr. I. P. Goenka, Mr. Y.N.Mafatlal and Mr. R. L. Nopany retire by rotation under Article 92 of the Bank's Articles of Association. Mr. G. D. Birla, Mr. I. P. Goenka and Mr. Y. N. Mafatlal offer themselves for re-appointment. Mr. G. D. Birla has attained the age of 69 years and special notice of a resolution for his re-appointment has been given in terms of Sections 190 and 281 of the Companies Act, 1956.

As Mr. R. L. Nopany wishes to retire from all active business he does not seek re-appointment. The Board have accepted his decision with regret and wish to place on record their appreciation of the valuable guidance and counsel given by him during the period of his office. Notice has been received from some members of their intention to propose at the forthcoming Annual General Meeting that Mr. Mohanlal Nopany be appointed as a Director in the vacancy thus caused and the Directors recommend his appointment.

The Directors have also to report to you changes in the general management of the Bank. Mr. S. T. Sadasivan will relinquish his office as General Manager on the 31st March, 1964 and the Directors have, subject to the approval of the Reserve Bank of India, appointed in his place Mr. R. B. Shah, the present Deputy General Manager. The Directors place on record their appreciation of the valuable and meritorious services rendered by Mr. S. T. Sadasivan as General Manager of the Bank and the outstanding contribution made by him to the progress of the Bank during his term of office. A resolution has been proposed to be moved at the next Annual General Meeting to appoint Mr. S. T. Sadasivan as a Director and the Board welcome this resolution so that the Bank may have the benefit of Mr. Sadasivan's vast experience in banking.

The Directors also place on record their appreciation of the services of the Officers and Staff of the Bank during the year.

The Shareholders are requested to appoint Auditors for the current year and to fix their remuneration.

On behalf of the Board,
G. D. BIRLA,
Chairman.

CALCUTTA,
6th March, 1964.

The United Commercial

Balance Sheet as

CAPITAL AND LIABILITIES	December 31, 1963		December 31, 1962	
	Rs. nP.	Rs. nP.	Rs.	Rs.
1. CAPITAL:				
Authorised Capital: 8,00,000 shares of Rs. 100 each ..	8,00,00,000.00		8,00,00,000	
Issued Capital: 6,00,000 shares of Rs. 100 each ..	6,00,00,000.00		6,00,00,000	
Subscribed Capital: 5,60,000 shares of Rs. 100 each ..	5,60,00,000.00		5,60,00,000	
Amount Called up: 5,60,000 shares of Rs. 50 per share	2,80,00,000.00		2,80,00,000	
Less calls unpaid in respect of new shares	33,187.50	2,79,66,812.50	56,66,063	2,23,33,937
2. RESERVE FUND AND OTHER RESERVES:				
(a) Reserve Fund	2,60,00,000.00		2,63,00,000	
(b) Share Premium Account	40,00,000.00	3,20,00,000.00	40,00,000	3,03,00,000
3. DEPOSITS AND OTHER ACCOUNTS:				
Fixed Deposits	66,14,56,424.88		57,77,33,870	
Savings Bank Deposits	14,87,81,112.78		12,99,36,298	
Current Accounts, Contingency Accounts, etc.	37,95,53,608.87	1,20,97,91,146.53	34,97,16,637	1,05,73,88,805
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.:				
(i) In India	4,48,22,789.77		3,49,20,000	
[Includes borrowing from Refinance Corporation for Industry Ltd., of Rs. 1,75,06,670 (Previous year —Rs. 1,18,20,000) and borrowings from Reserve Bank of India of Rs. 4,00,000 (Previous year — Nil) under Section 17(4) (a) and Rs. 2,45,00,000 (Previous year — Rs. 2,20,00,000) under Section 17(4)(c) of the Reserve Bank of India Act.]				
(ii) Outside India	3,62,783.76	4,51,85,573.53	63,16,257	4,12,36,257
PARTICULARS:				
(i) Secured by part of Investments and Advances per contra	4,45,41,670.00		3,88,70,000	
(ii) Unsecured	6,43,903.53		23,66,257	
	4,51,85,573.53		4,12,36,257	
Carried over ..		1,31,49,43,532.56		1,15,12,58,999

Bank, Limited

at 31st December, 1963

PROPERTY AND ASSETS	December 31, 1963		December 31, 1962	
	Rs. nP.	Rs. nP.	Rs.	Rs.
1. CASH				
In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes) ..	7,38,58,837.43			7,65,18,542
2. BALANCES WITH OTHER BANKS:				
On current account:			15,18,940	
(i) In India .. Rs. 42,79,226 10				
(ii) Outside India .. Rs. 1,83,21,305 37	2,26,00,531.47	9,64,59,368.90	1,79,30,347	1,94,49,287
3. MONEY AT CALL AND SHORT NOTICE ..		2,10,00,000.00		1,64,45,000
		11,74,59,368.90		11,24,12,829
4. INVESTMENTS: (at below market value)				
(i) Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments ..	36,00,20,387.77		33,66,46,509	
(ii) Shares:				
(a) Fully Paid Preference Shares	35,67,962.50		35,67,963	
(b) Fully Paid Ordinary Shares	36,38,730.17		29,76,237	
(c) Partly Paid Ordinary Shares	8,07,576.00		8,33,041	
(iii) Debentures or Bonds:				
(a) Fully Paid	10,21,747.50		36,597	
(b) Partly Paid	..		5,00,000	
(iv) Other Investments:				
Securities of Foreign Governments and Foreign Trustee Securities	1,20,84,408.12		2,44,20,317	
(v) Gold	..	38,11,40,812.06	..	36,89,86,664
5. ADVANCES:				
(other than bad and doubtful Debts for which provision has been made to the satisfaction of the Auditors)				
(I) Loans, Cash Credits, Overdrafts, etc.:				
(i) In India Rs. 48,89,52,252 16			41,74,34,845	
[Includes an amount of Rs. 1,75,06,670 (Previous Year — Rs. 1,18,20,000) relating to medium-term advances in respect of which finance has been obtained from Refinance Corporation for Industry Ltd.]				
(ii) Outside India Rs. 7,34,01,416 14			7,52,48,460	
	56,23,53,668.30		49,26,83,305	
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)				
(i) Payable in India Rs. 23,15,48,603 53			14,72,67,567	
[Includes an amount of Rs. 6,89,00,000 (Previous Year — Rs. 4,40,00,000) of Usance Promissory Notes lodged with Reserve Bank of India for advances under Section 17(4) (c) of The Reserve Bank of India Act.]				
(ii) Payable outside India Rs. 6,55,69,721 90			7,08,19,157	
	29,71,18,324.53	85,94,71,992.83	21,80,86,724	71,07,70,029
Carried over ..		1,35,80,72,173.79		1,19,21,69,522

The United Commercial Bank, Limited

Balance Sheet as at 31st December, 1963

CAPITAL AND LIABILITIES	December 31, 1963		December 31, 1962	
	Rs. nP.	Rs. nP.	Rs.	Rs.
Brought forward ..		1,31,49,43,532.56		1,15,12,58,999
5. BILLS PAYABLE		1,83,40,210.13		2,48,86,211
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra:				
(i) Payable in India	9,48,02,668.87		8,19,03,159	
(ii) Payable outside India	3,62,82,085.24	13,10,84,754.11	3,48,94,939	11,67,98,098
7. OTHER LIABILITIES :				
(i) Branch adjustments	4,93,04,443.60		4,15,22,206	
(ii) Unclaimed Dividends etc.	5,43,704.97	4,98,48,148.57	4,35,248	4,19,57,454
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra:		25,00,82,517.19		25,65,35,808
9. PROFIT AND LOSS:				
Profit as per last Balance Sheet	24,75,053.91		26,07,428	
Less Dividend*	24,56,061.62		24,00,000	
	18,992.29		2,07,428	
Add Profit for the year	76,42,869.66		73,32,626	
	76,61,861.95		75,40,054	
Less Appropriations made:				
To Reserve Fund Rs. 17,00,000 00			28,00,000	
To Gratuity Trust Fund Rs. 4,00,000 00			4,00,000	
To Donations to National Defence Fund Rs. 2,00,000.00 and Sydenham College of Commerce and Economics Golden Jubilee Trust Fund Rs. 25,920 00 Rs. 2,25,920 00			2,15,000	
To Bonus to staff Rs. 19,00,000 00			16,50,000	
	42,25,920.00	34,35,941.95	50,65,000	24,75,054
Carried over ..		1,76,77,35,104.51		1,59,39,11,624

* Includes Rs. 6,159.12 paid subject to confirmation by members.

Bank, Limited at 31st December, 1963

PROPERTY AND ASSETS	December 31, 1963		December 31, 1962	
	Rs. nP.	Rs. nP.	Rs.	Rs.
Brought forward ..		1,35,80,72,173.79		1,19,21,69,522
PARTICULARS OF ADVANCES :				
(i) Debts considered good in respect of which the banking company is fully secured	65,03,43,342.26		55,22,67,924	
(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security	9,27,13,575.37		8,05,51,576	
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	11,64,15,075.20		7,79,50,529	
(iv) Debts considered doubtful or bad, not provided for	Nil		Nil	
	85,94,71,992.83		71,07,70,029	
(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	7,59,336.39		10,06,471	
(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	12,80,92,402.28		12,30,66,952	
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	11,67,037.00		15,56,121	
(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	14,87,98,404.97		12,39,29,822	
(ix) Due from banking companies	1,32,87,027.65		53,76,910	
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as per contra:				
(i) Payable in India	9,48,02,668.87		8,19,03,159	
(ii) Payable outside India	3,62,82,085.24	13,10,84,754.11	3,48,94,939	11,67,98,098
Carried over ..		1,48,91,56,927.90		1,30,89,67,620

The United Commercial Bank, Limited

Balance Sheet as at 31st December, 1963

CAPITAL AND LIABILITIES		December 31, 1963		December 31, 1962	
		Rs. nP.	Rs. nP.	Rs.	Rs.
..	Brought forward :		1,76,77,35,104.51		1,59,39,11,624
10. CONTINGENT LIABILITIES:					
(ii) On Partly Paid shares	Rs. 21,01,564 00				
(ii) Claims against the banking company not acknowledged as debts	Rs. 4,38,243 27				
(iii) Guarantee given on behalf of customers and Correspondent Banks	Rs. 25,06,28,959 97				
(iv) On Foreign Bills Re-discounted all of which have run off by 29-2-1964	Rs. 62,46,024 76				
(v) Forward Exchange Contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers of which upto 29-2-1964 Rs. 9,43,16,139.02 have been delivered	Rs. 20,45,30,908 34				
Notes: (1) There is a liability for outstanding bills, not certified by the architects, in respect of the Bank's buildings.					
(2) Provision in full for gratuity accruing on retirement of staff has not been made.					
(3) Consequent upon nationalisation of banks in Burma the Assets and Liabilities of the Bank's branches in that country were taken over on 23rd February, 1963 by the Banking Business Nationalisation Committee. The amount of compensation in respect of these Assets and Liabilities has not yet been determined by the Authorities and, therefore, such amount is included in the Accounts on the basis of balances as per the books of those branches on the said date.					
TOTAL Rs. ..			1,76,77,35,104.51		1,59,39,11,624

PROPERTY AND ASSETS		December 31, 1963		December 31, 1962	
		Rs. nP.	Rs. nP.	Rs.	Rs.
	Brought forward ..		1,48,91,56,927.90		1,30,89,67,620
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra			25,00,82,517.19		25,65,35,808
8. PREMISES LESS DEPRECIATION:					
Cost as per last balance-sheet		1,04,37,753.65		99,39,450	
Addition (Rs. 23,271.42) **Less** deductions (Rs. 6,78,199.49) during the year		—6,54,928.07		4,98,303	
		97,82,825.58		1,04,37,753	
Less depreciation written off to date		19,63,587.37	78,19,238.21	19,53,972	84,83,781
9. FURNITURE AND FIXTURES LESS DEPRECIATION: (including vehicles and equipment)					
Cost as per last balance-sheet		1,27,77,508.72		1,16,32,035	
Additions (Rs. 25,04,122.92) **Less** deductions (Rs. 6,52,143.00) during the year		18,51,979.72		11,45,473	
		1,46,29,488.64		1,27,77,508	
Less depreciation written off to date		78,67,472.59	67,62,016.05	76,42,134	51,35,374
10. OTHER ASSETS, INCLUDING SILVER:					
(i) Land and Buildings: Cost as per last balance-sheet	Rs. 55,05,134 52			42,32,751	
Additions (Rs. 19,40,372.90) **Less** deductions (Rs. 14,000.00) during the year	Rs. 19,26,372 90			14,15,859	
	Rs. 74,31,507 42			56,48,610	
Less Transfer to Premises account	Rs. Nil			1,43,475	
		74,31,507.42		55,05,135	
(ii) Interest accrued on Investments		32,11,553.52		31,46,924	
(iii) Estimated amount of refund to Income-tax and Advance Payment of Tax (Income-tax assessment for five-years 1959 to 1963 not yet completed)		25,47,878.98		52,52,563	
(iv) Stamps and Stationery		69,665.24		72,119	
(v) Silver		..	1,32,60,605.16	..	1,39,76,741
11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS: Land and Buildings (at cost)			6,33,800.00		8,12,300
12. PROFIT AND LOSS					
TOTAL Rs. ..			1,76,77,35,104.51		1,59,39,11,624

The United Commercial

Profit and Loss Account

	EXPENDITURE	Year ended Dec. 31, 1963	Year ended Dec. 31, 1962
		Rs. nP.	Rs.
1.	Interest paid on deposits, borrowings, etc.	3,37,90,189 04	3,00,88,683
2.	Salaries and allowances and Provident Fund	2,09,55,369 52	1,83,02,902
3.	Directors' (Rs. 37,900) and Local Committee members' fees and allowances	52,714 00	54,000
4.	Rent, Taxes, Insurance, Lighting, etc.	26,81,715 87	24,95,329
5.	Law charges	1,10,352 71	2,54,795
6.	Postage, Telegrams and Stamps	12,36,428 68	10,87,147
7.	Auditors' fees for statutory and periodical audits	1,57,325.00	1,52,770
8.	Depreciation on, and repairs to, the Banking Company's property and Rs. 1,50,000 Development Rebate Reserve	12,10,956 39	8,15,699
9.	Stationery, Printing, Advertisement, etc.	19,06,859 56	15,29,291
10.	Loss from sale of, or dealing with, non-banking assets	—	—
11.	Other Expenditure	17,25,463 84	12,04,614
12.	Balance of Profit	76,42,869 66	73,32,626
	Note: Particulars of total remuneration Rs. 1,06,309.81 (Tax deducted Rs. 43,514.87) relating to the General Manager (Chief Executive Officer):— (i) Salary Rs. 72,000, (ii) Allowances Rs. 12,000, (iii) Bonus Rs. 12,000 (iv) Contribution to the Provident Fund Rs 6,000 (v) Expenditure on maintenance of a car for his official duties Rs. 3,621.97 and (vi) Medical Expences Rs. 687.84.		
	TOTAL Rs. ..	7,14,70,744 27	6,33,17,856

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Companies Act, 1949.

G. D. BIRLA
Chairman

L. P. GOENKA	M. L. TAPURIAH	R. N. BANGUR
M. R. RUIA	M. P. BIRLA	G. D. BINANI
Y. N. MAFATLAL	A. C. LAW	SHRENIK KASTURBHAI
R. L. NOPANY	T. S. RAJAM	G. D. KOTHARI
Directors	Directors	Directors

Bank, Limited

Year Ended 31st December, 1963

	INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year ended Dec. 31, 1963	Year ended Dec. 31, 1962
		Rs. nP.	Rs.
1.	Interest and Discount	5,40,56,588 45	4,83,61,784
2.	Commission, Exchange and Brokerage	1,64,21,066 51	1,39,26,733
3.	Rents	9,59,732 21	9,95,049
4.	Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—	—
5.	Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—	—
6.	Income from non-banking assets and profit from sale of, or dealing with, such assets	32,213 10	32,569
7.	Other receipts	1,144 00	1,701
8.	Loss	—	—
	TOTAL Rs. ..	7,14,70,744 27	6,33,17,856

V. R. DESAI
Chief Accountant

S. T. SADASIVAN
General Manager

As per our report annexed.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
Chartered Accountants.

CALCUTTA,
6th March, 1964.

Report of the Auditors

TO MEMBERS OF THE UNITED COMMERCIAL BANK LIMITED

We have audited the attached Balance-sheet of The United Commercial Bank, Limited, as at 31st December, 1963, and the Profit and Loss Account of the Bank for the year ended upon that date, annexed thereto, in which are incorporated the Branch returns audited by the Statutory or other Auditors. The reports on the accounts of the Branches audited by other Auditors have been forwarded to us and dealt with in preparing our report in the manner considered necessary by us.

We report that:

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion, proper books of account, as required by law, have been kept by the Bank so far as appears from our examination of those books, and proper returns adequate for the purpose of our audit have been received from the Branches of the Bank;

(d) the Bank's Balance-sheet and Profit and Loss Account, dealt with by this report, are in agreement with the books of account and the returns;

(e) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and, on such basis, the said Balance-sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1963, and the Profit and Loss Account gives a true and fair view of the profit for the year ended upon that date.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
Chartered Accountants.

CALCUTTA,
6th March, 1964.

RECORDS AND STATISTICS

Savings and Investment Habits in West Europe

There was an interesting survey in the U.S. News and World Report recently, of the saving and investment habits of people in some European countries. The survey was based on reports from the Journal's correspondents in Geneva, London, Paris, Bonn and Rome. The following are some gleanings from this survey:

The first major investment of professional and middle-class individuals in Switzerland with savings is a family home—a well-equipped, solidly-built villa. Then the Swiss investor turns to securities. Between 30 and 40 per cent of the average investor's money goes into bonds yielding about 3.5 or 4 per cent. The remainder usually goes into common stocks or certificates of investment trusts which tend to spread the risk. Yields on Swiss stocks are low, averaging 1.67 per cent in mid-1963. Yields on chemical stock average about 1.05 per cent, with yield on bank stocks averaging 1.58 per cent and on stocks of engineering and insurance companies 2 per cent. Among Swiss investors' financial stability, a high degree of self-financing and strong competitive position are regarded as very important recommendations for a company than a high yield. Besides investing in Swiss companies, the more sophisticated investors also show an interest in outstanding American, British, German, French, or Benelux shares. Investment trusts, which made their appearance in the early 1950's, have been flourishing and at the end of 1962, there were as many as 138 of them. Trusts that invest in American, Canadian and Common Market shares are very popular. Real estate trusts have also a strong following, especially among the middle class investors. Assets of these trusts have risen by 170 per cent in the past three years. There is great interest too in insurance and insurance annuities as investment. The ordinary person in Britain with savings often places funds in building societies, the soundest of which pay interest at 4¾ per cent. There has been a very sharp growth, of late, in unit trusts. Government bonds are a favourite form of investment in the case of small investors. These bonds can be bought to yield 5 per cent interest or offer the opportunity for prizes to be won in a weekly lottery. The big institutional investors—life insurance companies, in particular—have lately been increasing their holdings of interest-bearing bonds and reducing the proportion of money they have invested in common stocks. Among the individual investors, high-grade stocks offering assurance of stable dividends and some prospect for capital appreciation are favoured.

French Prescription

In France, the time-honoured prescription "1/3rd gold, 1/3rd stocks, 1/3 real estate" still seems to govern investment habits. Although the craze for gold which in days of a weak Franc stampeded the French into putting up to 50 per cent of their savings into the yellow metal, has certainly abated and the Franc is now one of the world's strong currencies, a Frenchman with a medium-sized fortune still would want to hold a minimum of 10 per cent of his fortune in gold. Common stocks have become less fashionable than they were in the earlier post-war years, but a typical French investor would nevertheless have about 40 per cent of his funds in stocks of good companies with strong dividend-paying records. A poll among the French families of the upper middle class showed recently that accumulated capital was invested in the following way: 59 per cent in real estate; 23 per cent in stocks; 11 per cent in bank accounts; 7 per cent in various types of durable goods.

In West Germany, the general preference is for solid investments of a kind that cannot be carried off by an invader or a victor in war. Title to land is valued most highly. Of all investments, bankers say, land is the one held most tenaciously. The Germans tend to invest at home and not abroad, and although many of them in post-war years have enjoyed large gains by investment in stocks of German companies that have had sensational records of growth, there is not the same confidence in investment that is found in other countries.

The report from Rome is that the Italian people at the present time are showing little confidence in any form of investment within their own country. Among reasons for this lack of confidence are fear of more inflation, fear of further nationalisation of industry, discouragement over future business prospects and high interest rates for borrowers. The Milan stock market has continued a downward trend, while prices of most other exchanges of the world have pointed upward. The perfect investment has been, and continues to be, real estate.

Broad Trends

The Journal noted the following broad trends in West European saving habits:

The popularity of common stocks among individual investors seems to be high in Switzerland and France, less keen in Germany and the U.K. and tending to decline in Italy. Bank accounts are an important outlet for private savings in Switzerland where savings of this category increased by 10 per cent in 1962. It is not uncommon for a Swiss to hold three, four or even more savings books. In Italy too, despite a recent tendency for bank deposits to edge off owing, in part, to a flight of capital, the savings bank still is the most common place for an Italian to put his money. In contrast, British investor has not taken to bank accounts in a big way. Most ordinary banks in that country are not interested in attracting savings deposit accounts and until recently there was almost no competition for such deposits.

Real estate seems to enjoy the highest rating as a form of investment in all the five countries. As a result, there is a speculative boom in land values. In Switzerland, apartment houses now yielding between 5 and 5.5 per cent are considered good place to put money, while first class mortgages, in heavy demand for investment purposes, now carry interest, probably the lowest, now subsidized, rate in the world. In Britain too investment in real property has been on a large scale, but real estate, having gone through a sharp rise in prices, does not offer any longer the same opportunity for appreciation. In France, rental incomes have been sky-rocketing with explosive effect upon real estate. A well-to-do Frenchman with, say, $200,000 of accumulated capital, probably would have around 25 per cent in real property. Germans, like most other Europeans, have invested heavily in land and owners usually are reluctant to sell even at a high profit. In Italy, in cities such as Milan or Geneva, it is common to pay $250 or more per square yard for an apartment site. In Rome, land for building can cost $50 or even $100 per square yard. Apart from the Swiss, the British investor seems to have more use for insurance as a form of investment than most other Europeans.

The French addiction to gold is, of course, notorious and it is interesting to observe that only in two other countries among the five surveyed, that is Germany and Italy, is gold of any importance as a store of popular savings. The Ger-

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man use of gold for hoarding purposes, however, has not been very considerable, while in Italy gold is stated to be declining in interest because investors have been disappointed too often during recent years over failure of gold prices to be revalued upward.

The continuing search for a hedge against inflation has created a rise in market for paintings, tapestries, rare books and rare coins in all the countries surveyed. But it is probably in Britain that paintings, particularly by established modern artists, have been most fancied as a store of value. In France too art has attracted investment attention and it is not uncommon that about 10 per cent of a fortune is in the form of carefully selected paintings or sculptures.

Where, however, the French really score is in the remarkable ingenuity they are showing in exploring or exploiting investment opportunties. It is not only that the French will even buy a share in a race horse, but that renting freight-car to the French National Railways through companies set up for the purpose has come into fashion as a form of investment activity. Investors, either individually or jointly with others, could buy a freight car for about $80,000 and hire it out for a return of about 10 per cent. A French investor could also buy part of a forest and either lease it or work it himself.

The Task Before Geneva Meet

THE PROBLEMS to be discussed at the forthcoming United Nations Conference on Trade and Development have far-reaching implications for the economies of less-developed countries. While the industrialised countries have in recent years shown awareness of the urgency and importance of these problems, success will depend in no small measure on the ability of the less-developed countries themselves to evolve a common approach and to pursue it, as a group, in a spirit of unity and determination.

The following are some of the major problems which the underdeveloped countries are facing. The Geneva Conference on Trade and Development will be discussing these issues:

(i) Over the past decade, the share of the less-developed countries in the world trade has steadily declined and their trade deficit has grown. The increase in their export earnings has been far from commensurate with the requirements of their development programmes and the resources needed to service their growing external indebtedness. Since primary commodities constitute the core of the export trade of most less-developed countries, the Conference will have to give high priority to the problems relating to these commodities.

The Conference will be required to take note of the continuing restrictions on trade in primary commodities and the development of substitutes, and will have to find some basis for an international understanding to contain this grave and continuing menace to the already low standards of living in the producing countries.

Scope for Development

(2) It is equally important that the less-developed countries should have adequate scope for developing processing industries based on their own raw materials. It is essential, therefore, that both in respect of domestic production and external trade, the developed countries should pursue policies which will create wider opportunities of trade for less-developed countries in those lines of production for which these countries by virtue of their resources endowment have a decisive advantage.

(3) Inter-Governmental commodity arrangements involving regulations of imports and exports have hitherto been regarded as a suitable means of dealing with only one aspect of the commodity problems, namely, the tendency towards over-production. This ignores the fact that some of the major difficulties of less-developed countries in implementing their development plans have arisen from the cyclical swings in primary prices and the steady worsening of their terms of trade in relation to the industrialised countries. It is thought that stability of primary product prices and an improvement in the terms of trade received by less-developed countries should be among the principal objectives of international economic policy and inter-governmental commodity arrangements should be initiated with these specific objectives. It should be recognised that the primary producing countries are entitled to take suitable co-operative action to improve their terms of trade. An equally important objective to be kept in view is to enable primary producing countries to enlarge their share in the world consumption of commodities covered by the inter-governmental arrangements. The progress so far made in tackling commodity problems through such arrangements has been somewhat disappointing. Many primary commodities have yet to receive adequate attention. Inter-governmental arrangements have also an important role to play in expanding the markets for primary commodities through development of new uses and disposal of stock-piles. The discussions at the forthcoming Conference should result in a simplified procedure for the conclusion of inter-governmental commodity arrangements and widening their scope to deal more effectively with the problems confronting the primary producing countries.

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Export Earnings

(4) For the foreign exchange resources required for their development programmes, the less-developed countries depend partly on their export earnings and partly on inflow of capital and economic aid. Consequently, a deterioration of their terms of trade upsets the financial basis of their plans. This question has been engaging the attention of experts in U.N. and other forums and certain schemes of compensatory financing have been formulated. The practical implications of these schemes still remain to be worked out. This question will have to be viewed and studied in the context of the entire problems of financial aid for economic development.

(5) Another direction in which a joint effort by the underdeveloped countries will be needed to achieve any significant results is the pushing forward of the Action Programme adopted by the GATT Contracting Parties. Effective implementation of this Programme is bound to be of benefit to the trade of all less-developed countries regardless of whether or not they are parties to the GATT. The programme visualises action on the following lines:

(i) Removal of duties and establishment of duty free regime for tropical products and primary commodities.

(ii) Progressive and rapid removal of internal taxes and revenue duties on primary commodities as well as products wholly or mainly produced by developing countries which by increasing consumer's cost go to inhibit consumption.

(iii) Removal of quantitative and other restrictions maintained by industrialised countries on imports from less-developed countries.

(iv) Substantial reduction in customs duties imposed on imports of semi-processed and processed products exported mainly by less-developed countries.

(v) Provision of facilities by industrialised countries for

exports of manufactured articles by less-developed countries and assistance to them in diversifying their economies and to increasing their foreign exchange earnings.

The programme has still to win unqualified support from certain advanced countries. A concerted effort on the part of the less-developed countries will be called for to secure an early implementation of this programme.

Preferential Treatment

(6) On the subject of preferences, a consensus has already emerged on the need for the products exported by less-developed countries being given preferential treatment in the world markets. Such preferential treatment will help these countries to overcome their competitive disadvantage in relation to the developed countries. It will also encourage the inflow of private foreign investment into the less-developed countries to take advantage of the improved opportunities for their export trade. The manner in which this principle is to be implemented is being studied in the GATT. Such preferential treatment might be extended to the products of all less-developed countries on an equal basis. In any case, there would be serious practical difficulties in operating a system of preferences varying according to the stage of development of individual less-developed countries or the competitiveness of their export industries. A preferential tariff is only one of the ways of assisting the trade and development of less-developed countries. Other forms of assistance, such as financial or technical aid, should be used to supplement preferential tariffs.

(7) Although the trade of centrally planned economies with the less-developed countries has grown rapidly in recent years, the full scope for the expansion of this trade has yet to be realised. The centrally planned economies are singularly well placed for implementing production and trade policies favourable to the economies of less-developed countries, with definite quantitative goals, and it is necessary that the less-developed countries should be enabled to reap the fullest benefit of this position. For this purpose, the role of bilateral agreements as a means of trading with the centrally planned economies needs to be clearly recognised. Moreover, the centrally planned economies need to be pressed to assume obligations for a larger off-take of goods from the less-developed countries. There is also need for the centrally planned economies to review their internal taxes and pricing policies with a view to increasing the consumption of goods exported by the less-developed countries.

(8) The less-developed countries need technical assistance in expanding and diversifying their export trade. However, the developed countries have hitherto been reluctant to provide such assistance. Since an increase in the foreign exchange earnings of less-developed countries automatically results in an increase in their imports, it is to the advantage of the developed countries and world trade generally that the less-developed countries should receive adequate assistance in developing their export trade. It will be desirable if concrete suggestions for such assistance are formulated for consideration at the Conference.

(9) In recent years, the trend towards formation of regional economic groupings has been growing. Such groupings among the developed countries have repercussions on the trade of less-developed countries and create difficult problems of adjustment for them. The rules laid down in the GATT have proved somewhat inadequate in this context. The Conference will be required to devise arrangements to ensure that economic groupings, particularly among the developed countries, will in future follow policies which will be outward-looking and favourable to the trade of the less-developed countries.

(10) It is well known that the less-developed regions are dependent on the shipping of highly developed countries. This has a dual effect on their trade: Firstly, the element of freight is often of decisive importance in enabling a commodity to be exported in competition with other countries. It often happens that high and/or discriminatory freight rates of the Conference frustrate the export promotion efforts of less-developed countries. High freight rates on imported goods also add to the cost of developmental imports. Secondly, shipping is an invaluable foreign exchange earner and an important item of "invisible export". It is, therefore, necessary for the less-developed regions to expand their merchant fleets. This, however, takes time since acquisition of tonnage requires heavy expenditure of foreign exchange. The question which needs urgent consideration at the Conference is whether immediate steps could be taken to devise a method or machinery by which the shippers of the less-developed regions could discuss and negotiate with the ship-owners of the highly developed areas so that the export promotion angle of the developing countries is not ignored particularly in regard to sensitive commodities whose export depends upon the freight element. At the present moment since each maritime state of the less-developed area has to negotiate individually with the shipping Conferences, the latter pay little or no heed to the demands of one or two states. However, if a machinery could be set up by which the maritime states of the entire less-developed region could negotiate with the shipping Conferences, it may be possible to bring some sort of an effective pressure on the Conference to take into full consideration the requirements of the less-developed regions while increasing their freight rates or revising their freight structure in such a way as to avoid discrimination against the less-developed countries.

Industrial Licensing: Banned Items

THE UNION MINISTRY of Industry has revised the list of industries in respect of which applications for licences under the Industries (Development and Regulation) Act, 1951, may ordinarily be rejected without reference to the Licensing Committee. The new list, which will remain in force till June 30, 1964 is as follows:

A. ENGINEERING INDUSTRIES :

1. Agricultural implements (excluding Tractor drawn).
2. Air Compressors (Expansion of the existing units for compressors up to 700 cfm. will be permitted).
3. Aluminium Strips / Sheets / Circles / Sections / Foils/Rods (extruded).
4. Antimony.
5. Automobile Ancillaries* :
   - (i) Cylinder Liners.
   - (ii) Dynamos.
   - (iii) Electric Horns.
   - (iv) Fuel Injection Equipment.
   - (v) Gaskets.
   - (vi) Head/Tail and Side lamp fittings.
   - (vii) Inlet and Exhaust Valves.
   - (viii) Jacks (hydraulic, mechanical and manually operated) up to 100 tons capacity.
   - (ix) King pins.
   - (x) Leaf Springs.
   - (xi) Oil Seals.
   - (xii) Panel Instruments.

*Only expansion or diversification in the range of the same products of the existing units will be considered.





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(xiii) Piston Assembly including piston rings and piston pins.
(xiv) Push Rods.
(xv) Radiators.
(xvi) Rocker Arms.
(xvii) Shackle pins.
(xviii) Spark Plugs.
(xix) Starter Motors.
(xx) Tappets.
(xxi) Thin Walled bearings.
(xxii) Valves for tyres and tubes.
(xxiii) Valve Springs.

6. Ball and Roller Bearings (except expansion schemes).
7. Barbed Wire.
8. Bare copper conductors.
9. Bare Copper strips.
10. Bicycles and Bicycle Parts (except expansion of bicycle tube valves by existing units).
11. Bifurcated rivets.
12. Bolts, nuts and rivets and H.T. bolts and nuts.
13. Brass/copper extruded pipes/tubes/rods/sections and sheets/circles/strips.
14. Calculating Machines.
15. Car Lifts.
16. C.I. Spun pipes.
17. Chaff Cutter Blades.
18. Cinema Arc Carbons.
19. Circles, sheets, rods & utensils of stainless steel.
20. Collapsible tubes & rigid containers.
21. Commercial vehicles (except expansion schemes).
22. Conductors (A.C.S.R./A.A.)
23. Conduit Pipes.
24. Conveyor Belting.
25. Copper — Virgin & wire for non-electrical purposes.
27. Crawler tractors.
26. Cotton and Hair Belting.
28. Domestic utensils.
29. Domestic Refrigerators.
30. Drawing of wire mild as well as special steel.
31. Drop Forged Tools.
32. Drums and barrels and tin containers excepting those for manufacturers' own requirements.
33. Electric Fans.
34. Expanded Metal.
35. Ferro-manganese.
36. Ferro-silicon.
37. Flash Light & Torch Containers.
38. Fork Lift Trucks and the like.
39. Heavy Earth moving equipments (only shovels).
40. Household appliances such as electric irons, heaters and the like.
41. Hurricane Lanterns.
42. H.T. Switch-gears 33 K.V. and above.
43. Jeep type vehicles and station wagons.
44. Kerbside petrol pumps.
45. Lead — virgin.
46. Meters — Single & Polyphase.
47. Miniature lamps (except automobile headlight lamps).
48. Motor Vehicles & Scooters, autocycles, mopeds & three wheelers.
49. Non-ferrous Alloys.
50. Non-ferrous Castings (including pressure die castings).
51. Pulp and Paper Making Plants — large and small scale, including wire-cloth for paper machinery.
52. Passenger cars.
53. Photoflash lamps.
54. Plates & Sheets (M.S.) — (except for main producers).
55. Railway wagons (except expansion schemes).
56. Razor blades.
57. *Refrigeration plant for industrial use.
58. Road Rollers (expansion and diversification of the existing units will be considered).
59. Rolling Shutters.
60. Room air-conditioners.
61. Rubber ply transmission belting.
62. Solvent Extraction plant.
63. Saws of all types.
64. Stationary Diesel Engines below 50 H.P. excluding marine diesel engines (except expansion schemes).
65. Steel Pipes and Tubes (welded).
66. Steel Doors & Windows.
67. Steel Sheets (Black) — galvanising and corrugation of (except for main producers).
68. Steel measuring tapes.
69. Strips Cold Rolled (M.S., Alloy Steel & Box strappings).
70. Steel — re-rolled products including wire rods.
71. Stranded Wire.
72. Sugar machinery (except milling plant and centrifugals).
73. Tea processing machinery.
74. Trailers (except expansion of existing units).
75. Tungsten carbide tips and intermediates thereof.
76. Twist Drills.
77. Vacuum Cleaners.
78. V.I.R. and P.V.C. Cables (except Power Cables).
79. Washing Machines (except industrial washing and dry cleaning machines).
80. Water Coolers.
81. Water Meters.
82. Welding Electrodes.
83. Welded Wire Mesh.
84. Wire — M.S. Med/H.C. and Special wire.
85. Wire nails.
86. Wire ropes (except expansion schemes).
87. Wood screws.
88. Zinc virgin.
89. Zinc Sheets/strips.

B. NON-ENGINEERING INDUSTRIES :

1. Abrasive grains including silicon carbide.
2. Acetic Acid.
3. Activated bleaching earth.
4. Alcohol — Power & Industrial.
5. Art Silk Weaving, hosiery, twisting, doubling and Synthetic yarn crimping/stretching.
6. Asbestos Cement Sheets and Pipes.

*(except in cases where manufacture of refrigerator compressor is envisaged in the very first stage and investment in plant and equipment is fully covered by foreign exchange participation on terms acceptable to Government.)

. Azo dyes.
. Barium Carbonate.
. Barium Chloride.
. Barium Nitrate.
. Barium Sulphate.
. Basic dyes.
. Beer.
. Beta Naphthylamine.
. B.H.C.
. Bichromates.
. Blanc Fixe.
. Borax and Boric acid.
. Bottles and vials (excluding Penicillin Vials).
. Calcined Petroleum Coke.
. Calcium Carbide.
. Calcium Carbonate (precipitated and activated).
. Camel Back.
. Camphor.
. Carbon Black.
. Carbon dioxide gas (other than by-product carbon dioxide).
. Carboxy Methyl Cellulose.
. Cashew Kernels (applications from new areas to be considered on merits).
. Cellulose Acetate flakes for moulding powder.
. Cellulose Film (Cellophane).
. Chip Board (Particle Board).
. Copper Sulphate.
. Cosmetics & Toileteries.
. Cotton mesh fabrics.
. D.D.T.
. Dissolved Acetylene Gas.
. Drugs & Pharmaceuticals :
  (i) Antibiotics -- Penicillin, Streptomycin & Tetracycline.
  (ii) Anti-dysentery drugs which are Quinoline derivatives).
  (iii) Bismuth Salts.
  (iv) Chloral Hydrate.
  (v) Cough Syrup.
  (vi) Empty Hard Gelatine Capsules.
  (vii) P.A.S. Acid and Salts.
  (viii) Salicylic Acid — Sodium Salicylate, Acetyl Salicylic Acid.
  (ix) Sulpha Drugs.
  (x) Surgical Adhesive Tapes.
  (xi) Synthetic Hormones and Intermediates.
  (xii) Vitamin 'A'.
  (xiii) Vitamin 'C'.
. East Indian Tanned (Semi-tanned) Kips & Skins.
. Fast Colour Bases.
. Fibre Board/Hard Board (including insultation Board).
. Fire works & Paper Caps.
. Gelatine (Edible, photographic & technical).
. Glass, Mineral wool and allied products.
. Glass fibre and products thereof.
. Glass — hollow-ware (semi-automatic).
. Glass — Table & Pressed-ware.
. Glass Tubes & Rods (Hand-made), Sheet-glass, Glass-bottles, wired/figured and rolled glass.
. Glazed Tiles.
. Graphite Electrodes.
. H.T./L.T. Insulators.
. Hoses (Vacuum brake).
52. Hoses — other types.
53. Hydrogen Peroxide.
54. Laminates (Industrial & Decorative including Malamine Laminates).
55. Lead Oxides.
56. Manganese Metal & Manganese Dioxide.
57. Match.
58. Methanol.
59. Menthol.
60. Myrobalan Extract.
61. Napthols.
*62. Newsprint.
63. Nitric Acid.
64. Organic pigments.
65. Oxygen Gas (as applied for cutting and welding of steel only).
*66. Paper and Paper Board.
67. Pesticidal formulations (except formulations based on B.H.C., Melathion, Zineb and D.D.T.).
68. P. F. Moulding Powder.
69. Phenol.
70. Photographic raw film and paper.
71. Phthalic Anhydride.
72. Plasticisers.
73. Polystyrene.
74. Polyethylene.
75. Polyvinyl Acetate.
76. Postassium Chlorate
77. Potassium Permanganate.
78. Processing (excluding printing) of cotton textiles.
79. P. V. C. resins/composition.
*80. Pulp (paper and rayon grade).
81. Rayon tyre cord yarn.
82. Reclaimer rubber.
83. Refractories.
84. Refrigeration gases.
85. Sanitary Ware.
86. Soap.
87. Sodium Bicarbonate.
88. Sodium Hydrosulphite and derivatives.
89. Sodium Sulphite, bi-sulphite and sulphide.
90. Sodium Thio Sulphate.
91. Sulphuric Acid.
92. Sulphur Black.
93. Sulphur Dioxide.
94. Sulphur Dyes — others.
95. Superphosphate (single and triple).
96. Synthetic Detergents.
97. Synthetic rubber (SBR Type).
98. Synthetic Tops.
99. Textiles made of art silk.
100. Tyres — Automobile.
101. Vacuum Flasks.
102. Vanaspati (except expansions of small and medium size units to achieve economic capacity).
103. Vat Dyes.
104. Vegetable oil other than cotton seed oil.
105. Viscose filament yarn.
106. Wool tops.
107. Woollen and shoddy yarn (except expansion schemes).
108. Woollen/worsted cloth.
109. Worsted/yarn.
110. Zinc oxide.

* Applications for substantial expansion from existing units as well as applications for setting up of new units in areas, where raw materials resources have remained untapped, would be considered on merits.

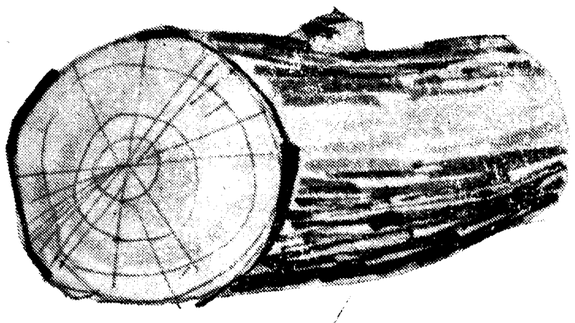


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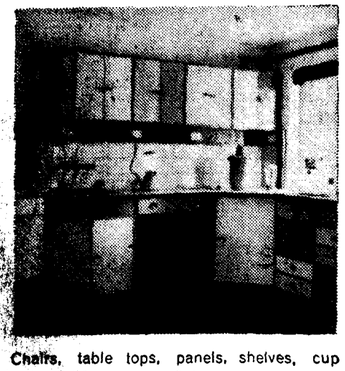


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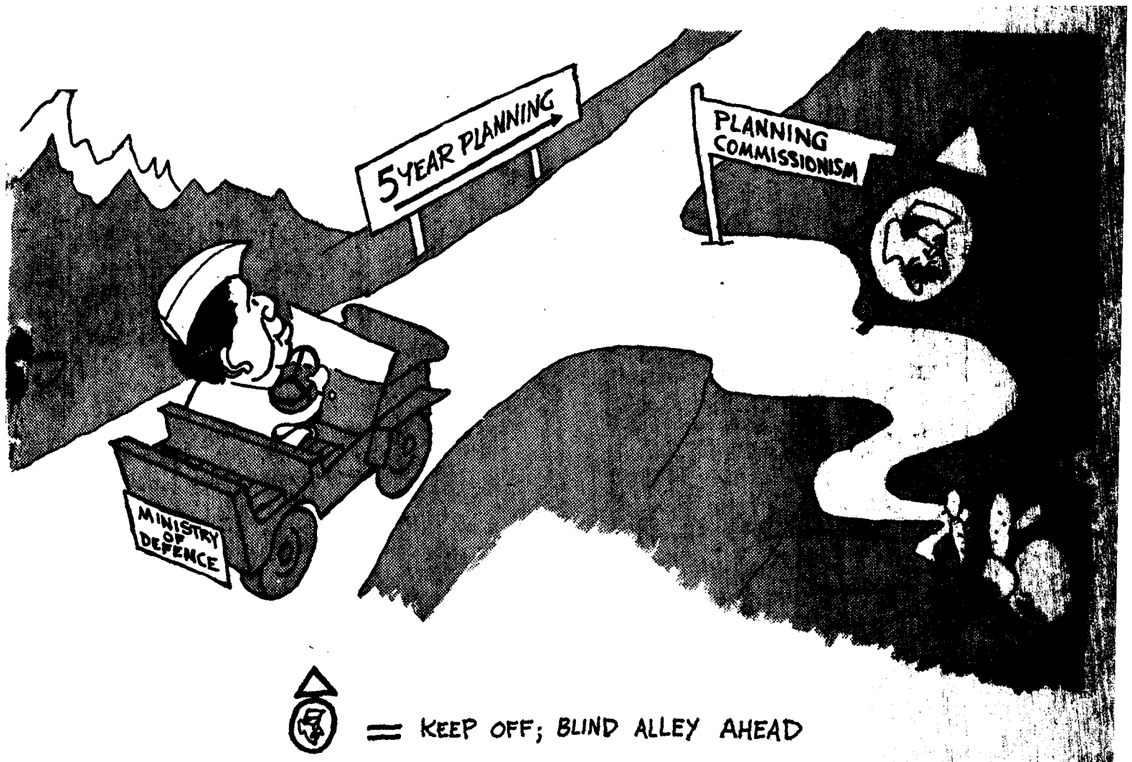
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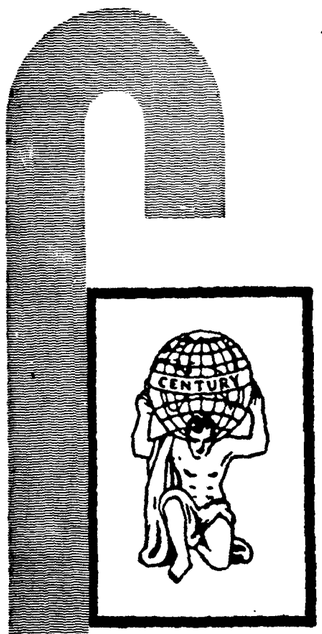
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The State of Our Defences

IN ITS ISSUE of October 4, 1963, *Eastern Economist* had the pleasure of complimenting the Defence Minister on his "two fine speeches in Parliament" on the NEFA reverses and the state of our defence preparedness then and subsequently. Those speeches were noted for their candour, realism and sincerity. These virtues were again in evidence in Mr. Chavan's reply to the debate in Lok Sabha earlier this week on the Demands for Grants for his Ministry. He emphasized the progress so far made in improving the defences of the nation. But at the same time, he did not hesitate to acknowledge shortfalls in vital areas of military preparedness.

A rough and ready yardstick of the strengthening of our national defences is, of course, the level of defence expenditure. In the Budget for 1963-64, an expenditure of Rs. 708 crores was provided on revenue account and a further sum of Rs. 159 crores on capital account, making a grand total of Rs. 867 crores. It was, however, known at that time that those amounts represented primarily the nation's desire and determination to mobilize its resources in the wake of the Chinese invasion in the closing months of 1962. It was recognized that, in practice, it might not be possible to utilise the allocations in full since the physical and organisational mobilisation might take longer to effect than the financial mobilisation. In subsequent months and by the end of 1963 it was becoming evident that the actual spending on defence would be somewhat less than the budget allocations. Consequently, it was really no surprise when in the budget for 1964-65 it was disclosed that the revised estimates for defence expenditure were Rs. 692 crores on revenue account and Rs. 116 crores on capital account. This meant that the Government would have spent in the year 1963-64 about Rs. 16 crores less on the revenue side and Rs. 43 crores less on capital account, adding up to a shortfall of Rs. 59 crores in all.

Nevertheless, both within Parliament and outside, there was a natural tendency to regard the surrender of allocations for defence as a measure of deficiency in planned preparedness. Consequently, some anxiety was voiced on this score. It is, however, necessary to realise that the merely financial *yardstick* has its limitations. For one thing as we had noted earlier the budget allocations last year were themselves symbolic to some extent. For another, it is common experience that the actual utilisation of allocations tends to be spread over a somewhat longer period than the 12 months contained in the financial year. Thus even without any particular deficiency in the defence effort, a certain extent of shortfall in actual spending in comparison with the budgetary figures is only to be expected. This apart, what is really relevant is that this country did succeed in spending in 1963-64 considerably larger sums on defence than it had done in 1962-63. Thus, on the revenue side the expenditure had gone up spectacularly from Rs. 425 crores to Rs. 692 crores, while on the capital side it had improved from Rs. 49 crores to Rs. 116 crores. Consequently, the stepping up of the defence effort achieved in the wake of the Chinese aggression cannot be unduly minimized even in financial terms.

At this stage, it ought to be more useful, therefore, to consider how effectively the money which was spent had been utilised. Here, the access which the public or even Members of Parliament have to information is necessarily limited. No useful purpose could, therefore, be served by going into secondary particulars or elaborating details. It is good to see that this principle was generally recognised in discussions in Parliament.

The tendency, wisely, was to concentrate on certain major indicators of the processes and progress of preparedness. The main questions were: Has the fire power of our ground forces been increased? Have communications in the forward areas been built up satisfactorily? Has the procurement of fighter and other aircraft of advanced design for the Indian Air Force made reasonable progress? What is the status of vital defence programmes, such as the organisation of six mountain divisions? At what stage is the work on the setting up of the six new ordnance factories? It is reassuring to find that all these important questions were asked at one time or another during the discussions in Parliament and that Mr. Chavan in his reply, made an attempt to provide honest, if not always reassuring, answers to all of them.

From the Defence Minister's reply two points of grave import became clear. One was that progress has been both below expectations and requirements in respect of the organisation of the mountain divisions, the setting up of the new ordnance factories and the acquisition of advanced aircraft for the Indian Air Force. Secondly, if progress in these vital spheres has so far not been as good as national security demands, it is largely because external assistance without which these particular resources of defence cannot be built up by this country in the short period has not been forthcoming to the needed or even to the promised extent. Thus, in the case of the mountain divisions, aid under the Nasau decision would only amount to 15 per cent of the total required for equipping six divisions. Similarly, in the case of the six new ordnance factories, it has so far been possible to process external assistance only in respect of one factory unit which is going to produce small arms and ammunition. The Defence Minister was careful not to make a complaint against any of the friendly countries which have offered assistance and he certainly took pains to express India's gratitude to such assistance as has been spontaneously offered and given when the nation was in dire need. Nevertheless, it is proper and necessary to record the fact that the Government of India does seem to have failed on the diplomatic front in acquiring to the full extent the external aid assumed in our defence programmes as basic to the fulfilment of those programmes.

This raises the important question whether the Government of India has any plan for correcting this grave lacuna or imbalance in its planning for national security. The same question applies also to the equipment of the Indian Air Force with advanced military aircraft. The Defence Minister made the reassuring declaration that a decision had been taken both on the size of the Air Force that would be required to protect national security and on a programme for building an Air Force of that size. He also made the equally important disclosure that the Government's notions of defence preparedness have swung over from the short heave to the long pull and that there is now a five-year plan for the expansion and modernization of our fighting forces and their auxiliary and ancillary services. An integral part of both decisions — that is, the decision about an adequate Air Force and the decision about a five-year defence preparedness plan — is the building up of defence industries, sufficiently varied and sufficiently sophisticated, within the country itself. All these are sensible and significant steps and it is good for national security and national morale that the Government has taken them.

But at the same time, it is necessary to ask whether our diplomatic resources would be more adequate in future than they had been in the past for the pursuit of our defence ambitions. It seems to us that it will be extremely difficult for this country to execute efficiently and reasonably quickly a programme of expanded and diversified defence production within the country without extensive external assistance in terms of capital equipment and technical skill. It belongs to the least satisfactory aspect of the Defence Minister's speech that he just did not seem to have anything at all to say about how the Government proposes to set about this question of acquiring sufficient external assistance. There was, no doubt, a reference to certain negotiations with the United Arab Republic, but we doubt that effort on this scale is proportionate to what the situation calls for. In the wake of the Chinese invasion, the United States and the United Kingdom had demonstrated a large readiness to come to our defence. In the subsequent negotiations on defence preparedness, again, there has admittedly been no unwillingness on the part of those two countries to collaborate in modernizing and expanding our defence strength for the purpose of resisting Chinese aggression. It has been conceded that the only material limitation placed on such Western assistance is that the arms and ammunition should be used only in hostilities with China. Considering that American military aid to Pakistan has been regulated on corresponding principles, this country has no ground for grievance and should, on the contrary, even find in such conditional assistance a useful safeguard of its own interests. The Government of India has shown good sense in accepting this condition. The question now remains why it has, nevertheless, been difficult for the Government of India to secure on an adequate scale the external assistance without which our defence preparedness may find it hard to get going. The Defence Minister's speech, unfortunately, did not, or could not, cover this crucial point, but it is clear that the defence debate cannot be regarded as having been truly completed until the Prime Minister or some other member of the Cabinet is in a position to stand up and say on behalf of the Government how it is proposed to deal with the diplomatic aspect of defence preparedness in a manner which is more satisfactory than has been the case so far.

Another important lacuna in the defence debate was the economic mobilisation aspect of defence preparedness. Mr. Chavan has always been insisting, and rightly too, that defence preparedness cannot be separated from the nation's economic base, from its economic capacities or technological capabilities. In his budget speech, the Finance Minister, Mr. T. T. Krishnamachari, took considerable pains to explain that a good deal of the amounts allotted for defence expenditure could be simultaneously effective in strengthening and expanding the economic and industrial structure of the nation. In the budget for 1964-65, an amount of Rs. 717 crores has been provided on the revenue side and a sum of Rs. 136 crores on the capital side for defence purposes. Although these projected expenditures are somewhat less than the budget estimates for 1963-64, they are appreciably higher than the revised estimates for that year and Mr. T. T. Krishnamachari has given the assurance to the country that, should necessity or occasion arise, the Government would move quickly to release more funds for defence.

But as we have known from our experience of 1963-64, the financial mobilization is an important but is not the most important, part of defence mobilization. What matters more than the budgetary allocations is the physical mobilization which is achieved in practice. One part of physical mobilization, viz., manpower, seems to present a satisfactory picture. It was heartening to learn from the Defence Minister that the people of this country had offered themselves in far larger numbers than are required for service in the various branches of the armed forces. The limit is not set by the patriotism of the people, but by the organisation and physical resources the Government currently commands for training or equipping the young men who have come forward to defend their country.

We wish the situation had been equally satisfactory with regard to materials as it is with regard to manpower. Unfortunately, so far as economic mobilization is concerned, the country certainly does not seem to have made the most of the past 12 months. Agricultural production is in a disheartening state. Basic foodstuffs are in short supply and rising prices are causing widespread social distress and discontent. What makes the situation particularly disturbing is that the Government does not seem to have any clear idea of how to deal with this crisis in food and agricultural production. Like a mouse in a trap, the Food and Agriculture Ministry is turning itself over and over again within the vicious circle of controls, shortages and more controls.

On the industrial front, again, the situation is hardly much better. Here too high prices are plaguing the economy, while prospects of shortages in respect of such basic articles as cloth are threatening a harassed public. Although bold words were spoken in the wake of the Chinese invasion of industry being mobilised and put to work for the defence of the country on a round-the-clock basis, there has subsequently been no adequate effort for full utilisation of installed capacity even in industries, directly or indirectly connected with defence preparedness. On the contrary, there are many industries of military significance which are working at partial capacity and there are few industries, indeed, which have been called upon to do an extra shift or even work up to the limit of normal shifts. The Defence Minister claimed that in the ordnance factories and other defence establishments there was full utilisation of capacity. This is reassuring, but since the Government sector in defence production is only a part of the total industrial apparatus of the nation which can and ought to be mobilized for defence purposes, the nation is bound to feel that so long as the vast area of civil industrial capacity remains substantially unengaged the nation's defence effort cannot be regarded as having been organised with adequate vigour or sense of urgency.

The Finance Minister has claimed that his budgetary proposals and, indeed, the Government's economic policies have been designed to promote both defence and development. The Defence Minister has emphasized that without development there can be no adequate defence. But the fact remains that the development effort has not been appreciably intensified over the last 12 months. On the contrary, there has been evidence of slackening as was conceded in the Mid-term Appraisal of the third Plan. Thus the development effort has been clearly not of the optimum order and when, as we have suggested, the diplomatic effort too has not been commensurate with the needs of our national security, is it possible for the country to feel assured and confident that the

Eastern Economist 20 Years Ago

MARCH 24, 1944

In answer to an interpellation in the Assembly, Sir Jeremy Raisman gave certain interesting figures about war prices. He said that the general index number of wholesale prices in India taking the prices prevailing on August 19, 1939, as 100 was 118.8 in March 1941 and 235.2 on March 11, 1944. The increase has therefore been 98 per cent in the last three years. The agricultural commodities price index number on March 11, 1944, was 256.7 as against the manufactured articles index number of 243.8. He further stated that the general index number of wholesale prices reached its peak in June 1943 since when the various measures taken to combat inflation have succeeded in checking the rise. The general index in June last was 244.0 and the figure on March 11 was 235.2. Another interpellation elicited from the Labour Member details of the Coal Control Scheme which the Government of India have prepared for regulating distribution and stabilizing prices. According to his statement, the intention of the scheme is to ensure that all the coal available is properly distributed at fair prices to consumers and to afford every encouragement to the maximum production of coal. There is a good deal of dissatisfaction about the composition of the Control Board which the Government of India propose to set up. It is felt that at least the Central Legislature should be given some representation on behalf of consumers in general.

defence effort is being sustained at a sufficient level? The defence debate in the Lok Sabha did throw up this question, but it has left it largely unanswered and the resultant impression on the public mind is that our programme of defence preparedness may be dangerously lacking in the stuffing of co-ordinated diplomacy or adequate economic mobilisation. The Government will certainly be failing in its duty if it does not move promptly to meet the stern challenges of national security.

A Bank of Big Ideas

THE INDUSTRIAL Development Bank of India will shortly come into existence under a proposed Act of Parliament. A Bill to this effect was introduced in the Lok Sabha on February 27. The Development Bank will be the fifth in the line of such institutions as have been established in India (excluding those that serve small industries) to provide medium or long-term financial facilities to industries. The earlier four are the Industrial Finance Corporation of India (1948), with its State versions, the National Industrial Development Corporation (1954), the Industrial Credit and Investment Corporation of India, Limited (1955) with foreign participation in capital, and the Refinance Corporation for Industry Private, Limited (1958). The first and the fourth are purely financial institutions while the other two provide, what may be called, ancillary services in addition to finance. Of the latter, the ICICI helps private industry to obtain managerial, technical and administrative advice and services, while the National Industrial Development Corporation, as the title suggests, lays emphasis on development even while it provides finance. It has organised several technical surveys and is charged with the development of key industries.

"The existing arrangements for the provision of credit for the expansion or development of industry," as the Finance Minister states in the Objects and Reasons for introducing the Bill, however, "are not adequate in relation to the needs of the various enterprises or projects." It is proposed, therefore, to establish a new institution to be known as the Industrial Development Bank of India. It will co-ordinate the activities of all the institutions which are or may be concerned with the provision of finance for industrial development. It will provide refinance and loans, and promote and develop key industries, as circumstances may require.

The Development Bank does not suffer from the limitations either on functions or on the field of operations as the other agencies do. The functions or the business of the bank include the granting of loans and advances, accepting, discounting or rediscounting bills of exchange and industrial promissory notes, participating in capital issues and debentures of approved financial institutions including Industrial Finance Corporation (and its State versions), participating in and underwriting of capital issues and debentures of incidental concerns, undertaking marketing and investment research and conducting techno-economic surveys, providing technical and administrative assistance to industrial units, planning, promoting and developing industries to fill up gaps in the industrial structure and forming or conducting of subsidiaries for carrying out its functions. This bank combines the functions of all other development banking agencies already existing in the country. While the bank is empowered to undertake development programmes, one important function is to provide finance to private industrial sector. In his Budget speech, Mr. Krishnamachari drew pointed attention to this aspect so that the private sector may play its role in the fields assigned to it. The provision of medium and long-term loans or credits should augment the internal resources of industrial concerns and give relief to commercial banks so that they may play their proper role in the short-term market. An easier condition should naturally lead to development and increased volume of operation. Dr. George Rosen of the American Investment Centre who recently made a study of industrial finance in India suggested credit rating of private industrial concerns (particularly of lesser known companies) as an adjunct to industrial financing. This is a demand from the industry. This service will help such of those concerns who while they may not ask for or receive facilities of finance from the Development Bank may yet be helped with the "Seal of Confidence" that such credit rating would mean. It will be easier for such rated companies to raise funds in the open market even though they may not be so well known. With its expert staff the bank seems to be in a position to render such service. The service could be free.

The resources of the Development Bank are mainly from its capitalisation and borrowings until such time as it will make profits. The Reserve Bank of India provides all the capital stock, of which the Development Bank is a subsidiary though quite independent in its policy and operations. The authorised capital is Rs. 50 crores, which can be raised to Rs. 100 crores in the future. Rs. 10 crores will be issued for the present. The Reserve Bank will also create a National Industrial Credit (Long-term operations) Fund, out of its earnings, and will make loans from this source in addition to normal banking accommodation and other special loan facilities. Initially, the Central Government will offer a 30-year interest free loan of Rs. 10 crores to the Development Bank. Future loans are not likely to be interest free. In addition it will make loans to a Development Assistance Fund that is to be created in the bank. The object of this fund is to help essential industrial enterprises which may not in normal circumstances receive loans to service heavy investments or where returns on capital may not normally attract loans. The bank will also raise funds from the market by sale of stocks, shares and debentures. The funds of the LIC should lend themselves better through the expert services of the bank. The supply of funds for industrial and mineral programmes of the private sector in the third Plan was estimated at Rs. 1,250 crores of which institutional agencies and the Central and State Governments were expected to provide Rs. 150 crores. These resources again could be guided into productive lending through the expert assistance of the proposed institution.

In the early years of its operation, the Industrial Finance Corporation had tended to load the sugar industry with loans and a regional imbalance was noticed in favour of Maharashtra. Such experiences must serve as a warning to the administrators of the bank. Secondly, while large-scale units usually find sufficient credits or capital, the medium-size units often experience difficulties particularly those that are less known albeit their sound position and efficient management. If the policy of the bank is directed to help these smaller units, perhaps by a system of guaranteeing loans, rediscounting, participation or underwriting, that should promote a faster pace of development. Thirdly, payments crisis is a problem of developing countries that finance imports of machinery with exports of primary products (or semi-processed goods) under adverse terms of trade. So it is imperative to expand and develop export industries. In the later years the Japan Development Bank's policy was so oriented. The details of interest-rate structure on different kinds of loans are yet to be known for any comment to be made just now. It is reasonable that a greater risk should carry a higher rate or a surcharge. That would be a normal business practice.

There are about 70 development banks in the 52 developing countries in Africa, the Americas, Asia and Europe (including Iceland) according to the World Bank. Of these, 55 serve the industrial development; a few among these are multi-purpose serving both industry and agriculture. In general they are prototypes with modifications to suit local conditions of politics, administration and needs of development. India has drawn inspiration from Canada, West Germany and Japan to give shape to her bank. Japan which has been a developing country in the post-war years now aids development elsewhere. Similar to the Industrial Development Bank of Canada (1944), India's bank is owned by the Central bank, i.e. the Reserve Bank of India. Likewise, the incumbents in the Board of Directors of the latter serve on the Development Bank's Board also. The West German Kriditanstalt and the Italian Media Credit rediscount medium and long-term loans made by other financial agencies. India's bank also will do likewise. The Bill provides for the taking over of the Refinance Corporation of India at a future date.

EASTERN ECONOMIST BUDGET NUMBER

March 6, 1964

THE BUDGET NUMBERS of "Eastern Economist" are a popular and valued annual feature of the Journal. This year's Number should be of special interest and importance in view of the complexity as well as ingenuity of the economic and fiscal policies presented through the Central Budget.

An attempt has been made in the Budget Number to analyse the various aspects of the Budget proposals and study the Budget documents with a view to bringing out the larger and deeper implications of Government policies for the future course of the national economy. The result is an objective and critical evaluation of the economic situation and outlook at a significant turn in the course of national development.

The Budget Number is illustrated with graphs and diagrams and it features a special section in which important budget documents have been reproduced for record and reference. Priced at Rs. 5 per copy, the Budget Number is available to subscribers without extra charge — a facility which new subscribers may also avail themselves of by entering, before April 10, an annual subscription for "Eastern Economist" at the usual rate of Rs. 65.

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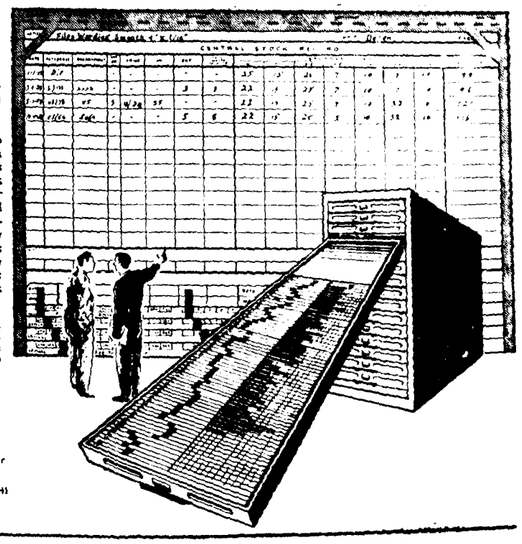
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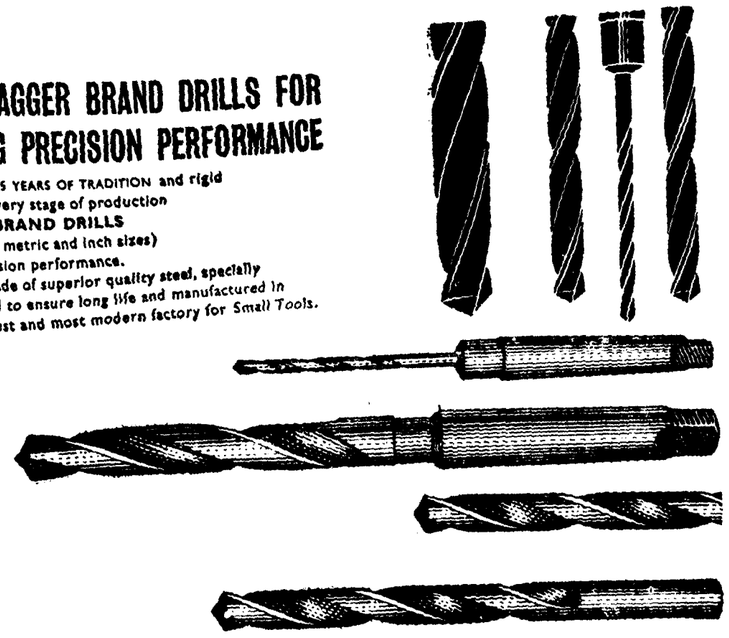
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Highlights of the Week

HUMBLE PETITIONER

ON MARCH 20, the U.N. Security Council, resuming its debate on Kashmir, agreed to a postponement for which this country had pleaded. The adjourned discussion is fixed for May 5. Although official sources in New Delhi were reported to have reacted to this decision with some satisfaction, it is clear that the emphasis is on the qualifying word "some." There is no point at this stage in slurring over the diplomatic setback which this country has suffered. A request for pos ponement which should normally have been granted even out of mere formal politeness was debated to a point where our country was made to appear as if it was begging for a special favour. When the adjournment was finally granted, it was done with an obvious ill-grace since to it was tacked the so-called appeal to Pakistan and India "to refrain from any action or threat that could imperil peace and international security or aggravate the problem." The Brazilian representative, Mr. Carlos Alfredo Bernardes, who sponsored this "appeal," thought it necessary also to express the lofty sentiment that India and Pakistan should use the six-week respite to seek every possibility of settling their differences peacefully. It was evident, however, that the "appeal" was really in the nature of a condition attached to the grant of the Indian request and that it was put there as a concession to Pakistan which had opposed the Indian plea for postponement, an inference which is supported further by the fact that Mr Bernardes took care to emphasize the possibility that the Council could be convened before May 5, if there were new political or military developments that might change or aggravate the situation—an assurance which certainly seemed to gladden the heart of the Pakistan delegate, Mr Bhutto.

If there was any doubt at all about the diplomatic implications of the "appeal," it should have disappeared after the way in which the various members of the Security Council reacted to the Brazilian prompting. The U.S. representative, Mr Adlai Stevenson, hastened to put on record that he was in complete accord with Brazil. Sir Patrick Dean of Britain said "ditto," and so did the delegates of France, Norway, Bolivia, Morocco and Ivory Coast. It was left to Dr. Nikolai Fedorenko of the Soviet Union to protest against the "discrimination" against India implied in the "appeal." He recalled that no conditions or reservations were attached to a similar request for postponement which Pakistan had made in February last. Prof. Hajek of Czechoslovakia expressed a doubt that the appeal was intended to improve the atmosphere. The Indian delegate, Mr B. N. Chakravarty, caught in an unenviable situation, had to make the best of a bad bargain by making a firm declaration that India did not consider itself bound to refrain from proceeding with any constitutional processes it might think necessary in a part of its own territory. This reservation was absolutely necessary since the internal politics of Kashmir are now at a stage where the Government of India has to be in constant action to ensure good government for the people of Jammu and Kashmir, help maintain political stability and law and order in that part of Indian territory and, above all, safeguard national security and territorial integrity.

Un-diplomatic Snobbery

The division of ranks in the Security Council over the Brazilian "appeal" has served to emphasize the disturbing fact that, in the matter of its dispute with Pakistan over Kashmir, this country has utterly failed to win over Western support, particularly U.S. and British sympathy, for its point of view with regard to the terms of a settlement. How far this is a consequence of Western strategic interests in the region affected and how far it is simply the result of a failure in our diplomacy is a question which, no doubt, may be argued indefinitely. At the same time, it is not good that we ourselves should be blind to the fact that our handling of the Western powers has not always been adroit. For instance, where was the need for Mr Nehru to describe in Lok Sabha on March 20, the recent presence in the Capital of Mr. Phillip Talbot, the U.S. Assistant Secretary of State, as the routine visit of a "not very important official" with whom he had only a courtesy meeting. We should have thought that Mr Nehru was incapable of such diplomatic snobbery; and that apart, on this occasion, the snobbery was certainly most undiplomatic. Surely, it is not to be expected that when there were matters of mutual interest to be discussed between the Government of India and the Government of the United States, only President Johnson, or failing him, the Secretary of State, Mr Dean Rusk, should drop in. The fact is that Mr Talbot, whatever the Government of India may think of his ranking in the U.S. official hierarchy, happens to be the U.S. Assistant Secretary of State for Near East and South Asian Affairs and his assessment of problems in the region is certainly to be expected to carry weight with the policy-makers in Washington. It is possible that Members of Parliament here and others who had been aware of Mr Talbot's meetings and talks with senior Ministers of our Government had formed exaggerated ideas of the nature or trend of the discussions. If that was the Prime Minister's feeling, he could certainly have corrected the perspective without resorting to language both unwise and unhappy which is apt to be misunderstood.

VIOLENT MEN AND MOODS

THE PRIME MINISTER has reportedly written to President Ayub Khan urging that the communal situation in the Indo-Pakistan sub-continent should not be allowed to drift towards disaster. A specific suggestion which is said to have been made in this connection is that the Home Ministers of the two countries should meet immediately to devise effective measures for preventing communal disturbances and promoting communal harmony. The Prime Minister's communication is believed to have been delivered to the President of Pakistan on Friday, March 20. Both its poignancy and urgency were underlined by the clashes which had broken out around March 19 in a number of places in eastern India. Among the places affected was the steel township of Rourkela in Orissa. Clashes were reported from other centres in the State, viz., Brajarajnagar and Rajgangapur. The saving grace was the firm action taken by the State Government to put down the disturbances and protect life and property. Troops were called in to assist the civil authorities and curfew was clamped down. The situation in Rourkela and other affected places in Orissa was claimed to have been brought completely under control by March 21 and the Rourkela steel plant was officially reported to be working at 80 per cent of capacity. Communal disturbances also befouled the name of another steel town, Jamshedpur in Bihar. There too firm action was taken to restore law and order, with the police resorting to firing on unruly mobs. Disturbances were also reported from Raigarh in Madhya Pradesh. In Calcutta also there were violent incidents. The total death toll resulting from the clashes in the four States of West Bengal, Bihar, Orissa and Madhya Pradesh is placed

at 200 lives, including those lost from police action against violent mobs.

From all these unhappy incidents three things are becoming clear. One is that the violence against Hindus in East Bengal and the resulting influx of refugees into this country is bound to have a chain reaction of retaliatory communal disturbances in this country, particularly in the eastern region. Secondly, State Governments are both willing and able to take the strictest measures of law enforcement for the protection of Muslims and the restraint or punishment of those who provoke and perpetrate communal violence. Lastly, it is being hearteningly confirmed over and over again that the great mass of the Indian people has not only kept itself aloof from the disturbers of communal harmony, but has also shown that it stands by the Muslim citizens of this country. While the last two factors are assets of great value for the nation in the critical period through which it is passing, it cannot be ignored that the hostile posturings of Pakistan along the northern and eastern borders and the raids across the cease-fire line in Kashmir are a grave and growing menace to communal peace on the sub-continent. To the extent that Pakistan's intransigence and its obvious desire to force the issue of Kashmir could be the means which the Ayub regime has chosen to exploit the desire of Britain and the United States to bring about an early settlement of the differences between India and Pakistan, it is quite obviously a responsibility of the Western powers to see that no act of commission or omission on their part could be interpreted by Rawalpindi as an encouragement of any kind. To put it differently, the continued maintenance of communal peace in this country is fast ceasing to be the sole responsibility of India or even the joint responsibility of India and Pakistan and is on the point of becoming, if it has not become already, a responsibility of the Western powers who, no doubt, from the best of intentions, have so far persisted in pressing Pakistan's claims regarding Kashmir without bothering to appreciate the sombre significance of the Indian warning that Pakistan cannot be accommodated except at the expense of the secular character of the Indian State and communal peace on the sub-continent.

AFTER BAKSHI, ABDULLAH ?

KASHMIR, it appears, has now become as much of a problem to itself as it has been to the Security Council all these years. It may still be recognized in retrospect that the "Kamarajing" of Bakshi Ghulam Mohammed was one of the less prudent acts of the Prime Minister in the implementation of that famous plan of many purposes. This is not to say that the Bakshi Government was the best that the people of Kashmir could have had. But recent events have suggested surely that it is going to be much more difficult to do without Bakshi Ghulam Mohammed than it had been to make do with him. The fond belief nursed by simple minds that once Bakshi Ghulam Mohammed could be made to quit all would be well in the Valley and a breed of perfect politicians could be found to provide good government and play fair with the people of Kashmir ought now to have gone the way of most illusions to which the human imagination is partial. But when one set of illusions goes, it is often the case, unfortunately, that another set of illusions promptly takes its place.

Currently, the assumption in exalted quarters is that only the release of Sheikh Abdullah is needed to restore normalcy in Kashmir. We wish such supposition had some substance. Not that we would not have the case of Sheikh Abdullah decided on its merits. Like every citizen of this country, he is entitled to fair judicial processes and, that apart, political decisions always have a place in any government in the consideration of cases such as that of Sheikh Abdullah. At the same time we do not believe that his release will have the magic effect of ending the factional and personal rivalries in the domestic politics of the Valley. As a matter of fact, what is more likely is that his release will import into a troubled, if not an explosive, situation yet another element of unpredictability. It must always be said to the credit of Mr Nehru that he has a better appreciation than most of us of the personal and political equations in a given situation; hence his concern for upholding Bakshi Ghulam Mohammed in Jammu and Kashmir or Mr. Pratap Singh Kairon in Punjab. Even in the United Kingdom they do not play politics as they play cricket and Mr Iain Macleod was certainly not revealing any secret when he recently gave the low-down on how Sir Alec Home was chosen to succeed Mr Macmillan as a leader of the Conservative Government.

To return to Kashmir, Mr. Ghulam Mohammed Sadiq and Bakshi Ghulam Mohammed may continue to have their differences. But the State Government must carry on—which means that money has be found for the business. In the discharge of his responsibilities in this direction, Mr Trilochan Dutta, Finance Minister of Jammu & Kashmir, recently presented his budget for 1964-65, proposing new taxes to be levied during the budget year to the extent of Rs. 75 lakhs, but prudently omitting to discuss the details of the contemplated levies. The State Government has to reckon with an overall deficit of Rs. 1.98 crores which the intended additional taxation would bridge only in part. Mr. Trilochan Dutta, therefore, consequently plans to withdraw Rs. 122.67 lakhs from the State's cash reserves to cover expenditure contemplated in the budget year.

According to the preliminary estimates, receipts have been placed at Rs. 23.85 crores, i.e., almost equal to the revised estimates for the current year. Expenditure charged to revenue account has been placed at Rs. 25.04 crores, out of which Rs. 19.18 crores are proposed to be spent on non-Plan activities and the remaining Rs. 5.86 crores on Plan expenditure. Expenditure outside the revenue account has been placed at Rs. 13.62 crores, while receipts under the capital head have been put at Rs. 13.59 crores. The budget anticipates increased receipts under land revenues, sales tax and other taxes and duties. Larger provisions have been made for education, medical and public health, agriculture, water supply schemes, industrial development, irrigation, power, public works and police, in the new budget. The Finance Minister disclosed that the State Government had undertaken to raise additional resources amounting to Rs. 8 crores during the third Plan and that by the measures already in force, the Government would be able to add over Rs. 5 crores to the State's revenues. The balance of Rs. 3 crores would have to be raised by the end of the Plan period. The Plan outlay for the next financial year is Rs. 18.82 crores. Of this, Central assistance will account for Rs. 15.12 crores.

The Mysore Kirloskar Ltd.,

Regd. Office: YANTRAPUR P.O. HARIHAR

NOTICE

NOTICE is hereby given that an Extraordinary General Meeting of the Company will be held on Saturday the 18th day of April, 1964, at 4-00 P.M. (I.S.T.) at the registered Office of the Company at Harihar to transact the business, the details of which have been made known to the Shareholders separately by notice sent to them individually.

The Share Transfer Books and Membership Register shall remain closed from the 11th April, 1964 to 18th April, 1964 (both days inclusive).

For THE MYSORE KIRLOSKAR LTD.,
V. K. BODAS
Asstt. Secretary.

Date: 24th March, 1964.

FROM THE PRESS GALLERY

Defence Matters to the Fore

By Our Parliamentary Correspondent

NEW DELHI :

THE LAYING down of a healthy convention about the privileges of the Members of Parliament and a lively debate on defence preparations were the two main highlights of the Lok Sabha proceedings last week. The House voted the demands for grants for four Union Ministries — the Ministries of International Trade, Information and Broadcasting, Labour and Employment and Defence.

The question of the privileges of the Members of Parliament came up before the House when a Socialist Member raised the issue of Mr. Mani Ram Bagri, another member of the Lok Sabha belonging to the Socialist Party, being prevented from entering Parliament House after 7.00 p.m. on March 17. The Speaker revealed that he himself had issued orders to the Watch and Ward staff to stop Mr. Bagri from entering Parliament House at that hour and it was within his rights to do so as the prerogative to give permission to a member to enter the House when the Lok Sabha was not in session or when the member concerned was not going there for any work connected with Parliament rested with him. Mr. Bagri was wanted by the police for alleged violation of the prohibitory orders of the Delhi District Magistrate when he had arranged a demonstration in front of Parliament House on March 13, and was said to be using the House as refuge from law. It was contended by Mr. Frank Anthony that the use of Parliament House as a sanctuary by a member alleged to have committed an offence, amounted to negation of the process of law. The ruling given by the Speaker to the effect that Parliament House could not provide shelter for fugitives from law should go a long way in removing the apprehensions in the public mind about the legislators forming a new privileged class in the country.

Lively Debate

The discussion on the demands for grants for the Ministry of Defence was not only lively but also assertive. Concern was expressed over the growing menace to the country's security from China and Pakistan and the recent mishaps to several military aircraft. Many an Opposition member also accused the Government of complacency in defence preparations after the ceasefire by China. They demanded quicker and more effective steps to strengthen defences and called for streamlining of military intelligence, especially in the border areas. It was suggested that India should follow the US and the UK patterns of defence set-up. Building up of the Indian Navy along with the Army and Air Force was also urged. The Defence Minister, Mr. Y. B. Chavan, in his reply tried to remove the apprehensions of the Opposition members and asserted that everything possible was being done to safeguard the country's territorial integrity. He pointed out that it was now possible to take a little longer view of the defence problem and work it out on a five-year plan basis. Giving as much information as he could, the Defence Minister disclosed that during the last 12 to 14 months, 300,000 other ranks and 10,000 officers had been recruited to the Defence Forces and that the ordnance factories had produced 26 new items. Decision, he said, had been taken about the size of the Air Force taking into consideration the nature of the threat the country might have to face. Naval strength, he said, was also being built up. The recent air exercises, Mr. Chavan stated, had confirmed the Government's view that supersonic fighters were necessary for defending the country against aggression from outside. He, however, did not favour unification of command and opined that the existing set-up was quite elastic and well suited to the country's requirements. Mr. Chavan also dwelt at some length on the progress made in the manufacture of MIG's and HF-24 aircraft. He announced the setting up of a committee to inquire into the recent series of air accidents.

The debate on the demands for grants for the Ministry of Labour and Employment was notable for the concern expressed by members over the deteriorating employment situation and the difficulties faced by employees in view of the rising cost of living. The need for improving the lot of agricultural labour and the conditions of work for women was also stressed. In his reply, Mr. D. Sanjivayya, the Minister for Labour and Employment, made several important announcements. He envisaged that a start would be made next year to provide pension for the families of the subscribers to provident fund; the State Governments would be asked to revise minimum wages so that these might be raised to at least Re. 1 a day; and decisions would be taken soon to set up wage boards for the engineering and chemical industries and for the port and dock workers. About the linking of dearness allowance with the cost of living, Mr. Sanjivayya said this was not a solution to the problem of rising prices and it might worsen the situation by adding to the inflationary pressures in the economy. As an alternative, the Government and the private employers, he suggested, should undertake to supply essential commodities to their employees at subsidised prices. Despite his assiduous attempts to meet the criticism about the unemployment situation with an array of statistics, Mr. Sanjivayya's defence in this regard was not very convincing. The Labour Ministry, he said, could only help people looking for work to find it; it could not provide employment opportunities. He, however, expressed his inability (for practical reasons) to extend the network of employment exchanges to rural areas. As a solution to the problem of the educated unemployed, he suggested that the facilities for imparting technical and vocational training should be increased. Mr. Sanjivayya had a jibe at the Communists who, while vociferously clamouring for bringing down prices, did not refrain from calling for strikes and agitations. Would prices come down because of this? he asked.

National Unity

In the discussion on the demands for grants for the Ministry of Information and Broadcasting, members urged that the publicity efforts of the I & B Ministry through radio, films and the Press Information Bureau should be directed towards promoting the national unity and counteracting anti-Indian propaganda by Pakistan and China. With a view to controlling the monopolistic trends in the newspaper industry, it was suggested that encouragement should be given to smaller and language newspapers. Some members urged that All-India Radio should be converted into an autonomous corporation on financial considerations. The film censorship policy also came in for criticism. Winding up the discussion, the Minister for Information and Broadcasting, Mr. Satya Narayan Sinha, stated the VOA deal had been scrapped and tenders had been invited from all the rupee-payment countries for the supply of a high-powered transmitter. He rejected the demand to convert AIR into an autonomous corporation, but hinted that setting up of a television network in the country might have to be sponsored independently. He agreed that for the growth of democracy, it was essential that small newspapers, particularly language newspapers, should be given encouragement. For checking unhealthy trends in the newspaper industry, he said that a Bill would be brought before the House soon seeking to set up a Press Council. He hoped that the Monopoly Commission announced by the Union Finance Minister would go into the question of newspaper ownership. He appealed to the critics of the film industry

not to insist on too rigorous censorship on the ground that "romance is not at all bad".

The Minister for International Trade, Mr. Manubhai Shah, received well-deserved bouquets for his efforts to step up exports. But the affairs of the State Trading Corporation and the Tea Board came in for a good deal of criticism in the debate on demands for grants for this Ministry. It was suggested that a high-powered committee should be set up to go into the working of the State Trading Corporation. Some members also dwelt on the tasks before the Geneva Conference on Trade and Development. In his reply, the Minister stressed that in the interest of boosting exports, the producers should make concerted efforts to reduce costs and improve the quality of their products. Mr. Shah disclosed that he had recently requested the Planning Commission to organise a division devoted solely to cost studies. He opined that nationalisation of the import and export trade alone could not prevent malpractices in this business and added that the Government wanted state trading in the field of international trade to be expanded, especially in the case of highly profitable and scarce commodities. He hoped that some extra incentive would be given to tea industry in the form of rebate in excise duty on additional production. Mr. Shah dwelt at length on the incentives provided to tobacco-growers and mica industry and revealed that he would soon bring forward a bill to establish a Cardamom Board. He assured the House that at the Geneva Conference, he would plead for the under-developed countries getting a bigger share in the benefits of international trade. Earlier, introducing the demands for grants for his Ministry, Mr. Shah announced the appointment of a committee to overhaul the customs tariff structure and hinted that import policy for the next year would permit slightly liberal imports of spares and machines. The small-scale industries might also get some relief as their import requirements had been drastically restricted in the past. There was, however, need to impose further cuts on imports of low-priority items. He stressed the urgency for increasing exports to Africa.

Question Hour

Petro-Chemicals: The Minister of State for Petroleum and Chemicals, Mr O. V. Alagesan, told the Lok Sabha on March 18 that India would have to go in for foreign collaboration or foreign capital to develop petro-chemical complexes. The question whether Indian private capital should also be invited for these ventures and on what terms was under the "active consideration" of the Government. The Minister further stated that there would be considerable saving in foreign exchange when the proposed petro-chemical complexes at Bombay, Barauni and Koyali were completed. The Bombay and Koyali complexes would be integrated ones, based on naphtha crackers, and would be producing a wide variety of products, particularly plastics and synthetic rubber. The Barauni complex was planned for the present to produce only aromatics — benzene and xylene. In addition to these three complexes, the Government was considering the question of setting up petro-chemical industries at Haldia and in South India also. Production of some additional petroleum products was also likely to be undertaken at Gauhati.

Answering another question on the utilisation of natural gas from Cambay, Mr Alagesan stated that the intention of the Government was to supply this gas on a priority basis to industrial units for production of electricity, fertilisers, etc. The supply for domestic uses would be given a low priority.

Alcohol Imports: Mr. Alagesan also told the Lok Sabha on March 18 that the Union Government was considering the possibility of importing some alcohol for industrial purposes. Efforts were also being made to import some quantities of polythylene to meet the shortfall in the production of this commodity indigenously, resulting from inadequate supplies of alcohol to the polyethylene producing units.

Lignite and Coal: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, disclosed in the Lok Sabha on March 20 that the question of utilising the lignite resources of Rajasthan for putting up a power plant was under the examination of the Government. Replying to several other questions on coal, Mr. Subramaniam stated that the third Plan target of 97 million tonnes of coal production was being reduced as the demand for the commodity was not expected to go up as originally anticipated. He, however, did not throw any light on how much reduction there would be in the target.

The actual production of coal during the current year, Mr. Subramaniam said, was expected to be between 67 million and 69 million tonnes, as against the target of 69 million tonnes. This was more than sufficient to meet the requirements.

Mr. D Thimmiah, Parliamentary Secretary, Department of Mines, stated that the "progressive units" in the coal industry were effecting modernisation in the context of the World Bank's offer of loan. In all, 117 collieries had furnished details about the import of equipment and machinery which would help in modernisation of coal mining.

Production Bonus: Mr. Subramaniam also told the Lok Sabha on March 20 that production bonus would be paid only to those who directly contributed to production. He was unable to accept the proposition that anybody employed in a plant must automatically get incentive production bonus.

Rabi Crops: The Minister of State for Agriculture, Dr. Ram Subhag Singh, confirmed in the Lok Sabha on March 17 that the standing rabi crops in several districts of Madhya Pradesh, Rajasthan, Punjab and Uttar Pradesh had suffered considerable damage because of the cold wave conditions in January. Despite this, however, the overall prospects of food output in 1963-64, appeared to be satisfactory as rabi sowings had been very good. Paddy yield, the Minister stated, was estimaed at 32 million tonnes.

Sugar Exports: The Minister of State for Food, Mr. A. M. Thomas, revealed in the Lok Sabha on March 17 that the Government would take precautions to export less sugar this year in view of the shortage of the commodity within the country. Contracts had been signed so far for export of only 200,000 tonnes of sugar.

Price Stabilization: The Deputy Minister for Community Development, Mr. S. D. Mishra, told the Lok Sabha on March 17 that the Government was considering a scheme for the creation of a Special Price Fluctuation Fund. He gave the following details about this scheme: (1) the marketing societies selected to make outright purchases should allocate 10 per cent of their annual net profits towards the Price Fluctuation Fund; (2) the Government should contribute each year to the Fund at the rate of 2 per cent of the total value of the produce purchased from the grower-members; and (3) all losses sustained by a society on account of outright purchases of agricultural produce under the scheme should be met from this special Fund; but if losses exceed the amount available in the Fund, the excess should be made good from the owned funds of the society.

More Hotels: The Minister for Transport, Mr. Raj Bahadur, revealed in the Lok Sabha on March 17 that the Government was studying a proposal received recently from the Hilton's Hotels International (U.S.A.) for starting one hotel each at Delhi, Bombay and Calcutta. There was no proposal at present to take U.S. assistance for the State sector in the hotel industry.

Our Population Problem—I

R. CHOPRA

This is the first of a series of articles in the course of which a systematic attempt is being made to determine the nature and dimensions of our population problem and to suggest an adequate programme for dealing with this problem in a realistic manner.

IN THE introduction to a study, recently published by the US National Academy of Sciences, called "The Growth of World Population", the President of the Academy writes: "The problem of uncontrolled population growth emerges as one of the most critical issues of our time since it influences the welfare and happiness of all the world's citizens. It commands the attention of every nation and society; the problem is no less grave for the technically advanced nations than for the less developed."

Elsewhere in the same report, it is stated: "If the birth rate in India is not reduced, its population will probably double in the next 25 or 30 years, increasing from about 450 million to about 900 million. Agricultural experts consider it feasible within achievable limits of capital investment to accomplish a doubling of Indian agricultural output within the next 20 to 25 years. In the same period the output of the non-agricultural part of the Indian economy probably would be slightly more than doubled if the birth rate remained unchanged. For a generation at least, then, India's economic output probably can stay ahead of its maximum rate of population increase. This bare excess over the increase in population, however, is scarcely a satisfactory outcome of India's struggle to achieve economic betterment. The real question is: Could India and other less developed areas of the world do substantially better if birth rates and thus their population growth rates were reduced. Economic analysis clearly indicates that the answer is yes."

Minimum Economic Base

Lest the seriousness of the problem is still doubted by some, I would like to make a mention about what constitutes a decent standard of living and what we in India expect to achieve by 1975-76 (end of fifth Plan).

Mr. V. T. Krishnamachari writes in the Preface to his book "Planning in India": "It is widely recognized that a minimum economic base is necessary in modern societies for the effective functioning of democratic institutions and the creation of conditions in which men and women can have opportunities for rising to their full stature. Obviously this minimum should vary from country to country depending on its history and traditions." Mr John Strachey in his "Contemporary Socialism" expresses the view that "Italy as a whole represents a sort of borderland case of a country which is at or about the indispensable level." The per capita national income of Italy in 1955 was $306 (about Rs. 1,500) according to "The Income of Nations" by Dr. Paul Sterdenski. The same authority (Dr. Sterdenski) defines 'low per capita income countries' as those having per capita incomes below $150 (about Rs. 750). Viewed in the context of criteria like these, the objective we have placed before the country of raising per capita income from Rs. 282 in 1955-56 to Rs. 520 in 1975-76 (or 1973-74 if possible) is very modest.

Elsewhere in the same book, the rate of development envisaged by Mr. Krishnamachari in the next twenty years can be seen in broad outline in Table I.

Recent studies of the rate of increase of population, however, indicate that it is expected to touch the 625 million mark instead of the estimated 568 million i.e., an extra unestimated increase of nearly 57 million. If we take the generally accepted capital output ratio of three, i.e., three units of capital required to produce one unit of income, then to assure per capita income of Rs. 520 to the 57 million extra people would entail a net additional investment of Rs. 8,892 crores. Where is this money to come from? (On the other hand, the Central Minister for Planning stated that due to our population increasing at the rate of 2.4 per cent instead of 2.0 to 2.2 per cent estimated earlier, the 3rd Plan, which is already pruned down to its core, will be implemented only 90 per cent. The Prime Minister says that prices of foodstuff have gone up not because agricultural output has not increased, but due to the fantastic increase in population. Is the seriousness of the problem still doubted? Haven't we enough indications already in our daily lives that, despite such austere measures, living standards are perceptibly deteriorating?)

Another study regarding the economic implications of population growth indicates that in India around 1918 and with a population of about 315 million, the average daily quantity of foodgrains available was about 20 ounces per capita. In 1945, with a population of about 400 millions, per capita foodgrain availability had fallen to about 15 ounces. After 1945, the situation further worsened and per capita food supply diminished substantially between 1945 and 1952. (It should be kept in mind that foodgrains constitute at least 75 per cent of the calorie intake in India). Mr V. T. Krishnamachari in his, "Planning in India", also mentioned that per capita availability was 13 ounces in 1951. Since then, of course, massive investment in agricultural development has stopped the further worsening of the situation and, in fact, increased availability to 15.4 ounces in 1960, which figure, incidentally is still substantially below the 1918 figure. (The figure of 1960 is, however, based on the population estimate of 423 million which turned out to be an underestimation as shown in the 1961 population census).

The above figures prove that despite Herculean effort being put into the various plans, our achievements would still be modest. Further, even these targets may be diffi-

TABLE I.

Item	First Plan 1951-56	2nd Plan 1956-61	3rd Plan 1961-66	4th Plan 1966-71	5th Plan 1971-76
2. Net investment over plan period (Rs. crores)	3,160	6,550	10,000	15,410	22,550
6. Population at the end of the period (in millions)	391	431	480	528	568
8. Per capita income at the end of the Plan period (in Rs.)	309	357	422	522	520

cult to achieve in full unless substantially heavier capital investments are made in the future.

What are we to do? Obviously the solution lies in either a massive increase in the rate of economic growth to absorb the increase in population or a substantial decrease in the rate of growth of population. A study of any of the reports mentioned in the foregoing would show that the former alternative will not hold good for long. A stage would reach when any further economic progress will stop and deterioration of the standards achieved would set in.

The latter alternative appears a better solution both in the short and in the long run. As an example of economic growth as effected by the population increase, it is estimated that with the present rate of economic progress, the per capita income could have become nearly Rs. 800.00 in 1976 instead of Rs. 520.00 if the population had remained stable at the 1955 level. This is not all. Our economy would have reached the "take off" stage before 1970 and a majority of us now in late 'thirties or early 'forties would have enjoyed, within our lifetime, the luxuries and conveniences of modern living which at present seem to be the exclusive right of the western countries.

The question is: Is the goal of prosperity with security and dignity for all, **within our lifetime,** worth striving for and achieving? In my opinion, the answer is "Yes"—a resounding, unanimous "Yes". In fact there can be no difference of opinion on this point.

Natural Decrease

An attempt will be made here to trace the pattern of growth of population in India vis-a-vis the population of affluent countries. It will also be shown that, whereas in the western countries the population has become somewhat stabilized by the natural decrease in the birth rate consequent upon the economic betterment of the people, why cannot we, in India, depend upon this natural reduction in births?

The population of the world is, at present, slightly more than 3 billion (3,000 million) persons. At the present rate of growth of about 2 per cent, it will become 6 billion in 35 years and if the same rate of growth continues, the population will keep on doubling every 35 years. Moreover, it is estimated that even this high rate of growth is on the increase.

Of course, the rate of growth cannot increase indefinitely. Nor, for that matter, can the population. If, however, it were to continue to increase at the present rate for two centuries more, there will be more than 150 billion (15,000 crores) people. A simple example will show that such an increase is just not possible. Had this rate existed from the beginning of the Christian era till the present, the world's population would have increased in this period by a factor of about 7×10^{16} (70,000,000,000,000,000) from the population at that time. In other words, there would be about 20 million people in place of each person now alive or 100 people to each square foot or 2,787,840,000 people to each square mile (India's density per square mile was 370 in 1961)! Calculations of this sort demonstrate the absurdity of such an increase over a long period. There is no doubt whatsoever that India's (and the world's) rate of increase of population will decrease. Either the birth rate will come down or the death rate will go up.

Confining our attention to India's population, it is interesting to note that the rapid increase started as short a while ago as 1921. For this reason, 1921 is known as the "Great Divide". Table II below details the total population and decennial per cent narration for the period 1901-61.

TABLE II.

Year	Population	Decennial per cent increase
1901	236,281,245	——
1911	252,122,410	+ 5.75
1921	251,352,261	— 0.31
1931	279,015,498	+ 11.01
1941	318,701,012	+ 14.22
1951	361,129,622	+ 13.31
1961	439,235,062	+ 21.50

(As the "Census of India — 1961" puts it: One is put in a mood to appreciate the magnitude of the increase in the last decade when one reflects that, with more than 365,000 square miles less of territory as a result of partition, India more than made up for the population of Pakistan (75.8 million in 1951, three years and a half after August, 1947) which she had lost on the eve of her independence. One also notes that what is impressive is not so much the rate of increase which up till now has never been inordinately high and for past decades even quite low, but large absolute increments. The Census Commission for 1951 aptly called 1921 the Great Divide, while the last decade may be viewed as a Great Leap Forward. For the actual count in 1961 surpassed even the most generous of expectations having exceeded by more than eight millions the highest estimate ever made before the census! The Registrar General in 1951 had forecast an upper limit of 407 millions, Kingsley Davis 402, Coale & Hoover and T. Chellaswami 424 and the Planning Commission Expert Committee 431).



The reason for the slow increase before 1921 is not hard to find. Demographers tell us that in agricultural societies, without the benefits of modern medicine, transport and communications, the slow increase (and sometimes even decrease) was generally due to a high and highly fluctuating death-rate that balanced a high but more stable birth-rate: the death-rate was normally lower than the birth-rate and the population tended to increase but eventually an abnormal "peak" of the death-rate wiped out the "surplus" population. The abnormal peak of the death-rate was due to epidemics, famines, wars etc. Then the cycle started again. Such a balance between births and deaths, however, shows that people had no control over environment.

Changed Picture

Since 1921, the picture has slowly changed. Famines and epidemics on the scale known in earlier decades, have been practically wiped out. Infant mortality which took a toll of nearly 50 per cent of all the babies before they were one year old, has been drastically reduced. Average expectations of life and the death-rate have changed considerably as shown in Table III.

Table IV covers the period 1891 to 1961 and shows the absolute increase in population per 1000 population. The figures appear in the Official Report of the 1961 Census of India.

The death-rate figure of 1961 is slightly less than 35 per cent that of 1921. The birth-rate, on the other hand, has remained consistently high. Although it has fallen from 49.2 in 1921 to an estimated 40.0 in 1961, the surplus of births over deaths has increased tremendously. And studies show that the gap between births and deaths is even more. The task of feeding alone this vast multitude staggers the mind.

TABLE III.

Year	Expectation of life: Male	Expectation of life: Female	Mortality rates: Year	Mortality rates: Infant mortality rate per 1000 live births.
1881	23.67	25.58	1939	156
1891	24.59	25.54	1941	158
1901	23.63	23.96	1944	169
1911	22.59	23.31	1947	146
1921	19.42	20.91	1950	133
1931	26.91	26.56	1955	103
1941	32.09	31.37	1960	91
1951	32.45	31.66		
1961*	47.00	46.33		

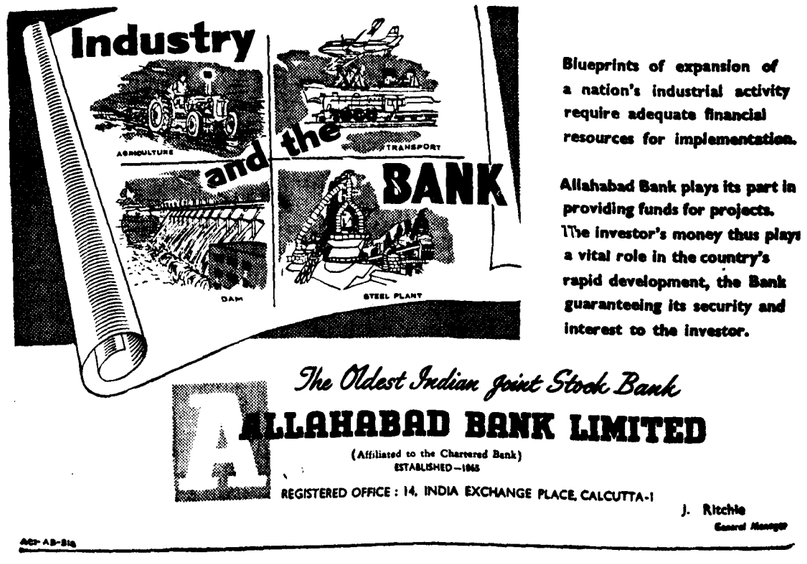
* Provisional

TABLE IV.
(All figures are per 1000 population)

Year	Birth-rate	Death-rate	Surplus births over deaths
1891	48.8	39.6	9.2
1911	51.3	43.1	8.2
1921	49.2	48.6	0.6
1931	46.4	36.3	10.1
1941	45.2	31.2	14.0
1961*	40.0	17.0	23.0

*Provisional.

(To be continued)



WINDOW ON THE WORLD

Geneva Trade Conference

From our Special Correspondent

PARIS:

AS THE CURTAIN goes up in Geneva for the UN conference on international trade it reveals the Western industrialised nations at loggerheads about how they should reply to the indictment of their trade and aid policies by the Communist and developing countries who are responsible for calling this meeting. Such disagreement is, in one sense, a good sign because it is sure that if the Western nations had been able to find a common stand it would have been based on the lowest common denominator of their various conceptions; a joint programme would have been a minimum programme, making the fewest concesssions possible to their accusers. As it is, what divides the Western capitals is that each admits the validity of one or other complaint from the developing world and each offers a generous remedy — but their generosity takes different directions and in fact their offers are sometimes radically incompatible.

Thus Britain offers a big reduction of Western import tariffs on all the exports of the developing nations without discrimination. France suggests a scheme of commodity-price stabilisation and a world food pool that would be something like Food for Peace generalised to a global scale. The USA, the Common Market Commission and GATT will be making similarly lavish proposals, but again all in different directions. These various notions of generosity happen to be inconsistent, and it is foreseeable that, for example, the clash between the British and French plans will be as spectacular as any brush between the two blocs of industrialised and developing nations. The British proposal cuts across the policy of the Six to award discriminatory preferences to certain poor countries (their "associates") and, much more seriously, it encounters the opposition of both American and Continental industries to opening up their domestic markets to an uncontrolled flow of Asian imports. The French plan, on the contrary, is totally unacceptable to countries like Britain, which would be obliged to pay more for their imported food and raw materials.

At Neighbour's Expense

Obviously, the generosity in each case is calculated to be at the expense of neighbouring Western nations, rather than at the expense of the proposer. Commonwealth preferences already expose Britain to the export competition of the few developing nations that possess notable secondary industries, because they happen to be in the Commonwealth, like India and Pakistan. To abolish this discriminatory preference in favour of the whole developing world would not, then, notably worsen Britain's situation. It would, on the other hand, make quite a difference to the Common Market, whose favoured associates do not have any such secondary industry. Similarly with the French food plan, it would not increase the cost of food in this country (already paid for at the high, and rising, Common Market price) but it would make it impossible for Britain to secure her provisions on an international market where prices are depressed by dumping. So, too, with the free-trade proposals of the Americans: it is reckoned that West Europe would bear the brunt of them without the US market being seriously inconvenienced.

It would be natural if it occurred to some of the developing nations present in Geneva to take each of the Western delegations at its most generous word, in the hope of adding up their various concessions in order to get the best of both worlds. Unfortunately, this will be impossible, and not only for the reason just indicated, that these plans are inconsistent in details. It will be impossible because the total cost of such concessions is quite beyond the means of the industrialised world. This is true not merely of the concessions offered in disorder by the West; it is even more true of the demands tabled by the Communist and developing nations this month in Geneva. They add up to an effort that no Western nation, nor all the Western nations together, could afford to make. It is good bargaining to ask for more than one hopes to get, but it is also simple realism to know when one is asking the impossible.

Excessive Demands

To summarise in a nutshell an impressive string of requests, the developing countries are demanding in Geneva that the West assure them larger and larger markets (preferably without the seller being required to make any sales effort) both for raw materials and manufactures, at prices that are stable in the special sense that they must go on rising but never fall, and at the same time that the West extend more and more abundant credits at lower rates of interest and for ever-longer periods. This is no parody of the demands tabled this month at the UN conference, but their factual total. You will not find them all put together in one omnibus sentence like this, no doubt because everyone would then see that they add up to an economic, monetary and commercial impossibility; but you will find them scattered throughout the conference documents.

One must expect to see this set of demands rejected because it tots up to a bill that the West cannot foot. By attempting something considerably less ambitious, the greatest economic power on earth has undermined its currency, incurred a chronic payments deficit and incidentally seen its sphere of influence contract in the developing world– without touching off a development miracle in any part of the globe outside West Europe. As for that latter region, its heartland, the Common Market, made much more timid concessions to trade liberalism last year, and at once saw its global commercial deficit double to the figure of $2,800 million, a drain it cannot afford for much longer. The one method of closing the gap between rich and poor nations that the former do not, in any eventuality, contemplate is downgrading their own economies by courting bankruptcy. And they would do just that if they consented to pay more for their food and raw materials while throwing their markets open to cheaper industrial imports and maintaining the expansion of foreign credits whose quality was deteriorating. One may find it egoistic in them that they shrink from these sacrifices, but it is as well to be clear on the fact that they do; and the Geneva conference will produce little but hot air if that fact is overlooked.

To say this, is not to chide the demanders at Geneva for asking too much; as noted, none of them does ask all this in one breath. One is rather exposing the political irresponsibility of the Western nations in putting forward competitive schemes, each of which is bound to arouse expectations but whose sum total is well beyond their combined means. Western solidarity, implied in descriptions of GATT as a rich nations' club, is not worth much when it allows, for example, Britain and France to lay before a receptive audience grandiose schemes whose simultaneous adoption would lead to the common ruination of the British and French economies, or at the very least to grave social and political stress. Happily the Geneva meeting is not intended to take any decisions but to confront ideas, so it will not be a failure if it leads to no more than realisation on all hands that nothing will be achieved by excessive demands and impossibly generous promises.

Such a recall to a more sober estimate of the possibilities in international co-operation is inevitable. How public opinion in the developing countries will react remains to be seen. The reaction in several Western countries is already evident for there has been recently a new outburst of nationalist economic egoism inside some of the nations that make the most substantial effort in favour of development abroad. To call this "egoism" is not to say that such feelings are not respectable: one has only to read the depiction of poverty in the USA lately made by President Johnson to realise what arguments can be invoked by people who think that their governments are doing too much for development abroad and not enough for their own under-privileged citizens. In France this sentiment is called Cartierism, a name that does altogether too much honour to a brilliant but wrong-headed colleague, Raymond Cartier, whose sensational articles comparing "wasted" aid with "neglected" French deficiencies have aroused the indignation of large parts of the peasantry and working class. While both sides juggle with astronomical figures in Geneva, a movement of opposition to generous assistance is swelling behind their backs in West Europe and North America. (It was already well established in West Germany and Switzerland, where scepticism about development aid is traditional and widespread.) It could explode into a force to reckon with if excessive requests were pressed with too much zeal in Geneva, or if Western Governments were tempted to make expensive concessions at the cost of their consumers or of sensitive industries (like textiles). Indeed, the braking effect this campaign is having on Western aid can be seen already in the lengthening list of conditions attached to US assistance to Latin America, as well as in the recasting of French aid on a new and more businesslike basis.

Needless to say, this campaign (whose progress is directly connected with the publicity given to the Geneva conference) is not going unanswered. The case for continued, indeed increased, Western aid and trade liberalism is being argued constantly by responsible authorities. Yet, a change of tone is noticeable there too: it is being emphasised that Western countries are not indulging in reckless give-away programmes for the reason that, even if they could afford to do so, that sort of aid would not stimulate development to any great extent. In other words, to Raymond Cartier and his like the official answer now is: We have not been as open-fisted as you say in dealing with development aid, but we admit that the large volume of assistance we have given has had disappointing results, so from here on our aid will be closely tied to our own exports and it will be technical, educational, intellectual rather than financial. This better reflects current thinking in the West than the grandiose plans that are being discussed just now in Geneva, and discussed with all the more eloquence because no one expects to see them put into practice.

The End of "Butskellism"?

JOSSLEYN HENNESSY

LONDON:

WHO WILL win the next U.K. election? Nobody knows, but a study of electoral statistics reveals some startling possibilities.

At the height of the Conservative government's difficulties last year, the public opinion gave Labour a 12 per cent lead. That lead has since fallen and has hovered around 5 per cent in recent weeks. It has been calculated that a 5 per cent lead in votes would give Labour a majority of 55 in the House of Commons. There is a 1½ per cent bias in favour of the Conservatives, owing to geographical distribution of seats and population. This bias is accidental, because the constituencies are periodically re-shaped by a commission, to allow for population changes. Allowing for this, however, the likely relation between the lead in votes has been estimated thus (allowing for 6 Liberal M.Ps.):

PARTY MAJORITIES

VOTES		SEATS
Lab. 10 p.c.	..	Lab. 140
Lab. 5 p.c.	..	Lab. 55
Lab. 4 p.c.	..	Lab. 43
Lab. 3 p.c.	.	Lab. 28
Lab. 2 p.c.		Lab. 9
Lab. 1 p.c.	..	Con. 7
Parties Level	.	Con. 22
Con. 1 p.c.	..	Con. 37
Con. 2 p.c.	..	Con. 55
Con. 5 p.c.	..	Con. 92

From which it appears that if the Labour lead falls to within one or two per cent, we risk having a government, of whatever party, without a working majority.

There are about 95 so-called "marginal" seats, held by Conservative majorities of 5,000 or less. Assuming that the recent public opinion poll trend continues, and that Labour comes in with a majority of around 50, it is thought that this would probably mean a loss of some 75 of the Conservative marginal seats. The significance of this is much greater than the mere substitution of 75 Labour members for 75 Conservatives.

The strongly flowing tide of Conservativism in the 1955 and 1959 elections brought in a large number of younger Tory members, liberal-minded and progressive. Most of them got in on marginal seats, because the "safe" seats are normally reserved for the orthodox party stalwarts. The bright young candidate has to take his chance in a marginal constituency. It follows that if Labour win with a majority of fifty, Sir Alec Douglas-Home will find himself leading an Opposition much more to the Right than the party's present composition in the House.

The opposite would be true for Mr. Wilson. He would find himself leading a government much more to the Left than Labour's present composition in the House. This is because the party is being led from right of centre, so that candidates of this persuasion find it easy to get nominated for "safe" seats, while the out and out supporters of Clause 4 of the party's constitution, which proclaims the need to nationalise the means of production and distribution, tend to be pushed out to fight the marginal seats.

What emerges from these facts is that the kind of middle of the road policies (popularly named Butskellism), hitherto

favoured by both Conservatives and Labour, have been possible largely because, on the one hand, the Conservatives included in their majority a substantial number of progressive younger men, while, on the other, Labour's leaders have felt that, in the face of repeated Conservative victories, their only hope of reversing the tide was to create an image of themselves as moderate men of the centre, and to back away from nationalisation, Clause 4, and orthodox Socialism.

If Labour wins, the opinion polls show that it will do so because the electors are tired of the Conservatives, not of Conservatism: they want new faces, not new policies. The irony of it is, however, that if my diagnosis is correct, a Labour victory will send both parties scuttling from Butskellism's middle of the road into the entrenched ditches of doctrinaire Socialism and reactionary Conservativism — the exact opposite of what the record, since last Labour government was defeated in 1951, suggests that the electors want.

An old song sums the position up:

"When you've got what you want
You don't want what you've got."

★★

I imagine that the bill of Mr. Edward Heath, President of the Board of Trade, to abolish re-sale price maintenance will eventually become law, but it looks as though it may be watered down to placate the Tory back benches.

Of expenditure on consumer goods, about 45 per cent is spent on items subject to re-sale maintenance, mos ly branded goods, including bread, cereals, cigarettes, confectionery, motor cars, radios, electrical goods, beer, wines, soap etc., which all shops sell at the price set by the manufacturers. The smaller shops like this because it widens their profit margins, and prevents competition in the sale of the items affected, so that consumers pay (often substantially) higher prices than they would if retailers were free to compete with each other by accepting smaller profit margins. There is no doubt that there are far too many uneconomic small shops and that lower prices would come from competition between fewer and bigger shops. The trouble is that small shop keepers are among the Conservative party's staunchest supporters. Hence these tears.

Cast-Iron Case

The economic case for the abolition of RPM is cast iron, and it reflects the courage and leadership of Sir Alec Douglas-Home and Mr. Heath that they have launched this measure, which should promote one of the U.K.'s most obvious needs — greater competitiveness.

What the bill has come up against has been well described in an issue of "Encounter", in which it was said that everybody pays lip service to the need for "growth" and "change", but is reluctant to accept the price. "The essence of growth is that it upsets the existing structure .... But this is precisely that the British in their present mood find hard to accept .... It is impossible to achieve a more rational distribution of labour because to do so would involve interference with traditional collective bargaining practices .... The issues that really arouse the British people are not issues of national efficiency but of 'social justice' and 'fair play'. We are unwilling to advance if it means that anyone is going to get hurt. That means, of course, that social justice has to be defined almost exclusively in terms of the past. Each section of the community stakes its appeal by reference to what it has traditionally expected and enjoyed." Who said this? Some crusted Tory reactionary? No, Mr. Michael Shanks, a Fabian socialist.

In the same issue of "Encounter" Mr. John Cole, Labour correspondent of the "Manchester Guardian" forthrightly attacked the trade unions for their "Maginot outlook" — an "inbred conservatism that makes all change an anguishing process .... The real concern should be over strikes which take place because some board of directors, frightened by a long and expensive quarrel with the unions in another company, funks the decisions to instal a new machine or adopt a new process .... No board of directors which misses a chance to make a really major improvement in efficiency by the introduction of new methods is fit to hold office ...."

The Left wing "Observer" recently editorialised similarly: "Unfortunately talk about changes in the structure of industry is too often just talk. As soon as anything actually happens which will affect existing methods and interests, an outcry is raised. Some of the very people who cry out most glibly for modernisation were the first to object to the abolition of RPM. This is just one example. There are many more ...." Subsidies to farmers are regarded as politically untouchable. Aircraft, nuclear power, and space are treated as matters not of making profits but of maintaining prestige.

Protest Voices

Fortunately, more and more voices, on the Left as much as on the Right, are being raised in protest against restrictive practices, whether by employers or by the unions, and a movement towards reform seems to be piling up. One example of this is a pamplet "Trade Unions and the Law", just published (Price 4 sh) by PEP (12, Upper Belgrave St., London S.W.1.), the independent non-political research organisation. PEP urges the unions to put their own houses in order voluntarily rather than wait to be forced to submit to legislation

In the U.K., a worker has no legal right to join a union, so that a union's refusal to accept him may mean that he cannot earn his living in the way that he wants to. A big factor slowing up modernisation is that the unions insist on five years of apprenticeship before admitting a worker to membership, whereas European industry trains men successfully in three years. Moreover, the unions refuse to impose any authorised tests of efficiency to enable a man to call himself "skilled". On this, the Socialist commentator Andrew Shonfield observed: "If any man who was able to prove ability could take employment in a skilled occupation, the present system of self-contained and all-powerful trade union fiefs would soon collapse".

PEP's pamphlet concludes with these significant words: "It is in the trade union movement's interest, as well as the public's that no individual should feel oppressed by its actions and that elections should truly reflect the intentions of the voting members. The actions which directly affect the com-

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munity, and which may threaten the success of economic planning for industry, are unofficial strikes. Public opinion has been disturbed by their incidence and the trade unions cannot afford to ignore the force of this opinion. To do so may invite a greaater regulation of their affairs than there is now. It is eminently desirably that the trades unions themselves should effect whatever changes are necessary to demonstrate that they recognise that the public interest has a right to be considered in their activity."

Such are the straws currently blowing before the wind of reform in the U.K.

A Common Market for Africa

MADAN M. SAULDIE

THE SIXTH annual session of the U.N. Economic Commission for Africa concluded in Addis Ababa earlier this month, after a fortnight's crowded deliberations. The session which came only 10 months after the Charter of OAU was signed, brought to completion the first five years of ECA's efforts at an integrated economic growth on the African continent. The businesslike manner in which the proceedings were conducted and the amicability demonstrated by the representatives of 34 independent African countries, mirrors the Africans' genuine anxiety to solve their economic and social problems on a coordinated level. The Commission is saddled with a task which is immense and urgent, for it is to this agency of the U.N. that African nations hope to look for advice and assistance in training the technical personnel and proper exploitation of the continent's material and human resources. Wastes and duplications need to be avoided if way is to be opened for healthy economic growth.

As stated by the Commission's Executive Secretary in the inaugural speech, ever since its inception in 1958 the Commission has been primarily concentrating on building of institutions; training of personnel to run such institutions; advising the governments in drawing up and execution of their development programmes; and conducting investigations at the request of individual Governments.

Infrastructure of Programme

Three main institutions — Conference of African Statisticians, African Institute of Development and Planning and the African Development Bank — have been established through which the Commission intends to create an infrastructure on which to lay the foundation of co-ordinated programmes of African development and the meaningful African common market.

The Conference of Statisticians helps in establishing statistical bureaux, training of middle grade and professional personnel and suggesting methodology in conducting surveys which would be useful in drawing up realistic plans for agriculture, industry and social services on a continental basis. The Development and Planning Institute maintains for the time being a team of 9 experts under whose guidance at least 25 students are being trained. More and more students may be coming up for training every year as the Institute gets the necessary publicity it so far lacks. The Institute, drawing as it does upon the experts' advice from France, U.K., U.S.A., the U.S.S.R. and Poland, would serve as an international centre for the study of Africa's economic problems — problems concerned with the agro-industrial and rural-urban imbalance, the developing role of key agrarian reforms and the training of necessary personnel for the introduction of such reforms.

The third institution, the African Development Bank, agreement of which had been signed by 32 countries, will provide facilities for aiding multi-national projects and attracting additional capital for investment in economic development. Beyond the expected scope of making investments out of its limited resources, thus, the bank would also strive to stimulate investment. It is this principle of "additionality" that projects the bank to a position where it could assiduously direct the flow of capital to finance economic and social development on the continent. To start with, the bank requires an initial capital of $250 million i.e. 65 per cent of the total capital stock to be subscribed. Ratifications of the agreement are being received in the ECA's secretariat and it is hoped that all subscriptions would be paid up during this year and the bank would start working actively from next year.

Improving Living Standards

Agriculture and industry figure prominently on the ECA's calendar of activities. The Commission's ECA/FAO Joint Agricultural Division encompasses all aspects of African agriculture and aims at improving the living standards of the African farmer "within the context of a balanced economic growth". A special fund has been created which would provide $60 million for financing agricultural projects. The International Bank of Reconstruction and Development has also promised to advance a $500 million assistance for improving irrigation, combating hazards like floods and crop diseases, and land reclamation and land settlement. The Community Development and Co-operative movements in Africa are also receiving serious attention of the Commission. The proposed land reforms institute and land reforms bank when established would set the pace for long-awaited agrarian reforms on the continent.

In the field of industry, the ECA feels that some African countries being too small to introduce modern industrialization, pooling of resources and co-ordinated larger markets on sub-regional basis, may enable these countries to start import-substituting industries. The idea behind sub-regional industrial growth is that as industrialization takes place in each country and on sub-regional level, more intra-African trade will take place; and, by and by, the country and sub-regional boundaries will cease to be barriers to economic development and the goal of African common market will have been achieved. Intra-African trade is essential also in order to restrict the flow of natural wealth to Paris which the association of 18 French-speaking territories with the ECM has made possible.

The identity of interests existing between the ECA, the OAU and the U.N. Development Decade, is a strong instrument in the hands of African nations to integrate their economic and social programmes. Plans are afoot for the creation of an African Monetary Council which would function in collaboration with I.M.F. and IBRD.

Stimulated thus by the ECA's recent deliberations, the Africans are expected to create a common African front at the U.N. Conference on Trade and Development at Geneva. Their's would be a two-pronged attack: To break the trade barriers inherited by them from their colonial rulers and to tackle the problems of land-locked up-country territories which have resulted in much higher prices per ton for imported goods than those paid by coastal countries.

LISTENING POSTS

Streamlining Import Procedures

By Our Special Correspondent

NEW DELHI:

IN ITS final report submitted to the Government a few days ago, the Swaminathan Panel, set up last year for recommending measures for simplification and speeding up of administrative procedures relating to industrial licensing, is understood to have highlighted the need for ensuring regular supply of raw materials and components to industrial undertakings. It is believed to have suggested that import licences for raw materials and components should be issued to industrial units within three months of the commencement of each licensing period. In case this is not possible for any reason, the Government should issue ad hoc licences equal to 50 per cent of the value of the licences issued for the first half of the previous licensing year. In regard to import entitlements for the second half of a licensing year, the Panel is said to have recommended that the industrial undertakings should be authorised to utilise at least 50 per cent of the value of the licences for this half pending final announcement of the policy. At present 50 per cent of the value of the licences given on annual basis can be made use of by an industrial unit during the first half of the licensing year and further instructions have to be awaited from the Government for utilising the remaining 50 per cent in the second half. The revision that the Swaminathan Panel has suggested in the import policy will not only ensure adequate supply of raw materials and components to industrial undertakings, but should also help in making arrangements for bulk purchases at concessional rates.

Discretion to Licensee

The Panel also thinks that import limitations on licences should be value-wise and not quantity-wise. This will give some discretion to the licensees to adjust their import programmes and bring in the permissible items listed in the licences in the proportions they deem fit. In respect of spare parts, the Panel is said to have recommended that in cases in which imports are effected to a quantity less than that stipulated in a licence and damage is done to a consignment in transit, fresh import licences to the requisite value may be issued without delay, provided the supplier is agreeable to meet the cost of the damaged spare parts.

The Panel in its final report is also understood to have recommended that the list of the key industries for which it had suggested expeditious licensing procedures in its interim report, should be enlarged to include import-saving and export-oriented industries, such as industrial chains, insulating paper, high tensile galvanized steel wires, transformer oil, synthetic fibres and caprolactum. Accelerated licensing procedures may as well be applied by the Government to any other industries which help in earning foreign exchange. Extension of the streamlined licensing procedures, however, has not been favoured for the low or non-priority industries because of practical difficulties and foreign exchange shortage. This is also not considered desirable in the interest of giving a definite direction to the industrial development of the country.

In the case of industries put on priority list for expeditious clearance of industrial licences, the Panel is understood to have recommended that capital goods requirements of the licensees should also be met expeditiously. The same treatment may be accorded to other industries provided they contemplate use of indigenous raw materials only.

In view of the measures being taken to tighten the tax collection machinery, the Panel opines that submission of income-tax clearance certificates along with the applications for industrial licences may not be insisted.

The Panel is said to have noted with satisfaction that the IFC and the ICICI are prepared to consider loan applications in the case of key industries immediately after the issue of letters of intent. It, however, opines that the final approval of these loans should be subject to clearance of the schemes by the Capital Goods Committee.

A fair trial has been recommended for the various suggestions made by the Panel. The position may again be reviewed next year in the light of the experience gained during the trial period.

The Panel's recommendations are understood to be under the active consideration of the Government. Decisions are expected to be made known shortly. Indications are that most of the proposals, particularly those relating to ensuring of regular supplies of imported raw materials and components and extension of accelerated licensing procedures to import-saving and export-oriented industries, will be accepted.

★★

The satisfaction expressed in New Delhi over the last week's deliberations of the Aid-India Consortium evokes optimism about our succeeding in securing from this source approximately Rs. 525 crores financial assistance sought for the fourth year of our current Plan. It is particularly gratifying that the candid appraisal of the third Plan's progress undertaken by the Planning Commission last year and the measures designed by the Union Government for fostering economic growth and attracting foreign private investments have been appreciated by the Consortium. Reports from Paris suggest that these two facts, along with the improvement in our balance of payments position in 1963-64, went a long way in allaying the fears that had come to be entertained recently by some members of the Consortium about the aid provided by them being put to effective use.

It is significant that we have not sought from the Consortium much larger aid for 1964-65 than what was provided by it during 1963-64. This is due to the fact that the interest and external debt repayment liabilities already incurred by us for the fourth Plan period are of a high magnitude. The plea that the Union Government is stated to have made before the Consortium for liberalisation of the terms of the credits to be supplied during 1964-65, thus assumes significance. It has been urged that in regard to the new loans, the members of the Consortium should not insist on principal repayments before 1970. Although the Consortium had been receptive to such requests in the past, in actual practice some of its members have not been able to liberalise their loan terms by any appreciable degree. It is hoped that the credits to be made available in future will be on much easier conditions.

The same applies to the request made again by India for making available most of the Consortium assistance in the untied form. This, it has been impressed, would contribute greatly to the smooth and rapid growth of the Indian economy when the shortfall in agricultural output for the third year in succession, due to adverse weather conditions, is having repercussions on a wide front. The third point that has been stressed is that besides pledging assistance for 1964-65, the Consortium should take a longer view of the Indian economy and indicate what could be expected from it in 1965-66 and 1966-67. A tentative idea has been given to the Consortium of the development programmes planned for these two years.

The Consortium will be meeting again in Washington on May 24 when the members will make specific pledges of aid for 1964-65. In 1963-64, the Consortium made available $1,052 million (Rs. 500.8 crores) assistance. This brought the total aid provided by this source during the first three years of the third Plan to $3,417 million (Rs. 1,626.5 crores).

★★

The U.S. collaboration in Indian industries should get a fillip as a sequel to the visit here next month of the top ranking executives of about thirty prominent American industrial corporations. The visit has been sponsored by the Indian Investment Centre through the Business Council for International Understanding, New York.

Priority List

The corporations invited to send their representatives are principally those that manufacture items on the priority list of the Government of India under the third Plan. These include producers of tool and alloy steel, industrial equipment, machinery and equipment for heavy industries, petro-chemicals, etc. Some representatives of the major hotel and motel chains are also likely to be there among these visiting dignitaries. The following companies have already agreed to participate in this tour programme: (1) Allied Chemical Corporation, (2) Westinghouse International, (3) Standard Oil of N.J., (4) Goodrich Gulf Chemical, (5) Boise-Cascade, (6) Abbey Etna Machine Company, (7) International Minerals & Chemicals, (8) Van Camp Seafoods, (9) Farrel Birmingham, (10) American Cement, (11) Kerr-McGee, (12) International Telephone and Telegraph, (13) Dow Chemicals, (14) Arwood Corporation, (15) Union Carbide, (16) Koppers, (17) Brown & Sharpe, (18) Ferro, (19) Baldwin-Lima-Hamilton, (20) Deere & Company, (21) California Chemicals and (22) International General Electric.

The main object with which the visit has been arranged is to provide an opportunity to the U.S. entrepreneurs to study at first hand the investment climate in India and the opportunities offered by this country to foreign private capital. It is expected that the group will remain in Delhi for about a week from April 13 to 21 holding informal meetings with the authorities and later on visit select industrial units.

★★

In a bid to stabilise wheat prices at reasonable levels, the Union Government has decided to constitute nine wheat zones in the country. Export of wheat and wheat products from, and import into, each of these zones will be prohibited except under permits to be issued by the State Governments with the concurrence of the Centre. It is intended that these permits should not be normally granted on private trade account. The inter-zone movement of wheat is proposed to be restricted to the Government and State sponsored accounts.

The nine zones which are being formed with immediate effect are: (1) Punjab, Delhi and Himachal Pradesh, (2) Uttar Pradesh, (3) Rajasthan, (4) Madhya Pradesh, (5) Bihar, (6) Maharashtra, (7) Gujarat, (8) Andhra Pradesh, Madras, Mysore, Kerala and Pondicherry and (9) West Bengal, Orissa, Assam, Nagaland, Tripura and Manipur. Exports from the Punjab zone would be permitted to Jammu and Kashmir. Similarly, supplies to Goa would be allowed from the Maharashtra zone.

The reconstitution of wheat zones on a more stringent scale than ever done in the past is indicative of the serious concern with which the Union Government views exploitation of the indigenous wheat shortage by the trade. With a view to easing the supply position of wheat, the Union Government has also planned to import larger quantities of this commodity from the United States under P.L. 480. Nearly 500,000 tonnes of wheat may be imported from the U.S. this year as against about 400,000 tonnes imported last year.

For checking undue rise in rice prices during the off-season, the Union Government plans to build up adequate buffer stocks through procurement within the country. Procurement prices of rice have been raised in the five surplus States. The new prices (per maund) fixed for the common varieties of rice in these States (the prices prevailing before the revision are given in brackets) are: Andhra Pradesh — Akkullu — Rs. 19.50 (Rs. 17.50); Madras — Kattai Samba — Rs. 19.25 (Rs. 17.25); Madhya Pradesh — Gurmatia — Rs. 17.00 (Rs. 16.00); Assam — Coarse —Rs 19..39 to Rs. 20.59 (Rs. 18.39 to Rs. 19.59); and Uttar Pradesh — Gadre (Grade IV) — Rs. 17.00 (Rs. 16.00). Corresponding changes have been made in the prices of other varieties of rice on the basis of existing differentials.

The Union Food and Agriculture Minister, Mr. Swaran Singh, has also indicated that the Government might fix ceiling prices of rice and wheat if the circumstances required. Meanwhile, with a view to stepping up agricultural output during 1964-65, foreign exchange allocation for the import of fertilisers, pesticides and equipment for boring and for the execution of the planned programmes for fisheries and dairy products is being stepped up by about Rs. 5 crores over and above the Rs. 36.8 crores allocation made recently.

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Inaugurating the eighth annual general meeting of the Delhi Management Association here this week, the former Governor of the Reserve Bank, Mr. H. V. R. Iengar, said that the overall atmosphere in which the private industry had to operate had become worse as a result of the budgetary and fiscal measures proposed in the 1964-65 Central Budget. The concessions given to a few industries of national importance, he opined, were not enough to stimulate the economy as a whole. He added that steep increases in the rates of estate duty and gift tax and the imposition of taxes on dividend payments and bonus shares were impediments in the way of capital formation. The depression on the stock exchanges, Mr. Iengar argued, clearly indicated the lack of interest in investment. He thought that the steps taken to revive the stock markets were too inadequate. Mr. Iengar further stated that the Government would not be able to step up the rate of capital formation in the country through large number of industrial credit institutions it had set up. On the contrary with the esablishment of these financial institutions, the private investors, who had hitherto been an important source of capital to industry, were going out of the picture. He feared that the various credit institutions set up by the Government may give the Government indirect control over private companies.

Accountable to Parliament

Coming to the management aspects of business enterprises, Mr. Iengar said that the only difference between the management executives in the private and the public sectors, was that the mistakes of those working in the public sector were magnified because of their accountability to Parliament and the public.

In his presidential address, Mr. R. L. Tuli, General Manager, Punjab National Bank, referred to Mr. T. T. Krishnamachari's budget speech which recognised management as a professional and technical job. He suggested that the Government should render greater help in instituting intensive training programmes for ensuring increased availability of professional managers. He also commended that the All-India Management Association should take note of the Finance Minister's statement and make plans for broadening the scope and pattern of growth of managerial skills with Government's assistance. Referring to the Finance Minister's proposal to limit the amount of deduction admissible to companies for expenditure incurred by them on provision of perquisites to their employees, to an amount of 20 per cent of the salary of



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an employee, Mr. Tuli said, it appeared to be unrealistic in the light of the extremely high rents that had to be paid in cities and big towns for securing even very modest accommodation for employees. He urged that house rent should not be included in this limit in case the proposal could not be dropped altogether.

Mr. Tuli also referred to that part of the Finance Minister's budget speech, where he had remarked that the provisions of the Income-Tax Act allowing deductible expenditure on amounts spent wholly and exclusively for the purpose of business, were being abused in respect of certain types of expenditure, such as expenditure on daily allowances, on unnecessary bookings on planes and trains, on the maintenance of guest houses and suits of rooms in hotels, on providing conveyance etc., for their officers and directors. He suggested that the rule-making authorities should attempt to prevent misuse rather than ruthlessly curtail such expenditure. They may bear in mind that undue curtailment of such expenditures was likely to affect business of companies and also the efficiency and competence of the professional managers who carried heavy burdens of managing concerns under numerous stresses and strains.

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Three public sector undertakings — Hindustan Cables, National Newsprint and Paper Mills and National Instruments Limited — have made proposals to the Union Government for expansion of their capacities. Hindustan Cables has proposed to set up plants for the manufacture of aluminium sheathed telecommunication cables with a capacity of 600 miles per annum, and special grade paper for telecommunication cables with a capacity of 4,000 tons a year. The National Newsprint and Paper Mills propose to expand the production capacity of its factory to 250 tons per day from the present 100 tonnes per day. The National Instruments Limited wants to go in for the manufacture of various new items, such as students' microscopes, clinical thermometers, mechanical comparators and dial air gauges, ophthalmoscopes, blood pressure measuring instruments, thickness measuring instruments for mica, cameras, etc. The proposals, it is stated, are receiving the attention of the Government.

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The two-day conference of the Indian National Commission for Co-operation with UNESCO, held here last week, discussed the projects drafted for abolishing illiteracy in various regions in the world. It urged that UNESCO, at its next general conference in October, should take up these issues more seriously. The Commission expressed concern over a large proportion of UNESCO's funds being directed towards meeting administrative costs of the organisation and the concentration of efforts at the headquarters at Paris.

The Commission stressed the need for increasing supplies of teaching aids and materials and the development of curricula in the fields of scientific education and education for international understanding. It recommended that a much larger allocation of funds should be made in the foreseeable future for extending the programmes of education for international understanding to all secondary schools and colleges in India. It as well pleaded for the setting up of a cultural external publicity unit under the Commission for selecting or preparing suitable publicity material in collaboration with the Films Division, A.I.R. and other similar bodies.

Continuing Crisis in Cotton

From Our Correspondent

BOMBAY:

COTTON PROBLEMS came in for a comprehensive and detailed review at the inauguration of the 89th meeting of the Indian Central Cotton Committee by Mr. Swaran Singh, Union Minister for Food and Agriculture. The impression one gained was that, even a century of progress in cotton production has not been adequate to meet the increasing requirements of a country still dependent, to a large extent, on the traditional industry of textiles, for its exports no less than for its growth. The Cotton Package Plan, on which Government had pinned high hopes for bringing about an increase in production of the fibre may not be a success, according to the Minister, on account of the unsatisfactory implementation of the programme by the States. This highlights the need for coordination in the sphere of implementation of the Plan, particularly in the primary sector of agriculture, which has to give the support to industrial development. In fact, the Minister observed that in the absence of any marked progress in the last three years, there was little prospect of reaching the third Plan target of 70 lakh bales, unless extraordinary and unrelenting efforts were made by all concerned.

Reviewing the pace of cotton development in the post-independence era, he pointed out that a major part of production programmes was based on the 'grow-more-cotton' campaign and nearly 80 per cent increase in production was achieved after 1962-63. While this was creditable, certain undesirable trends have developed. There had been no steady tempo in cotton production from year to year. Wide swings in crop yields created difficulties in the planning of the manufacturing targets of the industry. Stability in prices could not also be maintained; imports had to be arranged at great cost. The most important feature was the widely fluctuating production levels in different regions and this called for a close study of the natural hazards and other factors which limited the production potential and which could be brought under control. In this connection, the Minister referred to the newly constituted Agricultural Production Board at the Centre and hoped that the State Governments who have all agreed to re-organise the administrative machinery with a view to securing efficient execution and maximum co-ordination would show better performance in the future.

Referring to the most controversial problem of cotton prices, Mr. Swaran Singh did not indicate a definite policy in favour of raising the ceiling prices. His clarification of the position that those who advocated further increase in the ceiling prices of cotton did not take note of the existing disparity between the world prices of cotton and those of Indian cotton, shows that perhaps he is not in favour of such a step. However, it was his view that adequate incentives to the cotton grower could be provided even on the basis of the existing maxima and minima, if the floor and ceiling prices of various qualities of cotton were determined with preference to the technical considerations such as spinning capacity and other quality factors rather than on mere staple length of the so-called trade practices. He said that any changes in price structure which may be justified, would be enforced with effect from the cotton season, 1964-65.

In the scheme of ensuring a satisfactory cotton supply position, the Minister referred to the need for focussing greater attention to the improvement of cotton marketing system so that the cultivator could be enabled to realise the maximum share of the rupee paid by the mills and that the lags in the movement of cotton may be avoided. The studies undertaken by the Directorate of Marketing and Inspection to find out

the price-spread of cotton from the grower to the mill should throw light on the weak points in the existing link and the remedial measures that could be taken to rationalise the system. The Minister was also of the view that it was of utmost importance to make all-out efforts to establish co-operative societies of cotton growers for the marketing, including processing, of cotton on a much wider scale, so that cotton in pressed bales could be sold by the societies direct to the mills.

Earlier, welcoming the Minister, Mr. A. D. Pandit, President of the Committee, among other points touched by him, emphasised that as far as cotton was concerned the main objective in India was to fulfil the industries' growing demand for medium and long staple cotton. There was also the additional problem of providing extra long staple cotton for which the country had been depending on imports right from the beginning of the manufacturing of super-fine and fine cloth in this country. This needed intensive research, and while there was no dearth of knowledge of agronomy, soil chemistry, irrigation etc. what was lacking was a proper organisation to make adequate use of the available knowledge. It was, therefore, necessary to intensify the research programmes with a view to over-coming some of the shortcomings inherent in the present cotton economy. The problem was indeed complex. Even in the agriculturally advanced countries, research was directed towards increasing investment from outside the farm and raising the production per acre. It was only later that the research took a more sophisticated line with the accent of increasing the yield per unit of investment. It is therefore necessary that the farmer obtained a price that was in proportion to the real value of the produce. Much ground has been covered at the meeting in the diagnosis of the problems and steps that are necessary to improve the situation. It remains to be seen how far the hopes of the Minister would materialise in the States co-operating effectively in raising the output of cotton as also its per acre yield.

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Addressing the Annual General Meeting of the Bombay Chamber of Commerce and Industry, Mr. V. P. Naik, Chief Minister of Maharashtra State, stated that a reconstituted committee headed by Mr. S. G. Barve, Minister for Industry will be shortly announced to look into the multifarious problems confronting the growing city of Bombay. Among the various problems, the water problem in the City requires urgent solution and the authorities would soon indicate the sources of water and the long and short term schemes to be devised for augmenting the supplies. Another ticklish problem was that of unauthorised occupation of the land by the immigrants into the City, and the slums springing up from the unauthorised structures. The Government was thinking in the direction in which suitable areas could be demarcated for rehabilitation of the immigrants. He said that Government would spare no efforts in ensuring the City's proper development, though the problems appear to be of a stupendous nature. Mr. Akbar Hydari, President of the Chamber, in his speech suggested that the solution to the problems of Bombay would lie in the setting up of a high powered co-ordinating authority and entrusting it with the task of integrated perspective planning. Such a body will have to be invested with overriding powers and should be in a position to co-ordinate the activities of the various agencies concerned — Central and State Governments as well as the municipal authorities — and to secure public co-operation.

Businessmen in Conference

From Our Correspondent

CALCUTTA:

THE SECOND West Bengal Business Convention, held in March, was a great success, judging at least from the huge attendance one saw on the opening day. And because of the objectives which the Convention seeks to promote, attendance should be the yardstick of judging its success. The idea with which the Convention was first held in 1959 was to spread business entrepreneurship as widely as possible among the middle classes of the State and thus help solve the serious problem of unemployment, at least among the educated; to encourage the development of trade and industry in parts other than the Calcutta area where there has already been a suffocating concentration of people; and to help organise associations of traders and small industrialists in the muffosil areas. (Three leading chambers of commerce of Calcutta have been the joint sponsors of these conventions.) The idea obviously has proved very popular. The first convention was attended by as many as 5,000 business men from all over the State, and the second drew a much larger gathering. Encouraged by the success of the move from the very beginning, the sponsoring chambers have set up a permanent organisation styled "the West Bengal Business Convention", which during the subsequent five years has done much useful work. It has strengthened trade associations and helped form new ones where none existed before; it has rendered some technical assistance to new entrepreneurs in establishing or expanding industries and has given guidance to business men concerning the availability of finance and other facilities for new enterprises. Zonal conferences have also been held in different trading centres of West Bengal in order to ensure as wide a participation of the business classes in the activities of the Convention as possible.

Mr. K. K. Birla, who presided over the second Convention, was happy that the organisation has been succeeding in its objectives, but the success of a new, enterprise, especially one promoted by people of small means, depends not only on the skill and acumen of the entrepreneur but on his ability to comply with the various regulations of the Government not all of which are free from frustrating anomalies. Mr. Birla in particular referred to the administration of sales tax. Business men generally, he said, have experienced very serious difficulties in regard to the administration of sales tax. This has led to much harassment and dislocation of normal functioning of business firms. There are others like the Shops and Establishments Act and the Prevention of Food Adulteration Act, which, despite the very good intentions underlying these measures, are so imperfectly worded that small business men are usually hard put to it in complying with their provisions. These harassments are avoidable by a more realistic interpretation of the rules concerned.

A statement of Mr. Birla, which struck a responsive chord in the heart of Mr. Asoka Mehta, Deputy Chairman of the Planning Commission who inaugurated the Convention, is that all business men, big or small, should exchange ideas so that it may be possible for the larger industries to help the smaller ones. This fitted in well with Mr. Mehta's idea of "deconcentration," not only of industries but also of ownership. There is a large field in West Bengal, Mr. Birla pointed out, for developing modern small-scale industries as feeder and ancillary industries to the large-scale enterprises. The Convention has started some work in this direction and it has been able to obtain some assistance of large-scale industries in this matter. "But in this field there is much scope and as the economy progresses further, we should be able to set up numerous small-scale industries throughout the State provided there is better understanding and co-operation between all sections of industry as also between industry and Government," Mr. Birla added.

The economy of West Bengal itself needs a lot of help. Mr. Birla's speech provided an excellent analysis of the State's economic problems. Under the growing pressure of population which increases steadily on account of the influx of people from outside and the refugees from East Pakistan, the State's economy has been strained to breaking point. Mr. Birla reminded his audience that while West Bengal once held a pre-eminent position in the industrial map of the country, lately, due to the more rapid industrial growth in other States and some of the difficulties in the way of industrial expansion in the State itself, West Bengal is tending to lose ground. In 1957-58, this State had the largest number of new company registrations of any State in India. It still has a leading position in this matter, but the rate of increase in new company registrations in other States such as Bombay and Madras has been much higher in subsequent years. The major industries of the State — jute, tea and engineering — have been having to face many difficult problems. Jute and tea are the biggest foreign exchange earners, but the production of tea is tending to fall, while tea production in the world as a whole is going up. Mr. Birla emphasised that the future of tea would depend upon the increase in its production and the ability of the gardens to expand and replace the worn-out areas by new plantations.

Pakistan Threat

The jute industry is doing well at the moment, but Pakistan has begun to pose a serious threat. That country has not only a higher yield in raw jute, but the quality of the fibre is much better. Besides, the industry there has the latest machinery which gives it an edge over India. It is time India realised this danger and took steps to strengthen the economic base of her own jute industry by paying greater attention to production of better quality jute. As for engineering — the third major industry of West Bengal —, it has been facing a serious raw material problem. Shortages of raw materials as well as of power have been so acute that a large part of the installed capacity has had to be idle. This industry has a crucial role to play in the economic development of the country, yet official steps to help the industry out of the difficulties have been so inadequate that many in the industry have begun to feel helpless. Mr. Birla has urged that the Governments, both at the Centre and the State, should give due attention to West Bengal's economic problems, which in a way affect the country as a whole since West Bengal not only occupies a key place in the national economy and foreign trade of India, but is strategically very important as well.

In this connection, Mr. Birla mentioned two factors — power and transport — which cry out for urgent attention. These are essential for rapid growth of industry and trade, but the authorities have always erred on the side of underestimation in providing for these basic facilities in their plans. Mr. Birla felt that it was better to have an excess of power rather than to have less of it. The coal transport position at the moment is easier due to the slackening in the tempo of economic development, but once the economy picks up again, the pressure on transport will be accentuated. It is, therefore, very important to lay a great emphasis on road transport and development of a network of roads throughout the region. Mr. Birla gave two examples of grand planning and half-hearted measures to implement the schemes. "We have been thinking in terms of an express highway from Calcutta to Durgapur for several years. This has not been realised. Similar is the case with the road from Calcutta to the Dum Dum airport". Apart from these, a number of regions in the State are still inaccessible, as the roads are not there and where they are, the roads are not in a good condition.

Food Problem

Finally, West Bengal's problem of problems — food. The State has never had enough of it. Zonal restrictions have made the problem of securing supplies from surplus States, more difficult than it should be. The problem, as Mr. Birla rightly sees it, is of more intensive cultivation and better facilities to agriculturists to increase the yield of the food crops in the State. Unfortunately, it is the traders who are being blamed for the food problem rather than the authorities whose responsibility it is to ensure adequate supplies. During the recent past, when there was a shortage of foodgrains in the State, the trade was being blamed and there was more emphasis on distribution controls and nationalisation of rice mills rather than a concerted effort to increase food production. Mr. Birla said to declare emphatically: "After all, nationalisation of production or of distribution does not add to or create new wealth. I do not see what advantage could be had if all the rice mills were nationalised in the State. As is well known, during recent months the rice millers were not able to obtain sufficient supplies of paddy at a reasonable price. It is too much to expect that once the rice mills are nationalised all shortages will disappear and there will be plenty of rice for every one. On the other hand, it will drive out of employment millions of small traders and business men who have been in this line for generations. We have yet to find an instance where as a result of State trading, prices have actually gone down.... These problems need to be realistically assessed by Government and the emphasis has to be on increasing production all round rather than on nationalisation of distribution or production which will only create new problems for the State without helping the consumer."

Mr. Asoka Mehta held a different view. He saw the rationale of the nationalisation demand in terms of helping the producer through co-operative processing and marketing of the produce. The Deputy Chairman of the Planning Commission was, however, as unconvincing on this point as the advocates of nationalisation have been. The food shortage has been mainly on account of insufficient production, but the Government's inability to ensure efficient procurement from farmers who are known to hoard stocks has aggravated the shortage. For example, rice millers in West Bengal were recently unable to get paddy at the prices fixed by the Government from the farmers, yet the Government could do nothing to compel the latter to part with their stocks. Would the farmers have been willing to sell paddy at prices lower than what they consider reasonable, had the rice mills been owned by the State? And Mr. Mehta should know that the marketing and processing aspects of the co-operative movement in India have not exactly been a thundering success.

Challenge of Synthetic Rubber

From Our Correspondent

MADRAS:

AN INTERESTING controversy is going on at the present moment about how the efforts to produce synthetic rubber within the country will affect adversely the growth of rubber plantations. It is only latterly that the need to maximise output of natural rubber has been realised and following the lifting of control over price and distribution of this product, there is greater anxiety to push through the replantation programme. With intensive tapping of existing trees and some replanted area coming into the yielding stage, the output of natural rubber has increased significantly in the last three years. Indeed, it is expected that it might even be 46,000 tons during the current year though conservative estimates do not place the figure at more than 40,000 tons. Even so, it would

be necessary to permit imports of natural rubber in fairly large quantities as it will take some time to use synthetic rubber in larger proportions.

The rubber growers are suspicious of the move of the manufacturing interests to install additional capacity for producing synthetic rubber from the by-products of oil refineries. According to them, the large unit at Bareilly has already damaged their interests while the consumers have been unnecessarily penalised and the manufacturers of tyres and various products are finding it difficult to use in greater proportion the indigenous synthetic product.

Replantation Programme

So far as the plantation industry is concerned, there is no danger of further development being checked as the consumption of rubber of various kinds is estimated to grow at a fast rate and the output of natural rubber will always be easily absorbed. It is even argued that there was a certain amount of compulsion to de-control price of natural rubber because of the high cost of the synthetic product. The higher prices for natural rubber, consequent on the reduction in imports and the high cost of indigenous synthetic rubber, should encourage to a great extent the replantation programme as also bring about a larger acreage under this valuable crop. There will be no difficulty in selling even a larger output of natural rubber secured from Kerala and elsewhere especially as the manufacturers of truck tyres would prefer to use as high a proportion of natural rubber as possible in the heavier duty types particularly. As there is also the price advantage at the present moment, it is feared that there will be serious competition for available supplies and after sometime prices for natural rubber might be marked higher.

Under these circumstances the policy of the Government in compelling the use of indigenous synthetic rubber has come in for criticism as it is now being suggested that import licence will be granted for purchasing natural rubber only if a similar quantity of indigenous synthetic rubber was used. This might be said to bring about indirectly a reduction in the average cost. But it is feared that it would be sometime before the synthetic rubber can be easily used as the proportion would go up sharply with the restriction on imports of natural rubber.

Whatever may be the controversy about the high cost of synthetic rubber based on alcohol, ways and means have got to be found to use this product as foreign exchange has to be saved by eliminating avoidable imports. Also, considerable expenditure has been incurred on the installation of costly plant and machinery and the capacity for production has also been increased to 30,000 tons annually. It will take some time for the consumers to get themselves adjusted to the new conditions especially as the delivered price of the indigenous synthetic products is twice the landed cost of similar synthetic rubber. The tyre industry will no doubt be obliged to suffer an increase in cost on account of various factors and particularly the high cost of synthetic rubber. But it is really the consumer that is penalised in the process as the cumulative effect of higher prices for indigenous raw materials and the ad valorem duty has been to inflate the cost of the final product by anything upto 35 per cent. The tyre consumers alone will be obliged to pay about Rs. 5 crores on account of the higher price of synthetic rubber though it might be argued that there will be greater scope for achieving economies in the use of rubber chemicals or other components. Ways and means have to be devised to get costs under control and the Government have a duty to examine, while compelling the use of the synthetic product, whether there is scope for reducing the manufacturing cost of synthetic rubber. It has been complained by the producers of this product that benzene obtained from Government sources is unduly costly while there is a needless levy of excise duty on alcohol. This duty can be removed even though there may be some loss of revenue, especially as the output of alcohol has increased sharply and this essential raw material is required for other purposes also. There should be no hesitation in giving the maximum help to an industry which is operating under great disadvantage. If need be, a special development rebate should be granted as also a rebate in railway freight charges. Above all, it has been suggested that the manufacturers can adopt the straight line method for depreciation purposes instead of the written-down value.

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While the importance of Tuticorin port might be minimised to a certain extent by the decision of the Central Government to locate the oil refinery, as also the petro-chemical complex, near Madras, it is encouraging to note that the Sethusamudram project is taking shape and there is every prospect of its being included in the fourth Plan. It is stated that the decision to locate the refinery in Madras was taken because of the difficulties involved in providing the necessary railway transport facilities in moving large quantities of petroleum products and fertilizers. Besides, there is a ready market in the Madras District and neighbouring areas while the erection of the refinery as such need not await the completion of harbour or other transport facilities. The work on construction of the Tuticorin port is, however, expected to continue vigorously and there are indications that the hinterland of Tuticorin port will develop in a big way in the coming years. With the completion of the Sethusamudram project, Tuticorin will thus assume greater importance as a port of call for foreign ships bound for the East.

Technical Aspects

It was indicated in the Madras Assembly, a few days back that the technical aspects of the project would be closely examined as the coral reefs have to be blasted and a canal of suitable depth and width constructed in order that ships can pass through the Palk Straits without any difficulty. As the scheme will be self-financing in character, over a period, and has also considerable strategic importance, it is confidently felt by the State Government that the work on this project would be taken up in the next Plan.

As for the oil refinery in Madras, an early decision is awaited. But it has been argued that a large fertilizer factory will have to be erected near the refinery area as it is proposed to produce ammonia based on naphtha by the refinery itself and the promoters will not have much difficulty in producing nitrogenous fertilizers based on ammonia. Kothari and Sons, who had a licence for starting a huge fertiliser factory at Tuticorin, have asked for a change of location of the factory to Madras in view of the developments in recent months. The proposition is considered more attractive in the altered scene though it is emphasised that conditions in the capital market will have to be vastly different if the requisite capital has to be raised. In fact, it is feared that Coramandel Fertilizers Limited, which has a programme for starting a big fertilizer factory at Visakhapatnam in collaboration with American interests, may not be able to raise the required rupee resources from the open market, if the present conditions continue to prevail in the stock markets. The underwriters probably would be obliged to take up large parcels in the absence of any enthusiastic response from the Indian investors.

The moving finger writes

WHERE ANGELS fear to tread, etc., etc., etc. — but I must confess that I cannot resist the temptation of suggesting that Agra, instead of Lucknow, should be made the capital of Uttar Pradesh. Surely the rate at which everybody who is anybody in that interesting State is trying to haul up for contempt and put behind bars everybody else who is somebody at all, also in that interesting State, if allowed to continue, must soon change the status of Uttar Pradesh from a State which has been mis-governed all along to a State which is not being governed at all any more. At this point, perhaps, I ought to take no further risk and must pass on to safer subjects.

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We are egalitarians all these days — particularly in our Government; but, are we not being a little too slow on the uptake? It seems to me that the mighty blow which the Finance Minister is striking for egalitarianism through his budget proposals is really not so impressive after all, considering that Mr. Khrushchev, of all persons, has lately been advising his fellow citizens in the Communist fatherland that they "must fight against egalitarianism, and for the principle of pay according to work". Evidence of similar kind that the Russians are beginning to give up pseudo-Marxist shibboleths at a time when more naive people in less wary lands are beginning to take to them is available from an article in 'Pravda' by a Soviet economist. What academician Anashuvan Arzumanyan has to say is so relevant to our situation that I take the liberty of reproducing in full the following extract captioned "Soviet Capitalism?" from 'New Statesman' of March 13, in the hope that this piracy will be condoned:

"The interests of Soviet man as a consumer have found a powerful advocate in the person of the eminent economist academician Anashuvan Arzumanyan, who in a 10,000-word article in 'Pravda' recently launched an authoritative attack on many of the principal tenets of Marxism as applied for many years in the Soviet Union. He calls for a new approach to planning and a thorough improvement in the structural pattern of the national economy. The time has come, he argues, for Soviet planners to stop equating progress with the expansion of heavy industry (Group 'A') and to follow the American example of setting a faster pace of growth for consumer goods (Group 'B') than for heavy industry.

"By a dogmatic approach to the principle of priority for heavy industry, many deficiencies in the Soviet economy had been concealed, Arzumanyan argues. Traditional industries had been encouraged by an arithmetically applied capital investment plan to produce obsolete machines; the more progressive industries had been neglected and their growth retarded. The country's fuel balance was oriented on coal, while oil and gas output was artificially held back; the building industry on bricks and manual labour at the expense of reinforced concrete and mechanisation; transport on the steam engine as against diesel and electric traction. And agriculture, the most neglected branch of the national economy, had been deprived of fertilisers and efficient machines.

"The time had come, wrote Arzumanyan, when Soviet planners should thoroughly examine the capital investment programme. In the first place, attention should be paid to giving priority to the most progressive branches of industry, those in which the lessons of modern science and technology are most successfully applied. Secondly, the fetish of continuous material expansion should be cast away. There was a time when acute shortages had forced the planners to undertake the 'definite economic manoeuvre' of bringing the virgin lands under cultivation and of dissipating its capital resources in building new factory space. But now the time had come for creating an intensive agriculture and for re-equipping existing factories and reducing both the cost and the time spent in construction of new ones.

"Turning to the question of consumer goods, the Soviet economist charged that up to the present day the definition of the correct proportion between Groups 'A' and 'B' in industry was hampered by 'certain theoretical vestiges engendered by Stalin's erroneous dogmas', one of which was the neglect of personal consumption as a component part of reproduction. There were still a number of economists who made the law of the priority of the growth of heavy industry an aim in itself. It should be borne in mind (and in this context the experience of America was very instructive) that the scientific and technological revolution had resulted in a sharp reduction in capital expenditure (capital-output ratio) and material expenditure per unit of output. In American industry the effectiveness of fixed capital had grown nearly 70 per cent in the last 35 years. There had been a one-third reduction in the outlay of raw materials per unit of social product during the same period.

"In short, technical progress did not necessarily result in an increasing proportion of material expenditure in the cost of the finished commodity. 'We need accurate accounting instead of postulating dogmas', concluded Arzumanyan. Production factors should never be viewed metaphysically; they were always changing. 'We need efficient industrial management.'

"This article is the most cogent argument in favour of simultaneous expansion of light and heavy industry in Soviet economy that has appeared in 'Pravda' since the question was debated in a very different atmosphere in the early years of Stalin's ascent to power."

All that I have to add is that Mr. Krishnamachari needs must think again on his classification of industries into those which are entitled to preferential fiscal treatment and those which are not. As a matter of fact I would suggest that this business of classification should be given up altogether and that there should instead be a sensible tax system for all industries for the simple reason that all industries are important in their different ways for meeting the varied needs of Man as he pursues his economic betterment. I would also suggest that it is futile for the Finance Minister or for that matter anybody else to try to hold the price line so long as the production of consumer goods is not given its due importance in the economy of the nation. Napolean said long ago that an army marches on its stomach. That holds true not merely in a military sense.

Trade Winds

EXPORT CREDIT INSURANCE

PERHAPS THE least publicised export promotion effort, although the most effective, is the solid work of the Export Risks Insurance Corporation (ERIC) which has since been converted into the Export Credit and Guarantee Corporation (ECGC). This change, it may be noted, followed the recommendations of the Mathrani Study Group, which emphasised that inasmuch as Indian exporters have to fight international competition on equal terms, they require to be provided with similar organizational facilities as enjoyed by their competitors. It is common knowledge that in the leading export countries of the West and in Japan today hardly any exporter ever does business with an overseas buyer or a bank advances credit to an exporter unless the payments are secured either by letters of credit or by policies of export risks insurance. The purpose of the ECGC is to take the risk-load off the Indian exporter by carrying the main burden on its own shoulders —80 per cent in the case of commercial risks such as default or insolvency of the foreign buyer and 85 per cent in the case of political risks arising from insurrection or war, unforeseen import restrictions, embargoes on transfer of funds into buyer's country and other similar causes.

Dr. S. P. Chablani, Managing Director of the ECGC, told a Press Conference, the other day, that the exporting community in this country has not fully grasped the significance of export risks insurance. This is clearly reflected in the value of risks covered during the last year. Although the highest since the establishment of the ERIC, this figure was not even Rs. 30 crores which forms only about four per cent of our total exports. Of the country's total innumerable export credit risks, the coverage of ERIC is still only around 15 per cent. Although this compares favourably with the record of its counterparts of equal standing in other countries, the fact remains that much leeway has yet to be covered. Because over 60 per cent of India's exports comprise traditional items, the exporters have old and established connections in respect of this business. But in a world where competition is increasingly becoming of the cut-throat type, it is imperative for the Indian exporters to seek the shelter and guidance of such institutions as the ECGC, even if to retain, let alone increase, our share of the world's export trade. Dr. Chablani suggested in this connection that intensive educational campaign should be launched to better inform the Indian exporters and bankers of the increasingly useful activities of the ECGC. Once they become familiar with and are convinced of the extent of protection they can expect to receive from ECGC, they will not only be able to plan their export programmes with greater confidence, but also to make a more worthwhile contribution than heretofore to the growth of the export trade.

Besides ERIC's services in the fields of guarantees to banks, 'Packing Credit Policy' and other services, the Corporation, in its changed role as ECGC, has substantially enlarged the scope of its usefulness. Two new covers, 'The Export Finance Guarantee' and the 'Post-Shipment Export Credit Guarantee', have been evolved. By means of these covers, the ECGC is in a position to provide substantial guarantee to banks in respect of their advances right from the date of availing of credit by an exporter and the due date of payment, and enable the banks even to discount bills, unlike in the past, to the extent of as much as 125 per cent of the value of shipping documents, in certain cases. The new scheme also extends the benefits of credit facilities under the 'Packing Credit Policy', even during the post-shipment stage. With these additional features, the ECGC policies will now be more than mere collaterals to the banks; they will rather be in the nature of gilt-edged securities.

The ECGC also endeavours to examine the probity and financial status of every overseas buyer on its record, with a view to improving the quality of its own risks and, at the same time, offering its policy-holders an insight into the standing and creditworthiness of their clients. The Corporation has built a library of credit information on as many as 15,000 overseas buyers — and this reference is being constantly improved and enlarged. Another attraction offered by the ECGC is the reduction in the waiting period in the settlement of claims from six months to four months in specified cases and also under the two new guarantee schemes of 'Export Finance Guarantee' and 'Post-Shipment Export Credit Guarantee'.

CONSUMER PRODUCTS

Inaugurating the Consumer Products Division Council of the Indian Standards Institution in New Delhi recently, the Union Minister of Industry, Mr. Nityanand Kanungo, who is also the President of the I.S.I., referred to the fact that the Institution's work had so far been divided among only seven Division Councils, namely, (i) Agricultural and Food Products; (ii) Building, (iii) Chemicals, (iv) Electro-technical, (v) Engineering, (vi) Structural and Metals and (vii) Textiles. Several of the Committees working under these Division Councils had been formulating standards for certain consumer products which fell within their own specialized fields of work. But there had been no specific section of the Institution devoted to looking after the consumer products standards as such. It was but logical, therefore, that a separate division be created to deal exclusively with consumer items.

Some of the subjects for which the newly formed Consumer Products Division will formulate standards relate to well established industries which have considerable export potential. For example, in 1963, India exported Rs. 112 lakhs worth of utensils of various categories, Rs. 65 lakhs worth of sports goods, and Rs. 31 lakhs worth of umbrellas and components. Our export markets for Hurricane lanterns, pressure stoves, pressure lanterns and cutlery are being steadily built up. In the context of our drive for expansion and diversification of exports, standards on such consumer products will have an important role to play. In order that we may maintain and expand our markets abroad, Indian exporters will have to depend largely on the consistency of the quality of our goods and their reliability. Building up a reputation for quality goods is a painfully slow process, but any effort in this direction would be well worthwhile.

In industrially advanced countries such as the USA and the UK, the consumer movement, for the purpose of improving the quality of consumer products, has registered a phenomenal growth in recent years. Thoroughly confused by the available information on the products sold in shops and often frustrated by not getting a fair value for money, increasing numbers of consumers have been organizing and pooling their resources for setting up consumer-testing facilities and reporting the results. These are democratic institutions financed and controlled by consumers. These organisations compare the quality, performance and value for money of the goods and services offered to the consumer and publish frank reports on the results of these comparisons, together with the names and brands of the products tested. There are about 30 such consumer bodies and associations in different parts of the world, with their activities co-ordinated and reinforced by the International Office of Consumers Unions. Some of these associations, such as those in the UK, USA and Holland, are dependent entirely on individual members, while others, such as those in Denmark, Norway and Sweden, are supported to some extent by their Governments. The membership of some of the associations runs into several hundred thousands.

In the USA, for example, the total membership of the consumer organisations has exceeded 1.5 million, while in the UK, the Consumers Association has a membership of over 3,33,000, with an annual income of £500,000, which comes entirely from its members. Compared to these efforts in other countries, the attempts in India have been feeble indeed. As a result of a proposal in the 1958 ISI Convention in New Delhi where consumer standards and certification had been discussed, a Consumers' Association of India came into being in 1959. It received a good deal of publicity and even organised a seminar with financial help from the Planning Commission. But no consumer goods testing was initiated and the Association could never find its footing.

ISI TRAINS FOREIGNERS

In his capacity as the President of the Indian Standards Institution, the Union Minister of Industry, Mr. Nityanand Kanungo, while reviewing the activities of the Institution for the year 1963-64, said that the Indian Standards Institution's training programme to start from August next, will accommodate five to ten trainees from other developing countries of Asia, Africa and Latin America. The programme is being sponsored under the joint auspices of the Technical Assistance Programme of the Colombo Plan and the Special Commonwealth African Assistance Programme.

The ISI will also act as host to the triennial meetings of the General Assembly of the International Standards Organisation, to be held in New Delhi in November, 1964. About 400 delegates from the 49 member countries are expected to participate, while about another 300 delegates are expected to represent various Indian interests. The programme includes besides holding about 40 technical and administrative committee meetings, local visits, social functions and an all-India tour to industrial and cultural centres of India. On the occasion of this International Conference, besides publishing a brochure containing topical articles on standardisation, the ISI plans to issue an illustrated booklet, featuring industrial development in India and her export possibilities, with special reference to standardisation and quality control activities of the ISI, indicating to overseas buyers that India has a well-organized complex of large-scale and small-scale industries and that their products conform to highest standards of quality. This booklet will also be made available for distribution in the New York World Fair. It is further planned to distribute it widely in overseas countries through our Trade Commissioners and National Standards Bodies, as part of India's export drive.

In addition to the setting up of a separate Consumer Products Division, during 1963-64, the ISI has also broken new ground in the direction of marine engineering. At the request of the Ministry of Transport, a separate Marine Engineering Section has been created under the existing Mechanical Engineering Division. Many of the existing Indian Standards, though originally intended for other industries, can now be made available to the shipping industry as well. A number of Indian industries will thus be in a position to manufacture, to the prescribed standards, quite a large number of items required by shipyards and gradually do away with our dependence on overseas supplies for such items.

THE CORPORATE SECTOR

The annual report on the working and administration of the Companies Act, 1956, for the year ended March 31, 1963, laid on the table of the Lok Sabha recently, provides a comprehensive review of the new additions to the corporate sector. It indicates that during the year as many as 1497 companies were formed and this number was lesser than that of the previous year by nearly 115. If the total number of new company formations declined, a steady uptrend in the formation of public limited companies, which was noticed in 1959-60, was apparent this year too. In fact, the number of public limited registrations during the year at 227 was the largest during the last decade. With these floatations, the total number of companies at work as on March 31, 1963, was 25,524 with a total paid-up capital of Rs. 2,185 crores. This comprised 5,994 public limited companies accounting for an aggregate paid-up capital of Rs. 1087 crores and 19,530 private limited companies with paid-up capital of Rs. 1098 crores. The paid-up capital of all the companies at work, more than doubled between 1955-56 and 1962-63: It increased from Rs. 1024 crores to Rs. 2185 crores. During 1962-63 alone, it increased by Rs. 211 crores.

The report brings to light the pattern of location of new company formations and it indicates that the three major States of West Bengal, Maharashtra and Madras along with the Union Territory of Delhi continued to account for the bulk of the new registrations. The number of new companies that came into existence in these three States and the Union Territory of Delhi put together was 1,110, which meant nearly 74 per cent of the total new registrations for the year under review. On a regional basis, the Southern region comprising Madras, Andhra Pradesh, Mysore and Kerala, surpassed all the other three regions in having the largest number of companies at 395 as against 388, 371 and 343 companies registered in the Eastern, Western and Northern regions respectively.

The public sector also made substantial advances during the year under review and eight Government-sponsored companies, with the total authorised capital of Rs. 25.5 crores, came into being. This, however, cannot be taken to represent any trend because only last year 18 companies with a total authorised capital of Rs. 122.7 crores, were registered. Of the eight new public sector companies, National Seeds Corporation Ltd. was set up in the Union Territory of Delhi by the Central Government and the remaining seven companies were floated by the State Governments — three in Orissa, two in Maharashtra and one each in Kerala and Rajasthan.

FOREIGN INVESTMENT INFORMATION

With a view to enabling the intending private foreign investors in India as well as the Indian investors seeking foreign private investment to have speedy information and guidance on matters of interest to them such as the fields open for investment, broad principles on which Government would agree to the investment etc., the Government of India have appointed Mr. K. J. George, in the Ministry of Industry, as Special Officer, to serve as a focal point for all enquiries concerning foreign investments in India.

DEALS AT LEIPZIG FAIR

India's participation in the Leipzig Fair this month has resulted in the transaction of business worth more than Rs. 100 lakhs so far. This covers diverse commodities, especially engineering and non-traditional items, introduced for the first time in the German Democratic Republic. The commodities for which deals were made included storage batteries, electric motors, air conditioners, surgical instruments, chemicals, tinned food, cigarettes and alcoholic and non-alcoholic drinks, linoleum, handicrafts, coir products and cotton and handloom textiles. More contracts are under negotiation in Leipzig and will cover duplicating machines, refrigerators, drilling machines, etc. The Indo-GDR trade, which has been progressively expanding since 1959, was of the order of about Rs. 9 crores each way during 1963. In 1964, it is likely to be of the order of Rs. 16.5 crores each way.

Company Affairs

THE STATE BANK OF INDIA

THE CLAIM made by Mr. B. Venkatappiah, Chairman of the State Bank of India, that not only the financial results but also the total performance of the Bank in 1963 were satisfactory is fully corroborated by the latest annual report on the working of the Bank and the Chairman's speech circulated to shareholders. This is creditable, considering the rather unenviable position of the Bank as being at once in both the public and the private sectors. If the State Bank of India enjoys the reputation of being the biggest commercial banking organisation in the country, it has also to keep in mind always the public interest, in that it has to implement the decisions of the Government of India affecting different spheres of economic activity. This responsibility became particularly marked in 1963 due to the impact of the Chinese aggression and the dislocation caused by it to the normal operation of credit institutions. Indeed, the resulting national emergency imparted a new dimension of both gravity and responsibility, wherefore it is heartening to be told that the State Bank of India was able to meet the situation "promptly, helpfully and effectively." The Bank has not only recorded higher profits but has also shown commendable results in normal banking activity as well as in development sphere. Also, in keeping with the ambitious expansion programme ahead of it, progress has been achieved in matters pertaining to growth and efficiency, such as recruitment and training, delegation and decentralisation and personnel relations and welfare.

The relevent statistics make good showing. The rate of progress in the growth of both deposits and advances was more than maintained. At Rs. 521.61 crores (as on Dec. 27, 1963), total deposits were the highest since 1960 and this, the Chairman claims, has been achieved without entering into undesirable competition with other banks. Without indulging in unhealthy competition or competition that is harmful to the economy, the Bank, according to its chairman, proposes to make every effort to attract savings and bring them increasingly into the banking system. Among the steps taken in this behalf in 1963, mention may be made of the increase in the rate of interest on deposits (fixed and savings) by half a per cent, reduction of the minimum acceptable amounts for call and short-term deposits (from Rs. 1 lakh to Rs. 25,000), and acceptance of fixed deposits for two and three years. The cumulative effect of all these measures was an increase of Rs. 25 crores in total deposits over the year, exclusive of the transfer of PL 480 funds to the Reserve Bank. If comparable figures for the last two years, i.e. without taking into account the PL 480 funds in both the years, are considered, the aggregate increase in deposits works out to Rs. 69 crores, of which, it is noteworthy, time deposits accounted for an increase of nearly Rs. 49 crores. This is a particularly welcome trend during an inflationary era. As regards advances, every year has been witnessing a new peak these few years past. Even if we ignore the peak figure in the busy season which has already crossed the Rs. 300-crore level, the increase from Rs. 82 crores in July, 1955 to over Rs. 254 crores towards the end of 1963 makes an impressive rise. Similarly, total credit of the State Bank of India alone stood as high as Rs. 274 crores at the end of December last. During the year under review, there were increases in rates of interest both on deposits and on advances. But the discriminating manner in which the State Bank of India raised its advance rate deserves to be noted. The increases were not uniform in all cases; they were graduated, depending upon the nature of advances. On loans to small industries, for example, the rate were stepped up only marginally; those in respect of co-operatives were retained at broadly the same level as before, and, in certain other cases, the rates were concessionary. Along with the State Bank, the subsidiary banks also fared well during 1963, there being all round improvement in deposits, advances, and profits.

A particularly notable feature of the State Bank of India's progress is its programme of branch expansion. At the end of 1963, the Bank had four local head offices (this number bids fair to increase with the proposed amendment to the State Bank of India Act), 733 branches and 332 sub-offices, besides an office each in London and Colombo, and five offices in Pakistan. During 1963 alone, the Bank increased the number of its branches by 29 and of other offices by 37. It has since launched a new five-year planned branch expansion programme which will add nearly 400 more units over the next five years.

INDIA SUGARS

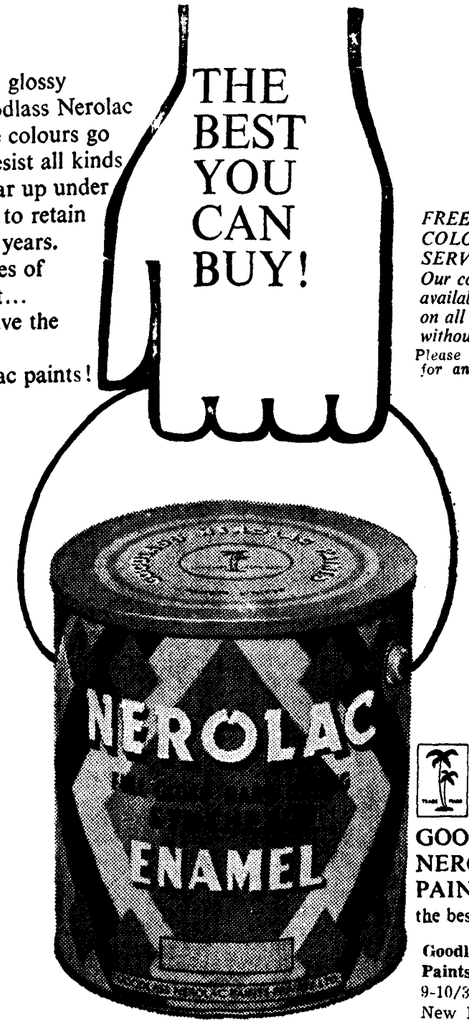
Mr. Rajeshwara Patel, M.P., Chairman, the India Sugars and Refineries Ltd., in his address at the annual general meeting held recently, highlighted the fact that prices of sugar in various factories were different and in this process some companies were at a disadvantage. He quoted a few instances such as Daurala Sugar Works, Daurala, District Meerut and Modi Sugar Mills Ltd., Modinagar, Meerut, where the cane price fixed payable by these factories was Rs. 46.90 and Rs. 48.50 per ton respectively and ex-factory controlled sugar price of these factories was fixed at Rs. 116.50 per quintal. As against this, the sugarcane price fixed by the Government for the India Sugars was Rs. 53.30 and the ex-factory controlled sugar price was fixed at Rs. 115.0 per quintal. This is a clear case of discrimination against the Southern factories. The reason given for this disparity, according to the Chairman, was the freight advantage of the factories in the South because the producers in the North had to transport their sugar to deficit States in the South. He, however, added that when wages were rationalised by the Sugar Wage Board, higher wages were fixed for factories operating in the South in comparison with those of the North and one of the considerations in so fixing higher wages was that the factories in the South were getting better realisation of sugar due to freight advantage. Thus, apparently, the factories in South were discriminated against twice over for a single gain in terms of location. This is an instance which calls for a fresh review in the light of the arguments put forward by Mr. Rajeshwara Patel.

The Chairman pointed out that the expansion scheme for increasing the crushing capacity of the factory to 1,250 tons a day is well underway and it is expected to be implemented during the coming season. The increased capacity would take care of all the cane in the area and would also achieve the economy of scale and consequently bring down the cost of production. He, however, added that the sponsors of a sugar factory in the Co-operative sector have been trying to get another sugar factory established in the Kamalapur area within about six miles of this factory. After the expansion of this factory and that of its subsidiary, the Salar Jung Sugar Mills Ltd., Munirabad, which has also been licensed to increase its crushing capacity, the cane available in the entire area would hardly be enough to feed these two factories. Even if a possible improvement in yields per acre is considered as a result of improved manuring and methods of cultivation, there is no justification for a third sugar factory to be established in such close proximity. The company has made suitable representation to the Government of Mysore and the Central Government wherein it has requested that the licence for the establishment of another sugar factory should not be granted. The demand of the factory is quite reasonable in the sense that unplanned establishment of such industrial undertakings

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will only tend to raise the cost of production and there are certain other regions in the country where it would be advisable to locate new sugar factories.

BANK OF BARODA

The Bank of Baroda Ltd. achieved remarkable progress during the year ended December 31, 1963, when its deposits touched a figure of Rs. 140.17 crores as against the deposits at the end of the last year at Rs. 113.96 crores. This nearly 23 per cent increase in one year was achieved in all types of deposits but it was most marked in the case of fixed deposits which increased to Rs. 77.70 crores against Rs. 62.19 crores last year. The advances of the bank crossed the Rs. 100 crore mark and stood towards the end of the year at Rs. 105 81 crores against Rs. 84.78 crores a year before. Consequently, the net profit was also higher at Rs. 78.47 lakhs after the payment of taxes, depreciation, etc., as against last year's figure of Rs. 66.22 lakhs. An interim dividend at the rate of 16 per cent per annum subject to deduction of income tax was paid for the half year ended June 30, 1963, which absorbed Rs. 16 lakhs. A sum of Rs. 15.50 lakhs is proposed to be transferred to reserve fund, Rs. 20 lakhs to special reserve and Rs. 24 lakhs for bonus to staff. The directors have now recommended the payment of a final dividend at the rate of 20 per cent per annum per equity share for the half year December 31, 1963, which is to be paid out of special reserve and which will absorb Rs. 20 lakhs. In this manner a total dividend of 18 per cent per annum has been paid. The directors have distributed dividend at the rate of 16 per cent per annum subject to deduction of tax on the entire new issue of 100,000 equity shares for the half year ended December 31, 1962, which absorbed an additional amount of Rs. 70.000 over the amount recommended in the last report.

The expansion of the bank was witnessed in terms of the number of its branches too. During 1963, alone, the bank opened as many as 33 new branches — 18 in Gujarat, eight in Maharashtra, two each in Rajasthan and West Bengal and one each in Uttar Pradesh, Goa and Fiji Islands. In this manner the bank had at the end of the year 189 branches in India and 15 branches in foreign countries. The board of directors decided to take over the banking business of the Umbergaon People's Bank (Private) Ltd., Umbergaon. Accordingly, after the due examination and valuation, its banking business was taken over from January 1, 1964, and its offices in Umbergaon and Sanjan have commenced functioning as branches of this bank from that date

BLUE STAR-WORTHINGTON ISSUE

Blue Star-Worthington Ltd. is likely to enter the capital market in the near future with an issue of capital worth Rs. 25 lakhs. It has been sponsored for the manufacture of a wide range of industrial refrigeration and air-conditioning equipment in collaboration with Worthington Corporation of the United States, a company with an experience of more than 70 years in this field. Worthington Corporation has manufacturing plants in the USA, Japan, Europe and Latin America. The unit in India is proposed to be located in Thana in the Blue Star Industrial Estate, where construction of the building will start within the next few months. It has already been granted an industrial licence for Rs. 14 43 lakhs to import plant and machinery. Blue Star-Worthington Ltd. was registered as a private company with Worthington Corporation taking up 51 per cent of the shares and the Blue Star Engineering Company (Bombay) Private Ltd. the balance of 49 per cent. In line with the Government policy to promote public participation in new ventures, the directors have now decided to suitably amend the company's articles. Out of the initial issue of Rs. 25 lakhs foreign collaborators will invest nearly Rs. 12.8 lakhs. Blue Star and its directors, employees and friends will take up approximately Rs. 6 lakhs and the balance will be offered to the public.

DUNLOP RUBBER ISSUE

The Dunlop Rubber Company (India) Ltd. proposes to raise the authorised capital from Rs. 7.50 crores to Rs. 12.50 crores by the creation of 5,000,000 unclassified shares of Rs. 10 each which would be issued as ordinary shares or with such rights as might be thought fit. The company has raised the ordinary dividend from 15 to 17.5 per cent, less tax, for 1963.

AHMEDABAD NEW CAPTAL ISSUE

The Ahmedabad New Cotton Mills Ltd. has reported satisfactory results for 1963 with gross profit at Rs. 21.82 lakhs against Rs. 19.85 lakhs last year. Its sales, however, declined marginally from Rs. 2.08 crores to Rs. 2.03 crores. The directors have maintained the distribution at Rs. 20 per share, less tax. They have also decided to issue rights shares to the existing shareholders in the ratio of one share for every two held. It has provided Rs. 14.88 lakhs for depreciation and Rs. 5.90 lakhs for development reserve. It has withdrawn Rs. 5.10 lakhs from general reserve for the payment of dividend.

T. MANEKLAL ISSUE

The directors of T. Maneklal Manufacturing Company Ltd. have decided to withdraw the issue of bonus shares. They had proposed a one-for-five bonus issue and a dividend of 6 per cent for the year ended May 31, 1963. The proposal was approved by the shareholders at the annual general meeting held on November 27, 1963. Following the levy of the capital gains tax on bonus shares in the Union Budget proposals, the directors have desired to withdraw the application for the bonus issue made to the Controller of Capital Issues and will seek the approval of the shareholders to do so at an extraordinary general meeting to be held shortly.

TATA LOCO

The board of directors of Tata Engineering and Locomotive Company Ltd. have decided to waive with effect from April 1, the fees hitherto charged by the company for the transfer or transmission of shares. The company was charging so far a fee of 25 nP. per share in respect of transfer or transmission of shares subject to a maximum of Rs. 500 for every one transfer deal.

CAPITAL ISSUES

Five companies have been authorised to raise fresh capital exceeding Rs. 2.33 crores. Of these, two are issuing bonus capital to the existing equity shareholders in proportion of one bonus for every five shares held. One company is floating debentures, another equity shares and the fifth equities plus preference shares. The debentures will be offered to the public for cash at par. One of the companies is a Central Government Undertaking. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Century Spinning & Manufacturing Company Limited, Bombay, is to issue Rs. 50,93,200 bonus capital in 50,932 equity shares of Rs. 100 each on capitalisation of company's reserves to a like extent. The bonus shares will be allotted to the existing equity shareholders in proportion of one bonus for every five shares held.

Bachhraj Factories Private Limited, Bombay, is to issue further capital of Rs. 3 lakhs in 600 equity shares of Rs. 500 each, as bonus shares on capitalisation of reserves. The shares will be issued in the proportion of one for every five equity shares held.

Indian Drugs & Pharmaceuticals Limited, Delhi, a Central Government Undertaking, will be issuing further capital of Rs. 1 crore divided into 10,000 equity shares of Rs. 1,000 each for cash at par. The money will be utilised for financing the Drugs & Surgical Instruments Plants.

Dishergarh Power Supply Company Limited will be issuing Rs. 30 lakhs debenture stock in units of Rs. 1,000 each carrying 7 per cent rate of interest and redeemable in 1976. All the debentures will be offered to the public for cash at par. The capital will be utilised for the extension and augmentation programme of generating station and distribution system.

Gujarat Insulators & Ceramics Limited are to issue Rs. 50 lakhs capital in 4 lakhs equity and 1 lakh preference shares of Rs. 10 each. All the shares will be issued for cash at par. The money will be utilised on the company's project for the manufacture of HT and LT insulators.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 14th March, 1964. The list contains the names and address of the licensees, the items of manufacture and annual installed capacities.

COAL

Kumar K. N. Malliah, Managing Director, Nirsha Khas Colliery (P) Ltd., P. O. Searsol, Rajbari, Distt. Burdwan, (Dhanbad), Bihar) — Coal — 79,000 tonnes. M/s. National Coal Development Corporation Ltd., Darbhanga House, Ranchi. (Tehsil Sooner, Nagpur, Maharashtra) — Coal — 63,000 tonnes. M/s. Samla Collieries Ltd., 33, Netaji Subhash Road, Calcutat-1. (West Bengal) — Coal — 1964 — 1,60,000 tonnes; 1965 — 2,00,000 tonnes.

TYPEWRITERS

J. K. Business Machines Ltd., 2, Mango Lane, Calcutta-1. (West Bengal) — (i) Standard typewriters, (ii) Portable typewriters 25,000.

INDICATING INSTRUMENTS

Industrial Meters Private Ltd., Choksi Chambers, Javeri Bazar, Bombay-2. (Bombay, Maharashtra) — (i) Moving Iron Type Volt and Ammeters — 18,000 Nos. (ii) Moving Coil Type Volt and Ammeters — 4,500 Nos. (iii) Watt Meters 2,250 Nos. (iv) Power Factor Meters 900 Nos. (v) Frequency Meters — 900 Nos. (vi) Synchronoscopes — 900 Nos. (vii) Current Transformers — 12,900 Nos. (viii) Variable Voltage Transformers — 3,900 Nos. (ix) Meter Shunts — 9,000 Nos. (x) Resistance Boxes — 3,600 Nos.

DRUGS AND PHARMACEUTICALS

Cyanamid India Limited, 18, Queen's Road, P. O. Box No. 1994, Bombay-1. (Gujarat) — (i) Sulmet sulfadimethylpyrimidine oblets 2.5 gm. — 500,400 oblets. (ii) Sulmet sodium sulfadimethylpyrimidine drinking water solution 12.5 per cent (veterinary) — 16,800 litres. (iii) Sulmet sodium sulfadimethylpyrimidine injectable solution 25 per cent (Veterinary) — 2,040 litres. (iv) Aureomycin soluble powder tinted (Veterinary) — 3,600 kilos. (v) Verban piperazine soluble powder 25 per cent (Veterinary) — 1,500 kilos. Cyanamid India Ltd., The International, 16, Queen's Road, Bombay-1. (Gujarat) — Ferro-Mandets — 50,40,000 tablets.

COTTON TEXTILES

Kohinoor Mills Co. Ltd., Killick House, Home Street, Fort. Bombay-1. (Maharashtra) — 25,000 spindles for the manufacture of cotton yarn. Sudarsanam Spinning Mills, P.B. No. 2, Rajapalayam. (Madras) — 6,000 spindles for the manufacture of cotton yarn. Venkatalakshmi Mills Ltd., B-1-7, Saifabad, Hyderabad. (Andhra Pradesh) — 13,000 spindles for the manufacture of cotton yarn. Karur Mills Ltd., Thanthonimalai P.O., Karur. (Madras) — 11,336 spindles for the manufacture of cotton yarn. Sree Rajendra Mills Ltd., ('B' Mills), P.B. No. 201, Salem-2. (Madras) — 11,800 spindles for the manufacture of cotton yarn. Kishnaveni Textiles Ltd., Trichy Road, Uppilipalayam, Singanallur, Coimbatore-6. (Madras) — 12,000 spindles for the manufacture of cotton yarn. Sree Siddeswara Textile Mills (P) Ltd., 591, Mandipeth, Davanagere City. (Mysore) — 100 automatic looms for the manufacture of cotton cloth. Sree Karpagambal Mills Ltd., Solapuram P.O., Rajapalayam,. (Rajapalayam, Madras) — 12,680 spindles for the manufacture of cotton yarn. The Yemmiganur Spinning Mills Ltd., Door No. 326/1, Yemmiganur, P.O. Kurnool Distt. (Andhra Pradesh) — 12,704 spindles for the maufacture of cotton yarn. Shri Ramnarayan Mills Ltd., 5-52, Grey Town, Coimbatore. (Madras) — 12,616 spindles for the manufacture of cotton yarn. Kwality Spinning Mills Private Ltd., P.B. No. 27, Udamalpet Road, Pollachi. (Madras) — 100 automatic looms for the manufacture of cotton cloth. Sree Akkamamba Textiles Ltd., Venkatarayapuram, Tanuku. (Andhra Pradesh) — 100 automatic looms for the manufacture of cotton cloth. The Narasimha Mills Ltd., 1, V. Palaniswamy Naidu Street, Avanashi Road, Coimbatore-1. (Madras) — 100 automatic looms for the manufacture of cotton cloth. Sarvaraya Textiles Ltd., Beach Road, Kakinada. (Andhra Pradesh) — 100 automatic looms for the manufacture of cotton cloth. Sri Annapurna Cotton Mills Ltd., P-10, New Howrah Bridge, Approach Road, Calcutta-1. (West Bengal) — 5,000 spindles for the manufacture of cotton yarn. Thanjavur Textiles Ltd., Vallam One Road, Thanjavur-4. (Madras) — 12,096 spindles for the manufacture of cotton yarn. The Southern Textiles Ltd., Kannampalayam, Salur P.O., Coimbatore Distt. (Madras) — 100 automatic looms for the manufacture of cotton cloth. Ananda Kumar Mills Ltd., Siravampatti P.O., Coimbatore-6. (Madras) — 100 automatic looms for the manufacture of cotton cloth. D. P. F. Textiles Private Ltd., Mettupalayam Road, G. N. Mills P.O., Coimbatore-11. (Madras) — 100 automatic looms for the manufacture of cotton cloth. The Premier Mills (Cbe) Ltd., Pulankinar P.O., Udamalpet, Coimbatore Distt. (Madras) — 100 automatic looms for the manufacture of cotton cloth. Annamalaiar Mills Private Ltd., Dindigul. (Madras) — 3,000 spindles for the manufacture of cotton yarn. Sri Bhaghawathi Textiles Private Ltd., Chittur. (Kerala) — 13,000 spindles for the manufacture of cotton yarn. Shri Ramalingam Mills (P) Ltd., 53, Great Cotton Road, Aruppukottai. (Madras) — 12,096 spindles for the manufacture of cotton yarn. Premier Cotton Spinning Mills Ltd., Kanjikode Village, Palghat Distt. (Kerala). — 13,000 spindles for the manufacture of cotton yarn. Premier Cotton Mills Ltd., Kanjikode Village, Palghat Distt. (Kerala) — 13,000 spindles for the manufacture of cotton yarn.

WOOLLEN TEXTILES

The Oriental Carpet Manufacturers (India) Private Ltd., P. B. No. 34, Amritsar. (Chheharta, Punjab) — 24 automatic looms for the manufacture of blankets and woollen fabrics. Authur Import Export Co., 166, Dadabhai Naoroji, Road, Fort, Bombay-1. (Maharashtra). Proposed name: Shree Krishna Woollen Mills Private Ltd., 24, automatic looms for the manufacture of barrack blankets and woollen fabrics.

SYNTHETIC YARN

J. K. Synthetics Ltd., (Synthetic Fibres Division) Kamla Tower, Kanpur. (Kotah, Rajasthan) — Kanekalon Acrylic Fibre — 4 (four) million kgs.

VEGETABLE OILS

Col. His Highness Raja Sir Harindar Singh, Brar Bans Bahadur of Faridkot State, Faridkot (Kotkapura, Punjab) — Cotton-seed Oil — 15,000 tons of cotton-seed.

LICENCES REVOKED OR SURRENDERED

(During the week ended 14th March, 1964)

(Information pertains to particular licences only)

M/s. Rohtas Industries Ltd., Dalmianagar. — newsprint.

CHANGE IN NAMES (Owners or Undertakings)

(During the week ended 14th March, 1964)

(Information pertains to particular licences only)

From M/s. Bhogilal Manghraj & Co. Private Ltd., Bombay to M/s. Shree Ram Mills Ltd., Bombay.

BOOKS BRIEFLY

Face-lift for a Theory

International Trade Theory in a Developing World: Edited by Sir Roy Harrod assisted by Douglas Hague; Macmillan, London. 1963; Pp. xv+571; 70sh.

Reviewed by D. KRISHNASWAMI RAO

THE STUDY of the implications of Development has given a new dimension to thinking in practically every field of economic science. This book which records the Papers and proceedings of the 1961 conference of the International Economic Association marks an attempt to orient the theory of international trade with the theory of economic development. It is valuable as providing a groundwork of analysis for the practical problems of international trade and investment that are so much to the fore today and is therefore well worth the effort of studying it — for it is definitely not easy reading.

The Paper on 'Recent Trends in World Trade' by Mr. A. Maizels takes us over the major trends in the pattern of world trade in the 1950's, highlighting in particular the trading relationships between the industrial and the primary-producing countries and the difficulties of the latter arising from the relative stagnation of their exports. The causes of this phenomenon are carefully considered for this is something which has imposed a limitation on the rate of economic growth of the primary-producing countries that cannot be offset by international assistance. Professor T. Morgan follows with a Paper on a related theme, 'Trends in Terms of Trade, and their Repercussions on Primary Producers.' It is his finding that generalizations regarding the trend to a worsening of the terms of trade for primary producers are not substantiated by the data.

Professor H. G. Johnson considers the effects of technical change on comparative costs and on international trade in a developing world wherein advances in technology are the spearhead of economic progress. He shows how technical change in the industries producing goods that are otherwise mainly imported may lead to a reversal of the directions of international specialisation. But he is also aware that in the context of development the influence of technical change on trade is not limited to its direct effects on comparative costs but makes itself felt through its contribution to the growth of a country or a region. International trade theory would thus have to be broadened from the classical analysis that was based on the comparative cost differences of unchanging national economies to take account of the dynamics of technical progress in various parts of the world economy.

Sir Roy Herrod takes up another important subject, 'International Movements of Capital in relation to Growth,' on which he has certain significant points to make. Thus he points out that the rate of expansion of the various cadres of technicians must keep pace with the availability of capital if the developing countries are to step up their rates of growth. He also argues that national planning should be corrected by international planning if a larger flow of foreign investment is not to result in increasing the production of the same commodity in a number of developing countries which together countribute a large proportion of the world's supply of it. Contrary to prevailing pre-conceptions, he suggests that further investment in these countries should be directed more to industries producing such exportable goods as they have a natural advantage for than to those which provide high-cost substitutes for imports. He argues, however, that provided the recipient country can put forth an adequte supply of the other factors of production, a larger supply of foreign capital at the outset and a more intensive programme of investment will produce better results than a tardy flow.

Dr. H. Myint surveys the arguments for protection which are currently put forward in connection with the economic development of the under-developed countries in place of the *older infant industry* argument. Of particular interest is his discussion of the argument that as the stagnancy of internal demand in the poorer countries is a great hindrance to "natural" industrial development, a general policy of protection for the *manufacturing sector* is called for to create "at once" a sizable internal demand for its products. The warnings that he gives regarding the care to be taken in pursuing a policy of protectionism in the present setting of the under-developed countries if it is to help in the attainment of their objectives are salutary.

One turns with some expectations to the Paper on 'Forms of International Economic Relations' by the Soviet economist, Professor A. Bechin. But unfortunately Mr. Bechin speaks only the language of Marxian 'political' economy though the forum is one of academic economists keen on eschewing political and ideological controversies. His confrere Dr. V. P. Sergeyev's Paper on the 'Principles of Trade between the Communist States' is more useful because, although frankly propagandist, it contains fewer deprecatory references to other countries.

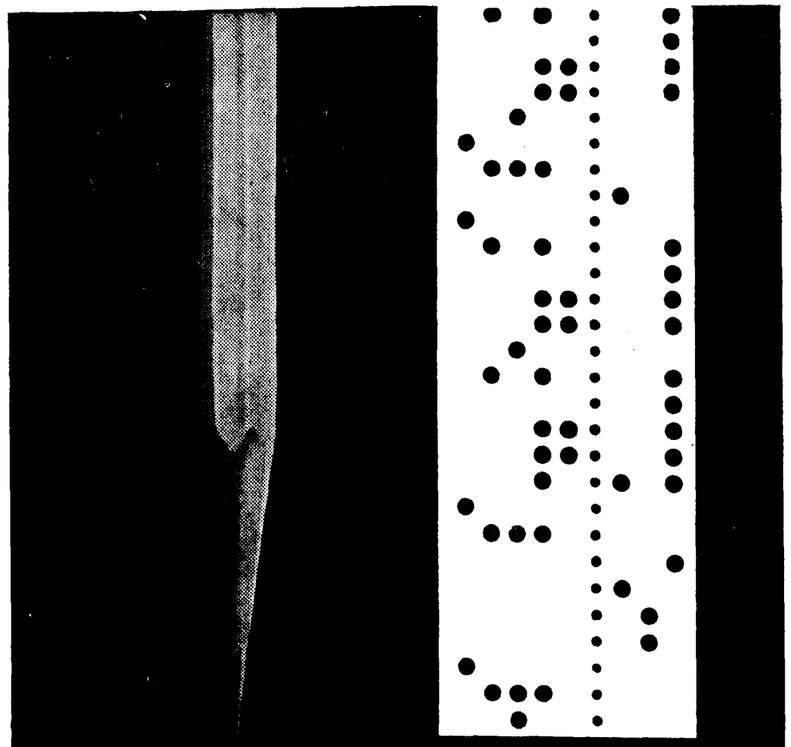
Dr. K. M. Savosnick presents an analysis in theoretical terms of balance of payments problems involved in economic growth. It is in Dr. I. G. Patel's Paper on 'Trade and Payments Policy for a Developing Economy' that we find a discussion of this important problem in realistic terms based on the experience of countries like ours. Dr. Patel explains the logic of the policy of import restriction in developing economies, showing that if it is to attain the objective in view it should be supplemented by conscious measures to step up domestic savings. As regards the question of increasing the export earnings of the developing countries, he pleads that the advanced countries should not only remove the obstacles which they place at present in the way of imports from the developing countries but also adopt a programme of increased absorption of such imports as a continuing act of international co-operation.

The last Paper in the volume, Professor C. P. Kindleberger's on 'International Liquidity', is sceptical about the existence of a 'world' liquidity problem (as distinguished from the balance of payments problems of individual countries) and upholds the present practice of holding a few leading national — "key" — currencies as international reserves. It is to be doubted that international monetary experience since this Paper was presented (September 1961) lends any support to these views. His reasoning that greater domestic monetary discipline should be insisted upon before world liquidity is expanded is, however, unexceptionable.

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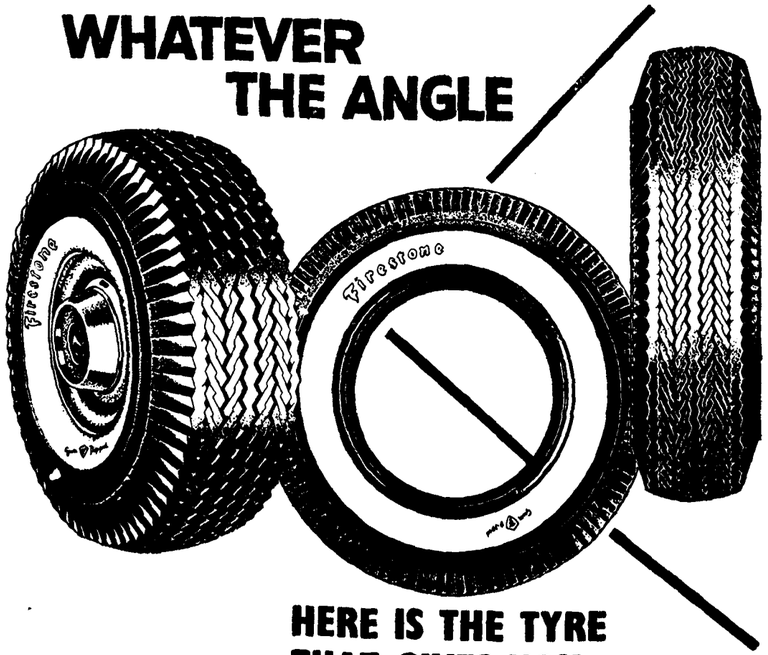
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COMPANY MEETING

THE INDIA SUGARS AND REFINERIES LIMITED

Addressing the Members at the Thirtieth Annual General Meeting of the Company held at Hospet on 16th March 1964, the Chairman, Shri Rajeshwara Patel, M.P., spoke as follows:

Gentlemen,

Let me extend to you all a cordial welcome to this, the Thirtieth Annual General Meeting of this Company. The Directors' Report, the audited Balance Sheet as at, and the Profit and Loss Account for the year ended 30th September, 1963 have been in your hands for sometime and, with your permission, I shall take them as read.

2. The results of the working for the year ended 30th September, 1963 show considerable improvement as compared to the results of the past year. The improvement would have been greater still but for the rise in the taxation provision. The net surplus available for distribution, as you would observe, was just enough to recommend a dividend as per last year and no more.

3. In my speech at the last Annual General Meeting I had voiced anxiety about the accumulation of sugar on one hand and introduction of control on the other; the immediate re-action to this policy was a fall in prices. I am glad to be able to report that the accumulated stocks had been liquidated and there has not been any further fall in prices. The sugar production economy in the country is often disturbed by imposition and removal of controls. In a poor country like ours, sugar is sometimes termed as an item of luxury. The demand is highly elastic and is related to some extent with the per capita earning of the people. The demand increases as the standard of living of people improves. It follows, therefore, that prices of sugar cannot remain too high too long because the producers are under constant temptation to increase the production and take advantage of the potential demand which multiplies at lower level of prices. It is my sincere opinion, if the industry is left alone without Government interference for some reasonable period of time, both production and prices are bound to adjust themselves in the interest of consumers. I would go still further and say that 'Control' only hampers production. A review of the sugar industry during last fifteen years would prove that production has tended to decline whenever 'controls' are brought in and to rise once controls are withdrawn.

4. The strange phenomenon of controls imposed during the last year simply baffles me. Different ex-factory control prices have been fixed for different sugar factory units in the country. It is said that one of the criteria for fixing such diverse prices is that it has got to be related to the price of cane that unit is made to pay. The price of cane, it was argued, could not be uniformly fixed because of competition from jaggery manufacturers in certain areas. On careful examination of the prices for various factories, it would be observed that it is not so. To quote a few instances I would mention :

(1) Daurala Sugar Works, Daurala, Distt. Meerut and
(2) Modi Sugar Mills Ltd., Modinagar, Distt. Meerut,

where the cane prices fixed payable by these factories are Rs. 46-90 nP. and Rs. 48-50 nP. per ton respectively and the ex-factory control sugar price which these factories are entitled to is Rs. 116-50 nP. per quintal. Comparing these figures with that of our factory, you will see that the sugarcane price fixed by the Government as payable by us is Rs. 53-30 and the ex-factory control sugar price is fixed at Rs. 115-00 nP. per quintal. The Government may have had their own reasons for making this disparity but I am unable to appreciate the real purpose for such discriminations. Again in the earlier years whenever controls were imposed on the price and distribution of sugar, the factories in the South including our factory always got slightly higher price than the ex-factory prices prevailing in the North. The reason was the freight advantage. The authorities took into consideration the fact that if sugar is transported from the North to the South certain freight would be incurred. Southern States being deficit in sugar production, some sugar is bound to be transported. Therefore they used to include a portion of the freight which would have been payable, while fixing ex-mill control price of South Indian Factories. It may be pertinent to mention here, that when wages were rationalised by the Sugar Wage Board, higher wages were fixed for factories operating in the South in comparison with those of the North and one of the considerations in so fixing higher wages was, that factories in the South were getting better realisation of sugar due to freight advantage.

5. I have stated earlier that on account of control, prices were steady. No doubt this is true but as explained above the prices fixed are not commensurate with the production costs and certainly are discriminatory between prices fixed for the factories in North India and factories in South India. Representations were made to the Government by the South Indian Sugar Mills' Association repeatedly about the grave injustice done to the factories in the South, by fixing very low prices but I regret to say that they have not given any thought to these representations although we have driven home our point with facts and figures of actual working costs and proved that even if we are given the same treatment as is given to the factories in U.P. and Bihar, the ex-factory price should not be less than Rs. 118 per quintal.

6. Another important factor that influences the judgment of the Government from time to time is the unfortunate tendency of the cane growers to keep on demanding higher and higher price for cane; in spite of the fact that Agriculturists growing sugarcane compared to others engaged in the production of other crops, are even now very favourably placed. On one hand the policy of the Government seems to please the sugarcane growers even at the risk of causing unjustifiably high rise in the price of such important a commodity as sugar and on the other it refuses to appreciate the steep rise in the manufacturing costs. If this policy of the Government continues, I am afraid the out-look for the industry cannot be considered too bright. Even at the risk of incurring displeasure of many, both from the Industrialists and Agriculturalists classes, I wish to express my sincere opinion that the pampering of the grower must cease and reasonable margin to the producer be left if the industry is to progress with enthusiasm and confidence. The policy of punishing the industrial efficiency and quality should also like-wise stop.

7. As you have read in the Directors' Report the expan-

sion scheme for increasing the crushing capacity of our factory to 1250 tons a day is well under way and it is hoped, it would be implemented during the ensuing season. The increased capacity would take care of all the cane in the area and I hope would help in some measure to bring about the economical working and bring down the pro-rata manufacturing costs too.

8. For some time past the sponsors of a sugar factory in the Co-operative Sector have been once again trying to get another sugar factory established in the Kamalapur area within about six miles of our factory. After the expansion of our factory and that of our subsidiary the Salar Jung Sugar Mills Ltd., Munirabad which has also been licenced to increase its crushing capacity, the total cane available in the entire area would hardly be enough for feeding these two factories. It has been thoroughly examined satisfactorily that even assuming that per acre yield is considerably improved due to better manuring and better cultivation methods, the resultant cane production would just be sufficient to meet the enhanced requirements of our two factories. There is, therefore, no justification whatsoever for a third sugar factory in the Co-operative or any other sector to be established in Kamalapur. We have made suitable representations to the Government of Mysore and the Government of India and have requested them that the licence for establishing another sugar factory in Kamalapur should not be granted because the un-planned establishment of any industrial undertakings bring all the factories to grief as was the case of several factories in U.P. and Bihar where enough cane is not available for a number of factories only because the initial choice about siting of the factory was not prudently planned.

9. I am extremely sorry to report the growing tendency of indiscipline among the Labour and Employees. A very undesirable step taken by the labour in resorting to Go Slow strike in the month of December this season brought the production to almost a Stand Still for a few days and resulted in a huge loss. While we certainly do not deny the rights of the labour to have an increasing share in the growing prosperity of the company they serve in the form of better wages and bonus etc., there are several constitutional methods for resolving any dispute but such ill-advised desperate action taken by the labour as resorting to the Go-Slow tactics amounts only to sabotage of production of an essential commodity. It is obvious, it serves no interest not even the interest of the labour. I am sure you will agree with me that in the hour of emergency, nobody would approve of such a deliberate act of gross indiscipline and sabotage.

10. As has been mentioned in the Directors' Report, the dispute about the Bonus for 1960-61 is pending before the Industrial Tribunal, Bangalore and for the two subsequent years i.e. 1961-62 and 1962-63, they have been referred to Arbitration. The report of the Bonus Commission has now been published. Some of their recommendations, to say the the least, besides being highly unreasonable, are extremely detrimental to the proper growth of the industry and fostering healthy relations between the labour and management.

The recommendations of the Bonus Commission, particularly to award Bonus, even by the industries which are running into loss or are uneconomically working, of a minimum of 4 per cent of their total annual earnings, is to my mind an unreasonable and unjust infliction on the industry. Bonus, as we all know, normally could only mean a share of the labour in the prosperity of the concern. The scheme followed by the Bonus Commission is opposed to this basic principle. The matter is still under consideration of the Central Government and I hope the recommendations of the Bonus Commission would not be accepted by the Government, in its present form.

11. The taxation policy of the Government of India, as announced by the Finance Minister in his Budget Proposals in the Parliament on the 29th ultimo is yet another step of disincentive to the growth of this industry. Wide powers are sought to be given to Government Officers. If unrestricted powers to the taxation authorities are given, who as experience shows, do not always use the discretion judiciously and coupled with the understandable temptation of the people taxed, the natural desire to protect oneself from the blackmailers and the human instinct of saving as much money for one's children, and in view of the ever-increasing tendency of corruption at all levels, a situation would soon come when a very large number of tax payers and tax collectors may become liable to be prosecuted for breach of law in one form or the other. I very much doubt whether the principles enunciated are capable of achieving the real objective. To quote one instance, I would mention that if the Income returned by the assessee is less than 90 per cent of actually assessed one by the Income-tax Officer, the assessee would be deemed to have concealed his income deliberately and would be punished with rigorous imprisonment up to two years. Experience shows that uptil now the difference between the returned income and assessed income of business houses, industrial units and individuals doing business vary more than 50 per cent in majority of the cases and it is also a fact that the mistake of the Income-tax Department has been in the past, far in excess to the mistakes of the assessees The Budget proposals seem to presume that the Income-tax Officers are invariably infallible men. The Finance Minister is certainly welcome to this opinion about his officers. But would that justify to condemn every mistake on the part of the assessees to be only malafide and criminal in its intent? The age long dictum that "EVERYBODY IS INNOCENT UNLESS OTHERWISE PROVED" is sought to be given a go-bye and here-after the opposite of it seems to be propounded, namely, that you would be considered guilty unless you prove your innocence.

Another very objectionable feature is the removal of Secrecy Clauses from the Taxation Statute. I say that this step would completely demoralize the character of the people and will be a most welcome and potent weapon in the hands of black-mailers and society pirates. The proposal to increase 10 per cent in Super-tax on companies falling under Section 104 of the Income-tax Act, under which category come most of the sugar mills, is indeed a very hard measure. Therefore, although the Finance Minister in his speech, has suggested that he has given relief to the Corporate Sector and encouragement to the growth of industry, I say that his proposals would on the whole hit most of the Companies and majority of them would be liable to pay larger taxes than they were paying in the previous year and thereby they would be discouraged in putting up new industries.

12. This is not the time nor the forum to express my views on the Budget Proposals and therefore I would content myself by mentioning that it is my sincere hope that the Finance Minister would give his second thought on the points mentioned above.

13. As indicated in my last year's speech the Plant and Machinery of Manjula Confectionery Ltd., have been sold to M/s. Parry's Confectionery Ltd. We feel the price at which the Machinery has been sold is reasonable. The Directors of Manjula Confectionery Ltd., are now taking steps to continue the manufacture of Confectionery by indigenous machinery and manual operation. Besides, it would continue to operate its business of petrol pump and allied activities.

14. Now Gentlemen, with your permission, I shall proceed with other business of the meeting of the day.

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

THE BANK OF BARODA LIMITED

(Registered Office: Mandvi, Baroda)

Directors' Report

The Directors have pleasure in submitting this Fifty-Fifth Annual Report together with the audited statement of accounts for the year ended 31st December, 1963.

	This Year Rupees	Previous Year Rupees
The net profit for the year 1963 after providing for taxes, including Rs. 3,46,722.36 brought forward and after taking Rs. 14,70,408.19 nP. towards depreciation on buildings and furniture amounts to	78,46,969.92	66,21,722.36
An ad-interim dividend at the rate of 16% per annum, subject to deduction of income-tax at the appropriate rates was paid for the half-year ended 30th June, 1963 which absorbed	16,00,000.00	12,00,000.00
Amount transferred to Reserve Fund	15,50,000.00	12,75,000.00
Amount transferred to Special Reserve	20,00,000.00	
Provision for Bonus to staff	24,00,000.00	22,00,000.00
..	75,50,000.00	46,75,000.00
		*16,00,000.00
Balance of profit to be carried forward to next year's account	2,96,969.92	3,46,722.36
..	78,46,969.92	66,21,722.36

*Final dividend at 16% p.a.

The Directors recommend to the shareholders payment of a final dividend at the rate of 20% per annum per equity share (making 18% per annum for the year) subject to deduction of tax at the appropriate rates for the half-year ended 31st December, 1963 to be paid out of the Special Reserve and which will absorb Rs. 20,00,000.

In terms of the Resolution No. 2(b) passed by the shareholders at the Annual General Meeting held on 8th April, 1963 your Directors have distributed dividend at the rate of 16% per annum subject to deduction of tax at the appropriate rates on the entire new issue of 1,00,000 equity shares for the half-year ended 31st December, 1962 which absorbed an additional sum of Rs. 70,000 over the amount recommended in the last report, leaving a balance of profit of Rs. 3,46,722.36 nP. to be carried forward to the account of the year under report.

The business of the Bank during the year under review continued to be satisfactory.

The Reserve Bank of India Rate remained unchanged at 4½% per annum since 3rd January, 1963.

The Bank opened during the year 1963, 33 new branches as under:

Gujarat	18
Maharashtra	8
Rajasthan	2
Uttar Pradesh	1
West Bengal	2
Goa	1
Fiji Islands	1

making a total of 189 branches in India and 15 branches in foreign countries.

The Board of Directors decided to take over the banking business of the Umbergaon People's Bank (Private) Ltd., Umbergaon. Accordingly after due examination and valuation, the banking business of the Bank has been taken over from 1st January, 1964, and its two offices at Umbergaon and Sanjan have commenced functioning as branches of this Bank from that date.

The Bank had in all 205 offices as at 31st December, 1963. It has applied for exemption from audit under Section 228 of the Companies Act, 1956 in respect of 88 branches for the year 1963. Out of the remaining 116 branches (excluding Head Office), 101 branches in India have been either audited by the Bank's statutory auditors or by firms of Chartered Accountants entrusted with the audit in consultation with the statutory auditors. All the Bank's branches outside India numbering 15 have been audited by Chartered Accountants who have been competent to act as Company Auditors under the laws of the respective countries and who have been approved by the Bank's Auditors.

In accordance with Article 145 of the Articles of Association of the Bank, five Directors: (1) Shri R. D. Birla, (2) Shri Chinubhai Chimanbhai, (3) Shri K. P. Goenka, (4) Shri N. D. Bangur and (5) Shri Rasesh Navinchandra Mafatlal — retire by rotation and being eligible, offer themselves for re-election.

The shareholders are requested to appoint auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

BOMBAY,
Dated 27th February, 1964.

For and on behalf of the Board,
TULSIDAS KILACHAND
Chairman

THE BANK OF

Balance Sheet as

31-12-1962		CAPITAL AND LIABILITIES		
Rs.	Rs.		Rs. nP.	Rs. nP.
		1. **CAPITAL :**		
		Authorised Capital :		
	8,00,00,000	8,00,000 Equity shares of Rs. 100 each	8,00,00,000.00	
		Issued & Subscribed Capital :		
	4,00,00,000	4,00,000 Equity shares of Rs. 100 each	4,00,00,000.00	
2,00,00,000		Amount called up at Rs. 50 per Equity share		2,00,00,000.00
		2. **RESERVE FUND AND OTHER RESERVES :**		
	1,13,50,000	Reserve Fund under Section 17 of the Banking Companies Act, 1949	1,29,00,000.00	
	94,63,760	Share Premium Account	94,63,760.00	
	Nil	Special Reserve	20,00,000.00	
	1,19,500	Development Rebate	1,30,000.00	
2,09,33,260				2,44,93,760.00
		3. **DEPOSITS AND OTHER ACCOUNTS :**		
	62,18,96,933	Fixed Deposits (including employees' security deposits Rs. 8,39,760.28).	77,69,99,563.32	
	24,99,64,912	Savings Banks Deposits	30,62,79,395.85	
	26,77,54,709	Current Accounts, Contingency Accounts, etc.	31,64,37,074.75	
113,96,16,554				140,17,16,033.92
		4. **BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC. :**		
	2,25,89,277	(i) In India (includes an amount of Rs. 2,88,90,413 95 borrowed from the Refinance Corporation for Industry Ltd.)	3,63,90,413.95	
	23,84,079	(ii) Outside India	10,776.73	
2,49,73,356				3,64,01,190.68
		Particulars :		
		(i) Secured		
	35,75,605	(a) by part of Investments and Bills per contra	75,00,000.00	
	1,90,13,672	(b) under the Refinance Scheme vide 5.I. (i) per contra	2,88,90,413.95	
	23,84,079	(ii) Unsecured	10,776.73	
1,05,19,716				1,49,86,741.45
		5. **BILLS PAYABLE**		
		6. **BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra :**		
	7,31,69,887	(i) payable in India	7,55,24,435.48	
	2,31,21,779	(ii) payable outside India	2,95,65,360 39	
9,62,91,666				10,50,89,795.87
2,39,10,156				4,08,45,079.93
		7. **OTHER LIABILITIES**		
		Including:—		
		(a) Branch Adjustments Rs. 2,62,39,806.19		
		(b) Net amount realised to date in respect of assets under collection of the former New Citizen Bank of India Ltd.:—		
		(i) In India Rs. 4,00,456.38		
		(ii) In Pakistan pending repatriation Rs. 15,000.00		
3,62,44,708		Carried over		164,35,32,601.85

BARODA LIMITED

at 31st December, 1963

31-12-1962		PROPERTY AND ASSETS		
Rs.	Rs.		Rs. nP.	Rs. nP.
7,78,20,791		1 **CASH:** In hand and with Reserve Bank and State Bank of India (including foreign currency notes).		9,92,62,640.79
		2. **BALANCES WITH OTHER BANKS:**		
	11,65,825	(i) In India on Current Account	17,53,153.29	
	65,05,031	(ii) Outside India on Current Account	69,96,669.52	
	76,48,202	(iii) Outside India on Deposit Account	84,71,014.62	
1,53,19,058				1,72,20,837.43
1,46,66,667		3. **MONEY AT CALL AND SHORT NOTICE:**		3,13,50,220.98
		4. **INVESTMENTS AT OR BELOW MARKET RATE:**		
	21,41,57,244	(i) Securities of the Central and State Governments and other Trustee Securities	24,86,04,769.00	
		(ii) Shares:		
	61,03,971	(a) Fully Paid Preference Shares	66,23,808.00	
	41,74,898	(b) Fully Paid Ordinary Shares	51,05,227.00	
	11,64,353	(c) Partly Paid Ordinary Shares	10,66,950.00	
	96,00,481	(iii) Debentures or Bonds	95,13,158.00	
		(iv) Other investments: Foreign Government Loans and Treasury Bills and other Trustee Securities	3,50,68,476.28	
	2,57,40,020			
	Nil	(v) Gold	Nil	
26,09,40,967				30,59,82,388.28
		5. **ADVANCES:** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors).		
		I Loans, Cash Credits, Overdrafts, etc.:		
	67,38,87,409	(i) in India (includes an amount of Rs. 2,88,90,413.95 relating to medium term advances in respect of which finance has been obtained from the Refinance Corporation for Industry Ltd., as per contra) Rs. 78,17,47,311.29		
	5,10,92,947	(ii) outside India Rs. 8,34,42,619.25	86,51,89,930.54	
		II Bills Discounted and Purchased (excluding Treasury bills of the Central and State Governments):		
	7,07,54,953	(i) Payable in India Rs. 12,43,13,117.69		
	5,21,36,917	(ii) Payable outside India Rs. 6,86,01,504.69	19,29,14,622.38	
84,76,72,226				105,81,04,552.92
		Particulars of Advances:		
	65,96,91,230	(i) Debts considered good in respect of which the banking company is fully secured)	82,90,44,691.48	
	11,06,52,123	(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security including advances under joint and several pronotes	13,30,50,797.07	
	7,75,28,863	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	9,60,09,064.37	
	Nil	(iv) Debts considered doubtful or bad, not provided for	Nil	
	84,76,72,226		105,81,04,552.92	
121,66,19,709		Carried over		151,19,20,[illegible]

THE BANK OF

Balance Sheet as

31-12-1962		CAPITAL AND LIABILITIES — (Contd.)				
Rs.	Rs.			Rs. nP.	Rs. nP.	Rs nP.
133,62,44,708		Brought forward ..				164,35,32,601.85
10,04,56,337		8. **ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS** per contra				10,27,41,468.90
	18,02,553	9. **PROFIT AND LOSS:** Profit as per last Balance Sheet			19,46,722.36	
	15,00,000	**Less:** appropriations			16,00,000.00	
	3,02,553				3,46,722.36	
	63,19,169	**Add:** profit for the year brought from the Profit and Loss Account			75,00,247.56	
	66,21,722				78,46,969.92	
	12,00,000	**Less:** Ad-interim dividend paid @ 16 per cent per annum for the half-year ended 30th June, 1963 (subject to tax) ..	Rs.	16,00,000.00		
	12,75,000	Amount transferred to Reserve Fund ..	Rs.	15,50,000.00		
	Nil	Amount transferred to Special Reserve ..	Rs.	20,00,000.00		
	22,00,000	Bonus to Staff ..	Rs.	24,00,000.00	75,50,000.00	
19,46,722						2,96,969.92
		10. **CONTINGENT LIABILITIES :**				
	21,64,300	(i) On partly paid shares of Joint Stock Companies	Rs.	22,84,215.00		
	1,76,246	(ii) Claims against the banking company not acknowledged as debts	Rs.	1,79,779.02		
	18,89,76,583	(iii) Money for which the banking company is contingently liable (including Rs. 4,51,557.58 for guarantees given on behalf of the directors and the officers of the Bank)	Rs.	30,82,75,852.08		
	34,69,435	(iv) Liability on Bills of Exchange re-discounted .. .. (All of which have run off by 28-2-1964).	Rs.	5,20,359.17		
	6,98,38,541	(v) Liability on account of outstanding Forward Exchange Contracts for purchases and sales	P Rs.	4,99,63,893.35		
	11,72,83,900		S Rs.	10,20,55,157.35		

Note: (1) Provision to the full extent for future gratuities to the staff has not been made — the liability for which has not been ascertained.

(2) The Balance Sheet and Profit & Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Companies Act, 1949, and are not required to be and are therefore not drawn up in accordance with Schedule VI of the Companies Act, 1956.

(3) Some of the figures of the previous year have been regrouped to make them comparable with those of the current year.

143 86,47,767	Total ..		174,65,71,040.67

BARODA LIMITED

at 31st December, 1963

31-12-1962		PROPERTY AND ASSETS — (Contd.)			
Rs.	Rs.		Rs. nP.	Rs. nP.	Rs. nP.
121,66,19,709		Brought forward ..			151,19,20,640.40
	11,18,988	(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	13,31,230.04		
	17,63,89,567	(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies as members ..	22,53,87,198.23		
	12,34,497	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	13,47,854.35		
	17,63,89,567	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	23,15,62,467.83		
	32,04,476	(ix) Due from banking companies	35,60,369.20		
		6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION** as per contra :			
	7,31,69,887	(i) payable in India	7,55,24,435.48		
9,62,91,666	2,31,21,779	(ii) payable outside India	2,95,65,360.39		10,50,89,795.87
		7. **CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS** per contra			10,27,41,468.90
10,04,56,337		8. **PREMISES LESS DEPRECIATION :**			
	1,16,73,300	Premises at cost to 31st December, 1962	1,29,70,827.89		
	12,97,528	Additions during the year	6,86,274.40		
	1,29,70,828		1,36,57,102.29		
	Nil	**Less:** Sales during the year	2,150.00		
	1,29,70,828		1,36,54,952.29		
1,10,07,495	19,63,333	**Less:** Total depreciation to date	22,47,999.67		1,14,06,952.62
		9. **FURNITURE AND FIXTURES LESS DEPRECIATION :**			
	81,42,686	Furniture and Fixtures at cost to 31st December, 1962 ..	1,04,90,686.30		
	23,83,943	Additions during the year	24,55,636.77		
	1,05,26,629		1,29,46,323.07		
	35,943	**Less:** Sales during the year	44,432.83		
	1,04,90,686		1,29,01,890.24		
72,51,919	32,38,767	**Less:** Total depreciation to date	44,06,297.96		84,95,592.28
		10. **OTHER ASSETS :**			
	20,73,240	(i) Interest accrued on Investments	23,51,489.98		
	19,28,315	(ii) Stamps and Stationery	25,67,403.56		
	29,09,326	(iii) Advances recoverable in cash or in kind	18,87,937.06		
69,10,881	Nil	(iv) Silver	Nil		68,06,830.60
		11. **NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS AT COST**			1,09,760.00
1,09,760					
743,86,47,767		Total ..			174,65,71,040.67

THE BANK OF BARODA LIMITED

Profit and Loss Account for the year ended 31st December, 1963

31-12-1962	EXPENDITURE	
Rs.		Rs.
2,96,81,326	1. Interest paid on deposits, borrowings, etc.	3,46,76,858.27
1,70,37,222	2. Salaries and Allowances and Provident Fund	2,15,51,643.65
81,538	3. Directors' and Local Committee members' fees and allowances	1,36,010.09
26,64,247	4. Rent, Taxes, Insurance, Lighting, etc.	34,82,846.51
1,03,822	5. Law Charges	1,48,989.97
8,87,460	6. Postages, Telegrams and Stamps	11,25,791.24
82,189	7. Auditors' Fees	1,04,094.70
12,70,157	8. Depreciation on and repairs to the banking company's property	15,06,231.81
17,45,559	9. Stationery, Printing, Advertisement, etc.	19,25,838.42
—	10. Loss from sale of or dealing with non-banking assets	—
22,76,037	11. Other Expenditure	25,97,574.32
33,700	12. Development Rebate	10,500.00
63,19,169	13. Balance of Profit	75,00,247.56
6,21,82,426	Total	7,47,66,626.54

Note: Particulars of remuneration relating to the Managing Director paid or provided for during the year:

	1963 Rs.	1962 Rs.
1. Salary	60,000.00	60,000
2. Allowance (entertainment)	7,500.00	7,500
3. Sittings fees	Nil	Nil
4. Bonus	Nil	Nil
5. Bank's contribution to Provident Fund	4,999.80	5,000
6. Payment by way of gratuities, pensions, or otherwise in excess of the Bank's contribution and interest thereon	Nil	Nil
7. The monetary value of any other benefits or perquisites (calculated in accordance with income-tax rules)	1,500.00	1,500
	73,999.80	74,000

CERTIFICATE PURSUANT TO RULE 6(c) OF THE COMPANIES (BRANCH AUDIT EXEMPTION) RULES, 1961.

We hereby certify that no material change has taken place in the arrangements made for the audit of accounts of the Branch Offices exempted from audit under Rule 4(1)(b) of the Companies (Branch Audit Exemption) Rules, 1961, enabling the Chartered Accountants employed by the Bank for the purpose of audit of the accounts of Branch Offices, to visit the Branch Offices, and to have access at all times to the books, accounts and vouchers of the Bank maintained at such Branch Offices audited by them and for furnishing all such further information and explanations required by them and that such auditors have carried out the audit of the Branches assigned to them in accordance with the Internal Audit Programme drawn up by them and approved by the Bank's Statutory Auditors.

For THE BANK OF BARODA LIMITED
A. H. SHETH
Director

N. M. CHOKSHI
Managing Director

BOMBAY,
Dated 27th February, 1964.

31-12-1962	INCOME (Less Provision made during the year for bad and doubtful debts and other usual or necessary provisions)	
Rs.		Rs.
5,07,39,655	1. Interest and Discount	6,11,57,782.35
1,10,24,611	2. Commission, Exchange and Brokerage	1,30,41,790.01
4,12,455	3. Rents	5,52,052.15
Nil	4. Net profit on sale of investments, gold and silver, land, premises and other assets	Nil
Nil	5. Net profit on revaluation of investments, gold and silver, land, premises and other assets	Nil
1,292	6. Income from non-banking assets and profit from sale of or dealing with such assets	8,815.18
4,413	7. Other receipts	6,186.85
6,21,82,426	Total	7,47,66,626.54

TULSIDAS KILACHAND **Chairman**
R. D. BIRLA
KANTILAL NAHALCHAND
N. H. TATA
ANANDLAL HIRALAL
B. K. DAPHTARY
F. P. GAEKWAD
RASESH N. MAFATLAL
Directors
N. M. CHOKSHI Managing Director
NAVNITLAL SHODHAN Director
JANARDAN S. PARIKH
Ag. Accountant

Report of the Auditors to the Shareholders

WE have audited the foregoing Balance Sheet of THE BANK OF BARODA LTD., as at 31st December, 1963, and also the foregoing Profit and Loss Account of the Bank for the year ended upon that date, in which are incorporated the returns from 53 Branches audited by us, 63 Branches audited by Branch Auditors and unaudited returns from 88 Branches for which exemption from the provisions of Section 228 of Companies Act, 1956 has been obtained from the Central Government under Rule 4 clauses (a) and (b) of the Companies (Branch Audit Exemption) Rules, 1961.

We report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
(b) the transactions of the Bank which have come to our notice have been within the powers of the Bank;
(c) in our opinion, proper books of account as required by law have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the Branches of the Bank not visited by us;
(d) the Bank's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns;
(e) the reports on the accounts of the Branches audited by Branch Auditors have been forwarded to us and the same have been considered by us in preparing our report;
(f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for banking companies and on such basis the said Balance Sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1963, and the Profit and Loss Account gives a true and fair view of the profit for the year ended upon that date.

K. S. AIYAR & CO.
Chartered Accountants

N. M. RAIJI & CO.,
Chartered Accountants

BOMBAY,
Dated 27th February, 1964.



RECORDS AND STATISTICS

Industrial Progress in 1963

THE YEAR 1963 witnessed further steady progress in the industrial field in India. The Index of Industrial Production, with 1956 as base, touched an average of 161.4 during January-October, 1963, showing an increase of 8.9 per cent over the corresponding period of the preceding year.

Remarkable increases in production were recorded in aluminium and domestic refrigerator industries. The output of various other items such as weighing machinery, machine tools, aluminium conductors, paper and paper boards also went up substantially — about 30 to 40 per cent over the previous year. An increase of 10 to 30 per cent was recorded in the production of steel castings, power driven pumps, electric motors, electric lamps, radio receivers, aluminium conductors, winding wires, paper insulated cables, tyres and tubes (automobile), bicycle tyres, leather footwear, tanned hides, cement and asbestos, and cement sheets.

Substantial additions to capacity were made in a number of industries. The prominent among these were the sewing machines, electric fans and aluminium power transformer industries. There was a considerable improvement in the working of the jute industry. In the case of cotton industry, while the ouput of yarn registered a slight improvement, production of cloth recorded a slight decline.

Fall in production was witnessed in the case of coated abrasives, room-airconditioners, cotton and hair belting, incandescent lamps, gramophone needles, steel belt lacing, stoves, building hardware, bolts and nuts,clocks, expanded metal, hurricane lanterns, machine screws, wood screws, wire products, phosphorous trichloride, sodium bicarbonate, sodium bisulphite, copper sulphate, sodium sulphide, polythelene, ceramic insulators (LT), sanitarywares, refractories, pencils, glue, etc. The lower output of these items was due to reasons such as shortage of raw materials, dislocations caused by expansion programmes, lack of adequate demand and temporary suspension of work due to labour trouble or power breakdown.

The following tables give details about the installed capacity and production in 1962 and 1963 of the industries under the control of the Union Ministry of Industry:

INDUSTRIAL CAPACITY AND PRODUCTION IN 1962 AND 63

Sl. No.	Name of the Industry and Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 @Estimated Production
	I. TOOLS						
1.	Coated Abrasives (Reams)	5	187,000	186,097	5	187,000	181,589
2.	Grinding Wheels (Kg.)	7	3,180,000	2,269,213	7	3,180,000	2,790,491
	II LIGHT ELECTRICAL ENGINEERING INDUSTRIES						
1.	Brass lamp holders (Nos.)	6	5,094,000	4,721,814	6	5,094,000	5,420,000
2.	Dry Batteries (Mill Cells)	5	224.50	239.38	5	224.50	280.00
3.	Domestic Refrigerators (Nos.)	4	13,600	13.020	4	13,600	20,041
4.	Electric Fans (Nos.)	25	1,375,150	1,129,630	25	1,375,150	1,140,000
5.	Electrical Accesories (Nos.)	10	16,296,000	13.983,764	11	16,895,000	15,209,037
6.	Flourescent Tubes (Mill. Nos.)	3	3.10	3.18	3	3.30	3.60
7.	GLS & other similar lamps (Mill. Nos.)	12	62.60	55.28	12	62.60	66.50
8.	House Service Meters (Nos.)	8	950,000	377,743	9	1,010,000	1,159,958
9.	Miniature lamps (Mill. Nos.)	10	28.75	26.85	10	28.75	36.50
10.	Measuring Instruments (Nos.)	4	46,800	51,923	4	51,950	74,000
11.	Room Air-Conditioners (Nos.)	10	20,470	13,447	10	20,470	9,515
12.	Radio Receivers (Nos.)	20	332,300	343.281	20	390,300	405,300
13.	Storage Batteries (Nos.)	12	660,300	565,720	12	660,300	685,472
	III. INSTRUMENTS						
1.	Box Cameras (Nos.)	2	38,000	40,775	2	38,000	40,608
2.	Clinical Thermometers (Th. Nos.)	3	13.180	4,782	2	16,080	5,000
3.	Levels (Nos.)	8	6,790	4,363	7	6,190	5,244
4.	Mathematical Instt. (Geometry Boxes) (Million Nos.)	3	3.55	3.20	3	3.55	3.60
5.	Microscopes (Nos.)	8	7,100	4,209	8	7,100	4,097
6.	Pressure Gauges (Nos.)	3	144,000	72,744	3	144,000	93,552
7.	Theodolites (Nos.)	3	1,152	719	4	1,188	860
8.	Water Meters (Nos.)	3	156,000	79,793	5	200,400	99,344
9.	Medical/Surgical Instruments, Equipment and Appliances (Lakhs rupees)	7	77.00	38.00	7	77.00	46.80
	IV. HEAVY MECHANICAL ENGINEERING INDUSTRIES						
1.	Conduit Pipes (Mill. R. Metres)	11	2.32	3.25	11	2.32	2.91
2.	Welding Electrodes (Mill. R. Metres)	3	140.16	115.29	6	222.00	157.36
	V. LIGHT MECHANICAL ENGINEERING INDUSTRIES						
1.	Ball Bearings (Th. Nos.)	2	3,236	3,906	3	5,702	4,749
2.	**Beltings:**						
	(i) Cotton and Hair (Tonnes)	10	1,375	637.00	10	1,375	503.54
	(ii) Rubber Ply Transmission (Tonnes)	8	2,256	1,792.00	8	2,256	1,697.00

INDUSTRIAL CAPACITY AND PRODUCTION IN 1962 AND 63 (Contd.)

Sl. No.	Name of the Industry and Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 @Estimated Production
	(iii) Conveyor (Tonnes)	5	2,403	973.24	5	2,403	1,577.66
3.	Bicycle Complete (Th. Nos.)	21	1,444	1,116	21	1,444	1,139
4.	Bicycle Spare Parts and Accessories (Million rupees)	34	..	60.6	51	..	63.0
				60.6	51		63 0
5.	Duplicators (Nos.)	4	8.100	4,724	4	8,100	5,288
6.	Incandescent Lamps (Th. Nos.)	4	188.5	134.9	4	188.5	127.4
7.	**Needles:**						
	(i) Gramophone (Mill. Nos.)	1	900.00	274.06	1	900.00	317.4
	(ii) Sewing Machine (Mill. Nos.)	1	3.6	1.72	2	8.4	1.18
	(iii) Hand Sewing (Mill. Nos.)	1	1,000	18.04	1	1,000	27.7
8.	Sewing Machines (Th. Nos.)	8	367.0	343.0	9	383.0	383.5
9.	Steel Balls (Mill. Nos.)	3	8.7	9.2	4	9.1	9.7
10.	Steel Belt Lacing (Tonnes)	4	498	413.32	4	498	390.0
11.	**Stoves:**						
	(i) Pressure type (Th. Nos.)	5	315	195	5	315	197
	(ii) Non-pressure type (Th. Nos.)	2	162	338	2	162	249
12.	Typewriters (Nos.)	4	54,000	36,320	4	54,000	41,026
13.	Zip Fasteners (Kilometres)	6	3,969	2,857	6	3,969	3,310
14.	Building Hardware (Tonnes)	23	11,019	8,522	23	11,019	7,215
15.	Bolts, Nuts, Rivets, Dogs pikes and Washers (Tonnes)	37	81,177	48,072	37	81,177	34,976
16.	Clocks (Th. Nos.))	5	107.0	65.7	5	107.0	63.0
17.	Crown Cork (Mill. Nos.)	6	921.1	697.9	6	921.1	1,023.7
18.	Expanded Metal (Tonnes)	4	5,046	22,061	4	5,046	1,392
19.	Hurricane Lantern (Th. Nos.)	10	6,565	5,674	10	6,565	5,640
20.	Laminated (Auto) Leaf Springs (Tonnes)	10	21,750	19,265	10	21,750	20.000
21.	Machine Screws (Mill. Nos.)	12	589	425	13	593.85	391.4
22.	Wood Screws (Mill. Nos.)	20	1,718	1,477	20	1,718	1,284
23.	Steel Furniture (Tonnes)	22	33,442	36,844	22	33,442	37,266
24.	Steel Link Chain (Tonnes)	3	2,274	462	3	2,274	536.19
25.	Time Pieces (Nos.)	2	210,000	121,224	3	330,000	202,185
26.	Umbrella Ribs (Mill. Sets)	9	15.81	9.94	6	13,89	9 38
27.	Razor Blades (Mill. Nos.)	6	1,239.0	625.3	6	1,239.0	814.3
28.	Wire Products like Wire Gauge netting and Chain link fencing (Tonnes)	5	3,440	1,520	5	3,440	1,317
	VI. ALKALIS AND ALLIED CHEMICALS						
1.	Bromides (Tonnes)	1	432	202	1	463	272
2.	Bromine (Tonnes)	1	265	85	1	265	207
3.	Calcium Carbide (Tonnes)	3	34,500	26,423	3	34,500	26,600
4.	Calcium Carbonate† (Tonnes)	3	3.180	3,165	4	8,205	4,401
5.	Hydrogen Peroxide (Tonnes)	1	3,000	1,815	1	3,000	2,175
6.	Phosphorous Trichloride (Tonnes)	1	300	175	1	300	113
7.	Potassium Chlorate (Tonnes)	3	4,322	4,118	3	4,322	4,532
8.	Sodium Bicarbonate (Tonnes)	2	12,120	10,682	2	12,314	8,308
9.	Sodium Bisulphite (Tonnes)	5	1,297	670	5	1,297	567
10.	Sodium Hydrosulphite (Tonnes)	3	3,922	2,700	3	3.922	3,312
11.	Sodium Perborate (Tonnes)	1	254	331	1	254	367
12.	Sodium Sulphite (Tonnes)	4	870	618	4	870	763
13.	Sodium Thiosulphate (Tonnes)	5	2,468	1,179	5	2,468	1,501
	VII. ACIDS AND MISCELLANEOUS CHEMICALS						
	Acids and Allied Chemicals						
1.	Alum (Tonnes)	14	9,740	4,099	13	7,190	4,261
2.	Aluminium Sulphate						
	(i) Ferric (Tonnes)	19	63.370	55,496	19	63,190	67,619
	(ii) Iron Free (Tonnes)	15	15,760	3,727	15	13,670	4,108
3.	Ammonium Chloride (Tonnes)	2	49,020	16,895	2	49,020	21,177
4.	Bichromates (Tonnes)	7	6,960	7,045	6	8,300	6,793
5.	Calcium Chloride (Tonnes)	3	2,910	1,526	3	1,730	2,070
6.	Copper Sulphate (Tonnes)	5	5,380	3,883	4	5,340	3,491
7.	Ferric Chloride (Tonnes)	3	2,270	10	2	260	Nil
8.	Ferrous Sulphate (Tonnes)	9	3,960	3.593	9	3,960	3,788
9.	Magnesium Chloride (Tonnes)	4	40,230	5,688	3	11,500	7,400

INDUSTRIAL CAPACITY AND PRODUCTION IN 1962 AND 63 (Contd.)

Sl. No.	Name of the Industry and Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 @Estimated Production
10.	Magnesium Sulphate (Tonnes)	15	8,050	3,570	16	7,560	3,676
11.	Nitric acid						
	(i) Fertiliser use (Tonnes)	23	75,440	37,657	24)	258,260	199,856
	(ii) Industrial use (Tonnes)		7,160	7,037	)	14,150	8,999
12.	Phosphoric Acid						
	(i) Fertiliser use (Tonnes)	4	8,400	2,497	5)	22,740	6,600
	(ii) Industrial use (Tonnes)		3,840	2,316	)	5,010	2,504
13.	Sodium Sulphate (Tonnes)	14	26,100	23,005	16	37,590	27,656
14.	Sodium Sulphide (Tonnes)	8	9,220	2,296	6	5,200	2,080
15.	Zinc Chloride (Tonnes)	3	1,240	858	3	1,240	880
	Miscellaneous Chemicals						
16.	Gases :						
	(i) Argon Gas (Th. Cu. M.)	1	122	52	1	122	45
	(ii) Carbon Dioxide (Tonnes)	14	20,705	7,988	15	21,550	8,512
	(iii) D. Acetylene (Th. Cu. M.)	4	4,800	3,318	5	5,388	3,914
	(iv) Hydrogen Gas (Th. Cu. M.)	2	2.105	124	2	2,375	142
	(v) Nitrogen Gas (Th. Cu. M.)	3	4,549	399	4	7,308	460
	(vi) Nitrous Gas (M. Litre)	1	200	108	1	197	133
	(vii) Oxygen Gas (Th. Cu. M.)	7	23,864	18,285	9	25,718	21,225
17.	**Electroplating Chemicals**						
	(a) Basic Electroplating Chemicals						
	(i) Chromic Acid (Tonnes)	4	405	185	4	1,125	261
	(ii) Nickel Ammonium Sulphate (Tonnes)	2	35	0.17	2	35	0.15
	(iii) Nickel Carbonate (Tonnes)	3	98	1	3	73	24
	(iv) Nickel Chloride (Tonnes)	3	54	7	3	79	79
	(v) Nickel Sulphate (Tonnes)	4	490	112	4	710	322
	(b) **Compound Electroplating Salts**						
	(i) Brass Salts (Tonnes)	2	109	5	2	109	31
	(ii) Cadmium Salts (Tonnes)	3	200	33	3	200	81
	(iii) Copper Salts (Tonnes)	3	3,570	20	3	3,570	113
	(iv) Metal Cleaner (Tonnes)	3	1,360	60	3	1,360	60
	(v) Nickel Electroplating Salts (Tonnes)	2	7,420	139	2	1,228	513
	(vi) Silver Salts (Tonnes)	3	35	2	3	38	1.5
	(vii) Tin Salts (Tonnes)	2	91	2	2	91	17
	(viii) Zinc Salts (Tonnes)	3	264	17	3	264	90
18.	**Water Treatment Chemicals**						
	(i) Alfloc Powder (Tonnes)	1	508	450	1	508	463
	(ii) Sodium Aluminate (Tonnes)	3	2,855	727	2	1,620	845
	(iii) Sodium Hexameta-Phosphate (Tonnes)	1	720	640	1	720	695
19.	**Activated Chemicals**						
	(i) Activated Bleaching Earth (Tonnes)	3	6,590	3,187	3	6,590	3,719
	(ii) Activated Carbon (Tonnes)	2	660	408	2	825	642
	Others						
	(i) Barium Carbonate (Tonnes)	1	1,440	244	1	1,440	420
	(ii) Firefighting foam compound (Th. Litres)	1	675	98	1	675	240
	(iii) Fluxes (Tonnes)	5	6,180	2,186	5	6,434	1,820
	(iv) Gas Mantles (M. Nos.)	3	24.19	15.49	3	24.19	15.69
	(v) Heat Treatment Salts (Tonnes)	4	13,644	1,247	4	14,065	2,068
	(vi) Metal Treatment Solutions (Th. Litres)	2	600	523	2	600	632
	(vii) Pot. Permanganate (Tonnes)	1	300	207	2	550	270
	(viii) Pyrotechnic Aluminium Powder (Tonnes)	1	200	60	1	200	210
	(ix) Rare Earth (Tonnes)	1	3,300	3,082	1	3,300	3,740
	VIII. ALCOHOL AND ORGANIC CHEMICALS						
1.	Acetic Acid* (Tonnes)	5	10.224	5,259	6	10,705	7,001
2.	Acetone (Tonnes)	1	691	544	1	691	909
3.	Acetic Anhydride (Tonnes)	1	2,936	2,317	2	3,656	3,391
4.	Beer (K. Litres)	3	17,735	11.477	3	17,735	12,954
5.	Ethyl Acetate (Tonnes)	3	864	351	3	864	892
6.	Yeast (Baker's and Medicinal) (K.G.)	2	374	131,914	3	375	216,980
	IX. PLASTICS AND PLASTIC CHEMICALS						
1.	Leather cloth (K. Metres)	6	8,262	,6,858	6	8,262	6,870
2.	Linoleum (K. Metres)	1	852	480	1	852	678
3.	Moulding Powders/Resins:						
	(i) Phenol Formaldehyde (Tonnes)	5	4,500	2,423	5	4,500	2,915
	(ii) Polyethylene (Tonnes)	2	6,556	8,058	2	6,556	7,629

INDUSTRIAL CAPACITY AND PRODUCTION IN 1962 AND 63 (Contd.)

Sl. No.	Name of the Industry and Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 @Estimated Production
	(iii) Polystyrene (Tonnes)	1	5,486	3,887	1	5,486	5,460
	(iv) P.V.C. resins/composition (Tonnes)	1	3,600	2,664	1	3,600	2,453
	(v) Synthetic Resins for Plywood (Tonnes)	2	4,023	1,707	2	4,023	2,164
			Pdr. Liq.	845		Pdr. Liq.	1,097
4.	Phenolic Laminates (Tonnes)	2	1,475	1,175	2	1,475	1,675
5.	Plastic Moulded Goods (Mill. Nos.)	49	—	968.5	49	—	820
6.	Polythene films and lay flat tubings (Tonnes)	7	3,324	1,999	7	3,324	1,700
7.	P.V.C. (Flexible) sheets (Tonnes)	2	3,800	1,812	2	3,800	1,874
	X. CEMENT INDUSTRY						
1.	A.C. Sheets & Pipes (Th. Tonnes)	7	278.6	234.0	7	278.6	307.6
2.	Cement (Mill. Tonnes)	35	9.7	8.69	36	10.3	9.35
	XI. INDUSTRIAL EXPLOSIVES INDUSTRY						
1.	Industrial Explosives (Tonnes)	1	15,000	13,833	1	15,000	12,378
2.	Safety Fuses (Million Oils.)	2	14.10	12.59	2	14.10	11.00
	XII. CERAMIC INDUSTRIES						
1.	Abrasive grains (Tonnes)	2	1,438	936	2	936	914
2.	**Ceramics :**						
	(i) Glazed Tiles (Th. Tonnes)	7	8.0	5.5	7	8.0	5.9
	(ii) Insulators						
	(a) H.T. (Th. Tonnes)	8	5.2	4.1	8	5.2	4.3
	(b) L.T. (Th. Tonnes)	17	8.8	5.6	17	8.8	4.3
	(iii) Sanitarywares (Th. Tonnes)	19	9.8	7.9	19	9.8	7.8
	(iv) Stoneware pipes (Th. Tonnes)	21	72.0	68.5	21	78.8	70.8
	(v) Stoneware (other kinds) (Th. Tonnes)	25	11.8	6.7	25	11.8	8.1
	(vi) Whitewares (Th. Tonnes)	44	40.2	21.4	44	40.2	22.8
3.	Pencils (Mill. Nos.)	15	247.7	155.7	15	247.7	136.4
4.	Refractories (Th. Tonnes)	52	846.3	671.0	53	884.3	643.0
	XIII. GLASS AND ALLIED INDUSTRIES						
1.	**Glass and Glasswares :**						
	(i) Bottlewares (Th. Tonnes)	54	196.79	121.69	54	205.17	129.67
	(ii) Glass Sheets (Mill. pcs./Tonnes)	3	68.28	68.13	3	68.26	73.68
			3,348	2,215		3,348	2,388
	(iii) Lab. Glassware (Th. Tonnes)	17	11.80	3.95	16	11.32	4.60
	(iv) Lampware (Th. Tonnes)	47	44.05	18.23	48	44.78	1840
	(Mill. Sq. Metres)		13.45	8.75		13.45	9.96
	(v) Sheet Glass (Mill. sq. Metres/tonnes)	4	76.96	58.91	4	76.96	56.49
	(vi) Table & Premedwares (Th. Tonnes)	48	87.93	34.22	49	93.67	40.68
	(Mill. No.)		4.14	1.54		3.78	1.94
	(vii) Thermos flasks (Mill. No./tonnes)	7	4,023	888	7	3,720	930
	(viii) Misc. Glasswares (Th. Tonnes)	29	12.66	6.47	29	12.65	6.52

INDUSTRIAL CAPACITY AND PRODUCTION IN 1962 AND 63 (Contd.)

Sl. No.	Name of the Industry and Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 @Estimated Production
2.	Enamel Ware (Mill. pcs.)	23	33.6	28.83	23	33.6	32.17
3.	Liquid Gold (Kg.)	5	12,927	5,911	5	12,927	2,828
4.	Synthetic Stones (Tonnes)	1	14.4	13.0	1	14.4	11.8
	XIV. PAPER INDUSTRY						
1.	**Paper & Paper Boards** (Tonnes)	31	435,960	387,638	38	502,250	470,000
	(i) Printing & Writing Paper (Tonnes)		234,380				
	(ii) Kraft & Wrapping (Tonnes)		75,888				
	(iii) Misc. Paper (Tonnes)		7,181				
	(iv) Paper Boards		70,189				
2.	Newsprint (Tonnes)	1	30,480	24,865	1	30,480	30,300
3.	**Carbon Paper Industry**—						
	(i) Carbon paper (Th. Boxes of 100 sheets)	6		3,455	6		4,000
	(ii) Duplicating stencils (Reams)	3		58.824	3		60,000
	(iii) Typewriter Ribbons (Mill. Nos.)	6		2.03	6		2.50
	XV. CELLULOSE AND TIMBER INDUSTRIES						
	Rayon						
1.	Cellophane (Tonnes)	2	6,000	2,204	2	6,000	3,500
2.	Nylon Yarn (Tonnes)	2	950	136	2	950	650
3.	**Rayon Yarn**						
	(i) Acetate (Tonnes)	1	2,000	1,390	1	2,000	1,900
	(ii) Viscose (Tonnes)	7	32,500	26,230	8	34,500	29,070
4.	Viscose Staple Fibre (Tonnes)	2	26,000	32,379	2	26,000	32,050
5.	Viscose Tyre Cord (Tonnes)	1	2,000	695	2	4,500	2,500
	Timber						
6.	Chipboard (Particle Board) (Million Sq. Metres)	1	0.56	0.065	2	0.955	0.209
7.	**Cork Products**						
	(i) Cork Discs (Mill. Nos.)	2	648	682	2	648	880
	(ii) Cork Sheets (Mill. Sq. Metres)	2	1.00	0.84	2	1.00	1.17
	(iii) Cork Stoppers (Mill. Nos.)	2	199	264	2	199	180
8.	Hard Board (Million Sq. Metres)	2	2.72	2.65	2	2.72	2.59
9.	Insultation Board (Million Sq. Metres)	1	1.67	0.45	1	1.67	0.58
10.	Matches (Million Boxes 50 sticks each)	6	4,300	3.948	6	4,300	4,171
11.	Plywood :						
	(i) Commercial (Million Sq. Metres)	71	13.04††	7.45	71	13.04††	9.64
	(ii) Teachest (Million Sq. Metres)			9.79			10.45
	XVI. LEATHER MANUFACTURERS						
1.	Glue (Tonnes)	8	2,567	2,193	9	2,567	1,944
2.	**Leather footwear**						
	(i) Indigenous type of Leather Footwear by organised units (Mill. Pairs)	12	Depends upon demand	5.29	12	Depends upon demand	5.10
	(ii) Western type of Leather Footwear by organised units (Mill. Pairs)	12	7.01	6.51	12	8.52	8.24
3.	Myrobalan Extracts (Tonnes)	3	10,140	2,000	3	10,140	1,800
4.	Pickers (Mill. Nos.)	5	4.29	1.65	5	4.29	1.58
5.	**Tanned hides**						
	(i) Chrome Tanning of Hides by organised units (Th. Hides)	12	1.550	812	12	1,580	1.067
	(ii) Veg. Tanning of Hides by organised units (expressed in terms of cow hides one Buff. Hide-2 Cow Hides) (Mill. Cow Hides)	32	4.42	3.02	32	4.68	3.35

INDUSTRIAL CAPACITY AND PRODUCTION IN 1962 AND 63 (Contd.)

So. No.	Name of the Industry and Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 @Estimated Production
	XVII. RUBBER MANUFACTURES						
1.	**Belts**						
	(i) Ban Belts (Th. Nos.)	7)	2,198	982	6	2,196	1,210)
	(ii) Vee Belts (Industrial) (Th. Nos.)	5)		1,313	5		1,506)
2.	Camel Back (Tonnes)	9	6,550	5,519	9	7,125	6,867)
3.	Dipped Rubber Goods (Mill. Nos.)	11	410.9	307.6	11	544.1	306.0)
4.	Ebonite (Tonnes)	13	191	124	13	191	147)
5.	**Hoses**						
	(i) Radiator Hoses (Th. Nos.)	8	332	205	8	332	202)
	(ii) Vacuum Brake Hoses (Th. Nos.)	6	1,035	1,114	6	1,035	1,857)
	(iii) Other types of Hoses (Mill. Mtrs.)	16	5.2	5.1	16	5.2	5.2)
6.	Latex Foam Sponge (Tonnes)	7	1,662	1,684	7	1,662	1,445)
7.	Rubber Components of Railway Fittings (Springs) (Th. Nos.)	5	50.51	49.78	19	50.51	47.16)
8.	Rubber Footwear (Mills. Pairs)	19	50.51	49.78	19	50.51	47.16)
9.	**Tubes**						
	(i) Automobiles						
	(a) Giant (Th. Nos.)	4	1,104	951	5	1,215	1,152)
	(b) Motor (Th. Nos.)	4)		542	4		688)
		)	656			705	)
	(c) Motorcycle (Th. Nos.)	2)		150	2		183)
	(ii) A.D.V. (Th. Nos.)	2	64	100	3	92	127)
	(iii) Aero (Nos.)	1	1,800	2,940	1	3,000	3,625)
	(iv) Bicycle (Mills. Nos.)	11	17.9	11.6	12	15.4	13.6)
	(v) Off-the-road (Nos.)	2	5,800	5,911	2	3,000	7,467)
	(vi) Tractors (Th. Nos.)	2	52	53	3	53	60)
10.	**Tyres**						
	(i) Automobiles :						
	(a) Giant (Th. Nos.)	5	1,101	1,070	7	1,520	1,234)
	(b) Motor (Th. Nos.)	4)		519	4)		603)
		)	658		)	666	)
	(c) Motorcycle (Th. Nos.)	2)		120	2)		135)
	(ii) A.D.V. (Th. Nos.)	3	49	91	3	73	86)
	(iii) Aero (Nos.)	1	3,600	8,060	1	8,000	16,812)
	(iv) Bicycle (Mill. Nos.)	10	13.7	11.9	12	14.1	14.0)
	(v) Cab (Kilometres)	3	80	49	3	80	62)
	(iv) Off-the-road (Nos.)	2	4,200	6,869	2	6,600	7,869)
	(vii) Tractor (Th. Nos.)	3	56	57	3	62	41)
11.	Waterproof Fabrics (Mill. Metres)	11	5.2	4.2	11	5.2	6.4)

@Based on actual for the first 9 months and estimated production for October, November and December. †Relates to precipitated variety only. *Does not include production of DGOF factories.

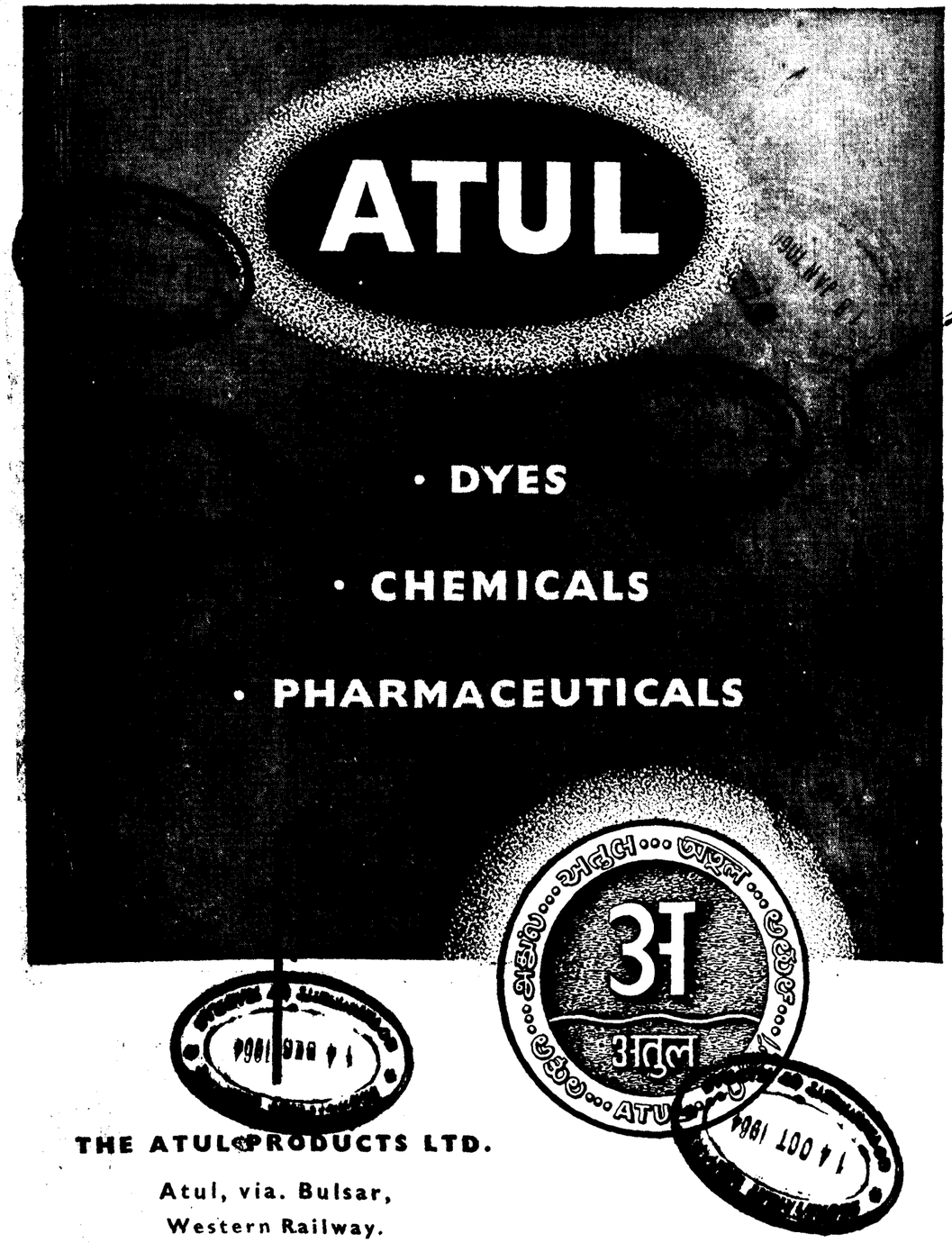
**The consumption of raw and general purpose synthetic rubber including reclaim rubber by the Rubber Goods Manufacturing Industry during 1962 was of the order of 65,000 tonnes. As against this the consumption of Raw Reclaim and General purposes Synthetic Rubber during January-December, 1963 would be 67,000 tonnes approximately. It may thus be seen that there is an overall increase in the production of various items.

††The units are however permitted to manufacture 18.68 Mill. Sq. Mtrs. of Teachest Plywood and 14.14 Mill. Sq. Mtrs. of Commercial Plywood on multiple shift basis.



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The Case for the Corporate Sector

THE CENTRAL Budget for 1964-65 has been before the public for some five weeks now. During this period it has attracted extensive notice, mostly critical. Some of the strongest criticism has perhaps been expressed in the columns of this Journal. This has been done without pleasure because this surely was a budget of great expectations. In the circumstances, there is near-tragic irony in the fact that the kindest words we have heard said about the Finance Minister's tax proposals are that "in the context of the Bhubaneswar resolutions, he has, with the possible exception of the inheritance tax, done the best possible job that was possible in the circumstances". This quotation is an actual comment made by a foreign national holding a high executive position in a business concern in southern India. Mr. Krishnamachari is welcome to such satisfaction as he may be able to derive from this rather dubious and possibly double-edged compliment.

For our part, we would continue to suggest that the Finance Minister can really have no reason to congratulate himself on a budget which has apparently had reactions contrary to what he himself claimed to be after. We would recall that in his budget speech he categorically stated that "the direct taxes proposed .... are aimed at infusing confidence in the capital market, providing a stimulus for the development of the basic industries and promoting the building up of reserves in industry and the growth of personal savings". The Finance Minister is a man of rare courage and conviction, but we doubt that even he would today claim that his budget proposals have succeeded or are likely to succeed in realizing the purposes he has charged them with. Throughout the month of March, the Stock Exchanges have regressed through successive stages of disappointment, doubt, dismay and despair. Surely this does not suggest that confidence has been infused into the capital market. What has actually happened is that instead of confidence having been restored or revived, the prevailing mood of depression has been confirmed by all hopes having been frustrated.

The Desai budget of last year was bad enough and in the shadow of it the capital market had been marking time and living on what has now turned out to be wishful thinking. It was being generally assumed that the then Finance Minister had at least been privately convinced that the super profits tax had been a grievous blunder and that it should be undone on the next occasion. Indeed, even as early as in April, 1963, Mr. Desai found it necessary to give the assurance that "if the effect of super profits tax is to retard development and the growth of the corporate sector, which is a surer source of revenue than an increase of rate of tax on it, then the measure would not be justified and I would be the first person to ask the House for a repeal of the provision". It is true that there was no need even then for any "if" or "but". The super profits tax was patently a levy which was bound to retard development and the growth of the corporate sector and Mr. Desai, consequently, did not really have to look for guidance from the stars of the future. But then he chose to do so which was bad enough. What is worse is that his successor, after having realized and stated in so many words even in his budget speech that the net result of the super profits tax "has been that it has produced a psychological resistance and has, to some extent, affected industrial growth", could still find it sensible and consistent to retain that tax under a different name.

In other words, if Mr. Desai had no justification for imposing the super profits tax, Mr. Krishnamachari has even less justifica-

tion for continuing it in the guise of surtax. There has been some splitting of hairs over the relative burdens arising out of the super profits tax and the surtax. As we have been urging in these columns, this debate is of secondary importance. What is in issue is the principle of such extraordinary taxation. We have no doubt in our mind that the proposed surtax is as unsound as the super profits tax is, so far as the basic fiscal principles are concerned. Both taxes seek to apply the principle of progression to the taxation of corporate earnings, thereby grossly violating those very considerations of equity which are held to justify the traditional and established relevance of progression to the taxation of individual wealth or incomes. Secondly, the surtax, even as the super profits tax, makes no allowance to the factors of risk, efficiency, productivity and such other elements which differentiate one unit from another and influence the varying profit-making records or experiences of different enterprises. An attempt has been made either deliberately or otherwise to mix up the super profits tax or surtax with an excess profits tax, but it is significant that the element of alleged "excess" has been sought to be related not to normal profits in any particular preceding period but to a notional concept of what is a normal rate of return on the capital employed in the business. As has been pointed out already, such a definition of excess element in profits is inequitable to individual shareholders while being economically unsound and injurious through penalizing the more efficient utilisation or the more honest management of capital. We would, therefore, urge that the Finande Minister should give up the misguided attempt to make this extraordinary measure of corporate taxation, whatever may be the name currently given to it, a normal feature of the fiscal structure in our country. Unless he does so, it would be idle to expect a normal state of confidence or a disposition towards a constructive evaluation of the future to return to the capital market.

While the surtax has at least the excuse that it replaces the super profits tax, the equity dividend tax and the extension of the capital gains tax to the entire value of bonus shares, irrespective of whether these shares are sold or transferred or not, are wholly new impositions of a thoroughly objectionable nature and are consequently without any saving grace whatsoever. The Finance Minister has defended the equity dividends tax on the ground that "it is necessary to discourage companies from frittering away profits by large distribution of dividends under equity capital and to induce them to build up reserves for meeting their developmental needs in the future". It is strange that the Finance Minister's concern for developmental reserves had not prompted him to be content with normal corporate taxation. And it is certainly cruel that having taken care to appropriate a further amount of company earnings to the Government through the surtax, he should be talking of the need to discourage companies from frittering away profits by large distribution of dividends on their equity capital. This is the kind of language which ought to make us regret that the Finance Minister should not have kept in mind what the Duchess said to Alice, viz., "The more there is of mine, the less there is of yours". Once the Government has taken away more by way of surtax there is surely less for company and shareholder alike, whether for reserves or for dividends. And in any case, it is clearly an odd way of attempting to stimulate personal savings or the investment climate by putting special restrictions on dividends.

In an admirable analysis, the Bombay Stock Exchange has clearly established that there is no warrant for the fact that excessively large dividends would be declared in the absence of a dividend tax. Examining the data provided by Reserve Bank studies relating to the working of 750, 1001 and 1333 public limited joint stock companies operating in the country in the period 1951-55, 1956-60 and 1961 respectively and representing two-thirds, three-fourths and 87 per cent respectively of the total paid-up capital of all such companies at the various relevant periods, this analysis arrives at the finding that in the case of all industries the percentage of dividends to net worth (i.e., capital plus reserves) ranges between four per cent and seven per cent giving an average of six per cent while the percentage of dividends to paid-up capital varies from seven per cent to 12 per cent yielding an average of 11 per cent. The same data also points to the conclusion that the amount retained in the business for the growth and expansion has averaged four per cent of the net worth and six per cent of the paid-up capital. Finally, the apprehension that the corporate sector is apt to dissipate its earnings without making adequate provision for expansion is shown to be unfounded in that internal resources had accounted for about 80 per cent of the total gross capital formation of about Rs. 1150 crores between 1951 and 1961 in respect of companies covered by the Reserve Bank Survey.

The Memorandum of the Bombay Stock Exchange argues with telling effect that when the current rate of bank borrowing is from seven per cent to eight per cent and when debenture and preference capital cannot be easily raised even at rates of nine per cent or 10 per cent, equity dividends of six per cent on the net worth and 11 per cent on the paid-up capital can by no stretch of imagination be regarded as excessive or extravagant. We are particularly glad that the Bombay Stock Exchange has recalled in this context the late Dr. Dalton's classic condemnation of the dividend tax in the following terms: "It discriminates against a particular class of property owners, namely, the ordinary shareholders in joint stock companies, as compared with all other classes, including debenture holders and the holders of war loan and other gilt-edged securities. It is, therefore, in effect a tax on risk-bearing and tends to divert the flow of capital from risk to comparatively safe investments. But in view of the need that risks should be taken and the reluctance of many investors to take them, this is a harmful diversion."

Mr. Krishnamachari has put up defence of a kind for his various tax proposals. But his advocacy surely is at its weakest in the case of his decision to extend the capital gains tax to the entire value of bonus shares irrespective of whether those shares are sold or transferred or not. The Bombay Stock Exchange, again, has clearly brought out the illogical and inequitable nature of this imposition. The ostensible object of the seven per cent equity dividend tax is "to build up the reserves" and "to augment the capacity of the corporate sector to develop". "Paradoxically", the memorandum proceeds, "when these reserves are crystallized by companies in the form of bonus shares and converted into a permanent part of its capital structure, the company is required to pay, even at present, a tax of 12½ per cent on the amount capitalized. This tax is levied in spite of the fact that the reserves mainly represent accumulated profits which have already borne a full tax. It is now proposed that the reserves be taxed a third time by providing that the bonus shares in the hands of shareholders be treated, in their entirety, as capital gains and made subject to a capital gains tax irrespective of whether they are sold or transferred or not. Nothing could more effectively discourage the building up of company reserves which is stated to be one of the larger objectives in view."

On the question of facts whether a bonus share in its entirety is, as is claimed by the Finance Minister, "an immediate and definite accretion to the share capital", the Memorandum of the Bombay Stock Exchange has marshalled effective evidence to disprove Mr. Krishnamachari's thesis. After quoting high judicial authority to the effect that a bonus issue takes nothing out of the company's coffers and puts nothing into the shareholder's pockets but is only a "bare machinery" for capitalizing profits, the Memorandum explains that the "machinery" at work is a simple "splitting" operation and bonus shares are nothing but "splits", which is how they are popularly known in the United States.

Addressing itself to the factual question whether bonus issues have brought immediate and definite accretions to the wealth of shareholders, the Bombay Stock Exchange has looked into the record of bonus issues made during the last decade in respect of shares quoted on the Stock Exchange in Bombay. The resultant findings are:

"(a) that, after the bonus issue, prices have moved both ways, up as well as down;
(b) that in 38 out of 70, that is, 54 per cent of the cases, prices have gone up;
(c) that of the remaining 32, that is, 46 per cent of the cases, in 3 cases prices have remained stationary and in the other 29 cases prices have gone down;
(d) that, by and large, the percentage variation in price in either direction has been small;
(e) that in the few cases where the percentage increase or decrease in value is large, the variation is exaggerated by exceptional factors other than bonus issue, principally because the shares in question have an extremely narrow and restricted market in which buyers and sellers are so few that transactions barely take place once a month or once in even two or three months; and
(f) that, eliminating these few exceptional items, the variation in price is relatively small in either direction, indicating that the price variation following a bonus issue has no special significance but merely represents the normal fluctuation that takes place between any two dates in the price of any share irrespective of whether there is a bonus issue attached to it or not."

On the basis of this analysis, the Memorandum establishes the following propositions:

"(a) A bonus issue capitalises the reserves, that is, a book entry is passed whereby the amount of undistributed profits previously standing under the head 'reserves' appears in the balance sheet under the head 'capital' — which represents a change in form but not in substance as the assets continue to remain with the Company.
(b) Accordingly, a bonus issue makes no inevitable addition to the intrinsic value of the shares to which it is attached nor does it confer on shareholders any special price advantage which they do not otherwise have in respect of shares not carrying a bonus issue. In actual fact, it is the experience that prices go down as often as they go up after a bonus issue exactly in the same manner as prices of shares not carrying a bonus issue, the movement in either direction depending on the state of the economy and the complex of long, medium and short term factors that are constantly at work on the Stock Exchange.
(c) Similarly, a bonus issue confers on shareholders no special dividend advantage which they do not otherwise have in respect of shares not carrying a bonus issue. As in the case of prices, it is the experience in actual fact that dividends go down as often as they go up after a bonus issue exactly in the same manner as dividends on shares not carrying a bonus issue, the movement in either direction depending on innumerable factors comprising the state of the economy, the profitability of industry, the earnings of the particular concern, and the like.
(d) From the legal point of view, a bonus

does not so much create a new right as it puts the seal on the legal title of the shareholders to assets to which they are fully entitled in equity. The bonus issue, however, does entail a measure of restriction on shareholders in that the reserves once crystallised as capital cease to be available for dividend distribution in future years because in law capital cannot be reduced or drawn upon for paying dividends.

(9) Lastly, from the point of view of marketability, a bonus issue does not confer any special advantage on a shareholder in the matter of enabling him to dispose of a part of his holding without disposing of his entire holding in the Company. As is well known, this facility is always available on the Stock Exchange to all shareholders at all times in respect of all shares irrespective of whether they carry a bonus issue or not.

(10) It follows that there is no determined or ascertainable gain or unearned increment in price and/or dividend that bonus shares deliver to equity-holders automatically and inevitably, which could be made the subject matter of a special tax except on a fictitious and entirely arbitrary basis.

(11) It may be therefore concluded that a tax on bonus issue would be a tax not on income, nor again a tax on capital gains or profits, but a tax on capital itself, a tax on capital formed out of profits which themselves have been regularly taxed from year to year at the full rate of income-tax plus super-tax, a capital tax besides not levied generally but in unwarranted discrimination against a small group of investors who have employed their savings gainfully in joint stock enterprise."

We are convinced that the position taken by the Finance Minister on this issue is subjective and arbitrary and that any reasonable consideration ought to call him to abandon the proposal to tax bonus issue as notional capital gains. Here, we would like to point out that while the specific economic or technical arguments against each of the three tax proposals discussed in this article are conclusive in their contexts, what is perhaps even more significant is the basic and general impact of fiscal policies reflected in these taxes on the economy of the country. As we had said at the beginning, if this is a budget designed to stimulate the capital market, it has sadly misjudged its means. It is a primary economic truth that if a community needs more risk capital and desires to attract it, it should endeavour to the utmost to secure favourable tax treatment for that capital. The common sin of the three tax proposals we have examined here is that they violate this essential canon of taxation in a developing economy where risk capital is scarce while the hunger for it is enormous. The consequence of the surtax would be to take away from corporate funds left after the normal taxes have been paid, a further sum for the public exchequer and thereby reduce the amount of finance available to the company whether for building up reserves or for meeting its other obligations. The consequence of the equity dividend tax is that it would either help to deplete company reserves or it would discourage new investment by individuals in corporate shares; the former would be the result where the company concerned decides to maintain its rate of dividend even if it involves the tax being paid out of retained profits, and the latter would be the case where the company decides to reduce the dividend to the extent of the tax.

As for the capital gains tax, the tendency would be for new investments to be discouraged as well as for existing holdings of investments in shares to be liquidated so that money might be found to pay the capital gains tax on bonus shares. In both ways, investors' support to the capital market is liable to be undermined. We would, therefore, urge again that, if

Eastern Economist 20 Years Ago

MARCH 31, 1944

We are glad to learn that the criticisms of the 'Economist' on the Bombay Plan were based on inadequate data. Writing in its issue of March 25, the 'Economist' apologies to the Indian planners saying that its former criticism was based on inadequate cabled summaries, and that the full text showed that "the authors were far from ignoring farming's fundamental position'.' It also recognises that the Plan puts first things first: Power transport equipment, fertilisers and necessary consumption goods. Having criticised the 'Economist' strongly in our previous issue, we owe it to ourselves to make a reference to its revised comments which show a truer and juster appreciation of the nature of the Plan. If a journal of the reputation of the 'Economist' fails to reflect impartial and considered opinion there can be little hope of economic justice and fairplay in the world. We are, therefore, gratified to note that its unjust criticism was only based on ignorance.

The further criticisms which the journal makes are again based on an inadequate appreciation of the assumption of the Plans. According to the 'Economist' "the authors are disinclined on political grounds to permit India to participate to its greatest advantage in international division of labour." It would be a mis-reading of the Plan to say that India would be against international division of labour. But surely the raison de etre of any plan is to decide how and in what degree a country should participate in international division of labour. If an economist of the eminence of Sir William Beveridge can declare that "no country can afford to make trading and exchange arrangements with another country without considering whether the latter is likely to have a stable system of employment or not," India may be excused if she decides that her plan should not be imperilled by the ignorant or mischievous actions of other countries. Even international division of labour, the economic mantra of the liberal school, is not an end in itself, it is only a means to an end, which is full employment and high standard of living.

the purpose of the budget really is to restore confidence in the capital market, strengthen company reserves and stimulate new investments, the Government really has no alternative to the abandonment of the intended levies. These tax proposals will not be, and ought not to be, accepted as the normal features of a sound and dynamic fiscal policy. It is, therefore, the duty of all of us who are keen on the Government's economic policies functioning as a boost to the economy rather than as a drag on it, to continue to agitate for the abandonment of these tax decisions. Some of us, however, would no doubt be also anxious to secure, as an interim relief, some modification of the proposed impositions. Any such plea for modifications ought not to be misconstrued or exploited as the tacit acceptance of the validity of the new tax proposals. On this clear understanding, we would extend our support to certain suggestions made for mitigating the mischief of the proposed levies, while reiterating the firm belief that the pace of economic expansion is bound to suffer immediately and even more so in the long run so long as such measures of taxation remain operative in any from whatsoever.

As for the recommended modifications, it is evident that if the Finance Minister's claim that the surtax is a more modest levy than the super profits tax is to be substantially justified, at least two changes will have to be made in the surtax structure: first, the exemption granted in the super profits tax for the first 10 per cent of gross profits before tax should also be incorporated in the surtax and, secondly, as in the super profits tax, there should be provision for carryforward and set-off of deficiency in taxable profits. In the case of the equity dividends, instead of the tax being made applicable to the entire amount distributed, it could be made to apply only to such portions as may be in excess of a reasonable datum line, such as the highest dividend in the last three years or 12 per cent of the net worth (i.e., capital plus reserves), whichever of the two is higher. It is also necessary that the dividend tax should be made applicable only to dividends declared after the budget date, i.e., February 29, 1964.

In the case of the capital gains tax on bonus shares, the Finance Minister has already given indications which would point in the direction of exemption of bonus shares issued out of share premium account or out of capital redemption reserves which, under Section 80 of the Companies Act, are treated as paid-up capital and cannot be used for purposes other than the issue of bonus shares. Among other concessions which have been urged for his consideration are that the tax should only apply when the bonus shares are transferred or sold, that in the event of the tax, however, being finally based on notional capital gains, the gain should at least be deemed as a long-term and not a short-term gain and that in any event the tax should not apply to bonus issues approved by the Controller of Capital Issues before February 29, 1964. What the fate of these or other proposals for modifying the tax measures would be it is difficult to anticipate. Mr. Krishnamachari, in his reply to the budget debates in the two Houses of Parliament, certainly did not reveal himself to be in a mood for substantial or extensive modifications. But it is just possible that his attitudes might have softened to some extent subsequently in the light of the objective evidence of the demoralization in the stock exchanges and the capital market generally. We, for our part, have always believed, and we would continue to believe, that the Finance Minister is sincerely dedicated to the cause of economic dynamism and that he is enough of an empiricist to be able to adjust or readjust his policies to responses and reactions in the national economy.

Towards "Realistic Rates"?

WHETHER IN this country or in the UK — and we still seem to follow broadly, if not blindly, in the footsteps of British Banking — decisions affecting credit always seem to come either belatedly or in inadequate doses, or both when, for instance, Britain recently raised the Bank Rate, the criticisms there was that the relevant announcement (by the Bank of England) came at least a week too late. Perhaps the same comment would be repeated by financial circles here if and when a similar announcement is made by the Reserve Bank of India. That such an announcement is bound to come sooner than later is taken for granted, at any rate in certain circles, especially since the reference to "realistic rates" in the Economic Survey and the latest budget speech of the Union Finance Minister. Some go so far as to see an earnest of it in the latest credit squeeze which was not just a tightening of credit as such but also a slight levering up of interest rates. In fact, scheduled banks have now to pay at least 5.25 per cent on borrowings up to 100 per cent of their total statutory reserves with the Reserve Bank, as against only 4.87 per cent until March 11.

No one seems to be sure of when precisely the Government of India would raise the Bank Rate. One school believes that the time would be after the next slack season, but even this school qualifies its belief by adding that the rise in bank rate would eventuate only if the extent of the return of funds then turns out to be less than during the last slack season. All these speculations only go to show how complex the problem is. In a dynamic economy, the imponderables are so many and so varied that what may meet a situation at a given time, or in one context, may prove wholly unsuitable or inadequate at another time or in a different context. Here probably is an explanation for the

rather sudden reversal of monetary policy within so short a period — between October last, when the Finance Minister himself was talking of liberalising credit to pump-prime the slackening pace of our economic growth and the second week of March, when the busy season was still on, when the credit squeeze came. In fairness to the authorities, it must be noted that, in the interval, there were certainly some unforeseen developments. In the first place, there was a sizable spurt in both money supply and bank credit. The increase in money supply in 1963, for instance, was higher than in either of the two preceding years. Similarly, between October 25, 1963 and March 13, 1964, the increase in bank credit was over Rs. 300 crores, as against an increase of only about Rs. 165 crores for the corresponding busy season period of 1962-63. Secondly, production, both agricultural and industrial, did not keep pace with this increase; on the contrary — and more particularly under agriculture (especially in foodgrains) there was a more-than-anticipatable fall in output. At any rate, the sharp extent of the actual fall was not, and could not have been, expected. The gravity of the resulting situation would be appreciated if it is recalled that, even in 1962-63, there had already been a fall of 3.3 per cent over the previous year. And to make matters worse, in both 1962-63 and 1963-64, there was no retarding of the rate of growth of our population which still continues to be more a pious hope than a positive programme.

What are the objectives of the latest credit squeeze and how far are these objectives likely to be achieved?

The two objectives indicated are (i) to discourage the flow of credit for hoarding and speculation and (ii) to channel credit along desired and productive lines. To the extent that margins, placed or raised on bank advances against commodities in which there are reasons to suspect the existence of undue hoarding or unabashed speculation, or both, can prove effective — and this presupposes that it is mainly bank advances that are employed for hoarding and speculation purposes (which does not appear to be the case) — the first objective may be partially achieved, as, for example, in respect of margins on bank advances against groundnut. But the objective of channelling credit along specific lines, however desirable and imperative, seems more difficult of achievement. It involves not only the calling back of advances already made to long-standing clients at highly profitable rates, but also of making advances to parties or for purposes which, though productive, may not be even correspondingly let alone more profitable than the existing lines of advances. This task becomes all the more difficult when not all the banks in the country are disposed to offer higher interest rates on deposits, notwithstanding the Reserve Bank's advice to them to do so. Whether some banks are or are not well-advised to be reluctant thus to raise interest rates on deposits now when they are encouraged to do so, in preference to postponing the evil day and being left without any choice but to do so later (as when the Bank Rate is raised) is a different matter into which we need not enter now or here. We must await the outcome of the meetings that have been going on between the Reserve Bank and bankers.

EASTERN ECONOMIST BUDGET NUMBER

March 6, 1964

THE BUDGET NUMBERS of "Eastern Economist" are a popular and valued annual feature of the Journal. This year's Number should be of special interest and importance in view of the complexity as well as ingenuity of the economic and fiscal policies presented through the Central Budget.

An attempt has been made in the Budget Number to analyse the various aspects of the Budget proposals and study the Budget documents with a view to bringing out the larger and deeper implications of Government policies for the future course of the national economy. The result is an objective and critical evaluation of the economic situation and outlook at a significant turn in the course of national development.

The Budget Number is illustrated with graphs and diagrams and it features a special section in which important budget documents have been reproduced for record and reference. Priced at Rs. 5 per copy, the Budget Number is available to subscribers without extra charge — a facility which new subscribers may also avail themselves of by entering, before April 10, an annual subscription for "Eastern Economist" at the usual rate of Rs. 65.

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Highlights of the Week

AND STILL THEY COME

THE HARASSED religious minorities in East Pakistan continue to cross over into this country and the arrivals are conservatively estimated at between 3,000 and 4,000 persons per day. How many in all have so far sought refuge in India in the course of the current exodus it is difficult to assess. But it is generally agreed that the figure should be well over 100,000, of whom a third might be Christians. What is perhaps even more disturbing is that if the exodus continues, India must reconcile itself to accommodate, in due course, within its strained economy at least two million more refugees from East Pakistan in addition to the four million who had been received in spells and stages and rehabilitated after a fashion in the 16 years since partition. Even then East Pakistan would not have completely solved its problem of minorities even to its own satisfaction for its present population of Hindus is still of the order of some 9 millions. Assuming that this number is substantially reduced before the current exodus stops, East Pakistan will still have to reckon with the residual presence of several millions of Hindus. Along with the grim probability that periodical revival of bouts of oppression, compelling the minority community to seek safety by fleeing to this country, could well be adopted as a policy by the rulers of Pakistan for reducing still further the size of their minority population, there is also the likelihood of a steady conversion of desperate Hindus to the religion of the majority community. Meanwhile, it is only to be hoped that the rulers of Pakistan will not be tempted to exercise their ingenuity in finding additional ways of extinguishing the presence of minorities in that country. This thought is prompted by allegations heard in Lok Sabha earlier this week that Hindu girls were being abducted and shipped for sale in West Asian countries.

Home Ministers to Meet

Tragic as the fate of the refugees is and urgent their cry for succour, the people and the Government of this country have also to deal simultaneously with the problem, no less grave, of maintaining communal harmony in this land, ensuring the safety of Muslim citizens here and defending the secular character of our State in the face of the violent attitudes aroused in some areas of this country as a result of the influx of refugees. Indeed, the Prime Minister, making his first broadcast to the nation since his recent illness, described this task of maintaining communal harmony in this country as "more important than anything else". Mr. Nehru, who went on the air on March 26, made the point that, while Pakistan had come into existence on the basis of hatred and violence, it would be fatal to the high purposes of our own nation and contrary to its culture if we reacted to happenings in the neighbouring country in a spirit of revenge or retaliation. The Prime Minister disclosed that there was still some hope that Pakistan might find it possible to co-operate with this country in bringing to an early end the current phase of communal tension and hostility. President Ayub Khan, Mr. Nehru said, had found it possible after all to agree to the suggestion which Mr. Nehru had made to him a few days earlier that the Home Ministers of the two Governments should meet early to construct measures for restoring normal conditions. The conference is scheduled to be held on April 7.

Meanwhile, the Government of India as well as the State Governments concerned could derive sombre satisfaction from the fact that the police measures taken by them have succeeded in bringing under control the law and order situation in the various centres where communal trouble had flared up. At a conference of the Chief Ministers of Madhya Pradesh, West Bengal, Bihar and Orissa, which was convened by the Union Home Minister, Mr. Gulzarilal Nanda, several important decisions were taken for dealing effectively with threatened or incipient communal disturbances, particularly, in industrial centres some of which had figured, unhappily, in the recent outbreaks of violence. The conference decided to amend the Trade Unions Act in order to provide that workers in large industrial establishments were not permitted to have anything to do with trade unions other than their own associations. Another important decision reached was that there should be a Central industrial security force. The strengthening of the intelligence service and the improvement of the communication system through the provision of mobile units and wireless equipment were also approved.

Here it is relevant to mention that, while it has been established that the tribal communities in Rourkela and Jamshedpur were mainly responsible for the violence done against the Muslims in those areas, the Government of India does not seem to have any very clear notion on the nature of the trouble-making machinery. While it is contended that the tribal people had reacted violently to the large-scale influx of Christians into the Garo Hills from East Pakistan, it is also being maintained that infiltrators from Pakistan had been responsible for inflaming passions. Communal organisations have also been suspected of fishing in troubled waters and the leader of one such organization has been taken into custody today. In some quarters it is being suggested that the role of Communists or fellow-travellers is also worth examining. When there is so much speculation on an important issue like this, it is clearly necessary that the Government of India should set up an appropriate investigating machinery to make a quick probe and put the public wise as to where the guilt or responsibility might lie. It is evident that this information must be secured and given to the public if its co-operation is to be forthcoming freely for preventing communal disturbances as well as for promoting communal harmony. Otherwise, there is bound to persist an atmosphere of doubt and suspicion, of charges and counter-charges and political propaganda, all of which must come in the way of public collaboration with the Administration in this vital area of national security.

END OR BEGINNING?

IT WOULD be recalled that the UN Security Council at its last meeting, while agreeing to postpone the discussion on Kashmir, appealed to India and Pakistan to refrain from any action that could aggravate the problem. It is a safe bet, however, that even that august body is unlikely to object to the decision taken by the Kashmir Government to withdraw the conspiracy case pending against Sheikh Abdullah and grant him unconditional release from custody at an early date. This is not to say that the impending release of the former premier of Kashmir may not spark off a chain of events which could make the Kashmir confusion worse confounded. Sheikh Abdullah, of course, has himself been a problem within the larger problems of Kashmir. On April 1, in the Lok Sabha, Mr. Lal Bahadur disclosed, for instance, that the question of releasing Sheikh Abdullah had been under consideration at one time or the other during the last 18 months. If it had been left to the recently reorganised Government in the State to take the plunge, it is less because it is no long-

possible to avoid making a virtue of necessity than because a gamble on Sheikh Abdullah's good sense is now considered to be worth the risk. Mr. Lal Bahadur assured the Lok Sabha in categorical terms that, although the timing of the announcement by the State Government regarding the release of Sheikh Abdullah had not been made known in advance to the Central Government, there had been both consultations and agreement between the Government of India and the State Government so far as the decision itself was concerned.

Kashmir has certainly gone through an exciting period in the last 16 years, but the guess can be hazarded that the next few weeks will be as interesting as any earlier period in the history of the State. The million-dollar question now is whether Sheikh Abdullah will return to the politics of the Valley from his long long period of confinement as an embittered exile or with a recovered faith in the destiny of Kashmir as an integral part of the territory of the Indian Republic. *The Security Council is to discuss Kashmir again on May 5.* It is evident that what Sheikh Abdullah may have to say before then to the people of Kashmir and how they receive his words will be much more important than any brief that the Government of India may have prepared for Mr. Chagla or anybody else who may be chosen as the Indian delegate to the Security Council meet.

PRESIDENT AREF IN INDIA

THE VISIT of Field Marshal Abdul Salam Mohammed Aref, President of Iraq, on a week's tour of the country, has come off at a time when India is passing through an experience of great international significance. Pakistan, as is only to be expected, is working its propaganda mills overtime to magnify the communal disturbances in India and advertise them to the world as a colossal failure of the Government of India to maintain communal harmony or the secular character of the State. The President of Iraq had an opportunity to see personally what indeed have been, or are, the actual substances. We are sure that he would not have failed to note the heroic — and what is more to the point — the strikingly successful effort made by the State Governments as well as the Central Government to restore law and order in the troubled areas, protect threatened lives and properties and punish those sinning against communal peace and harmony. He would also have an occasion to ascertain, at first hand, the magnitude of the refugee problem created for this country by the thousands of Hindus and Christians fleeing East Pakistan where the authorities had been both unwilling and unable to assure them security against mob and violence.

During his presence in this country, President Aref was visited by a large number of Indians belonging to all communities. He received, for instance, a deputation of Muslims led by Mufti Atiq-ur-Rehman, the President of Jamiatul Ulema-i-Hind, who informed him about the Pakistan atrocities on Hindu and Christian minorities. He was told that a visit to Mana, a camp where the East Pakistan refugees were housed, could provide a much stronger proof of these atrocities. But the Indian Government did not yield to such acts of propaganda as Pakistan did. Before visiting India, President Aref was taken to Jessore in East Pakistan where infiltrators evicted from India were presented as refugees and got a donation for their relief from the visiting dignitary.

In spite of the unbiased attitude adopted by the Indian Government, the Mayor of Delhi, Mr. Nur-ud-Din Ahmed, was tempted to depart from the text of the welcome address and raised the question of Indian Muslims vis-a-vis Pakistan. Speaking in an emotional strain, Mr Ahmed told the distinguished guest not to forget that like the Arab world, India too was divided into two parts in an un-Islamic way as a result of "imperialist conspiracy". There were 50 million Muslims in India and they chose to stay here while Pakistan Muslims separated themselves. The Mayor, therefore, questioned the right of Pakistan leaders to represent the Indian Muslims and appealed to the visiting President not to be misled by foreign propaganda but to draw conclusions from his own study of the situation.

ONLY FOOLS FLY?

THE THIRTY-FIRST Anniversary of the Indian Air Force, which fell on April 1, was celebrated, though on a restricted — Emergency — scale, by Air Force units and establishments all over the country and, in the Capital, an investiture parade was held at the Palam Air Force Station where the Chief of the Air Staff presented 13 Vayu Sena Medals and seven Vishisht Seva Medals Class III, to Air Force personnel for distinguished service. There has been many a quip about the Air Force Day falling on All Fools' Day and an oft-repeated saying is that "only birds and fools fly". But, seriously, the nation has every reason to be proud of the Air Arm of its Defence Services, which had given so gallant an account of itself in the critical days of the Chinese invasion. That achievement, of course, was no accident, but the normal result of years of dedicated leadership and organisation.

The saga of progress from 'Westland Wapitis' to the Supersonic 'Mig 21's' in three decades, is all too well-known. The advance in the transport and helicopter fields is also often mentioned. But what, perhaps, is not as widely known, is the calibre of the 'fools' who have taken to the air in India's defence. It is, indeed, a matter of pride that all IAF pilots sent abroad for specialized courses in Instructional Flying and Gunnery and to the Test Pilots' School in the UK, the only one of its kind in Western world, have distinguished themselves and, more often than not, have been placed among the top men in the list of the passing out cadets. The opening up of the Himalayan regions of our country to the transport and helicopter aerial traffic was an event which will find a unique place in the history of aviation. It required not only mental and physical courage, but also imagination, self-confidence, meticulous planning and the zeal to meet the challenge that made the logistics support of our army, both during the Kashmir Operations and the Chinese invasion, at all possible. It surely needed the mastery of the spirit of man over mind and machine to bring airfields as high as 16,500 feet within the reach of transport planes and helicopters which were never meant for such tasks by their designers. All this has been possible due to as fine a body of men as is to be found anywhere in the world, who have made it the business, the passion and the glory of their lives to live up to the motto of their service — "Nabham Sparsham Dipt tam", i.e. "Touching the Sky with Glory".



FROM THE PRESS GALLERY

Food Policy Under Fire

By Our Parliamentary Correspondent

NEW DELHI:

THE LOK Sabha this week voted the demands for grants for three more Ministries — the Ministries of Food and Agriculture; Law, Posts and Telegraphs; and Transport and Communications. The other highlight of the proceedings was the presentation by Mr. S. V. Krishnamoorthy Rao of the report of the Joint Committee on the 17th Constitution (Amendment) Bill, which seeks to provide constitutional protection to the land reform enactments covering ryotwari settlements. The House, of course, continued to be agitated over the communal disturbances in East Pakistan and some parts of India.

Although all the members who participated in the discussion on the demands for grants for the Ministry of Food and Agriculture expressed deep concern over the declining trend in agricultural production and rising food prices, the suggestions they put forth for remedying the situation did not throw up any new idea. It was, indeed, surprising that barring one member who obliquely pleaded for setting up large-scale farms in the interest of mechanisation of farming, no voice was heard in favour of establishment of large farms even in the public sector. This device needs to be tried now for stepping up agricultural output in the country.

The food policy of the Government came under fire on the ground that it was becoming more and more foreign-oriented instead of farmer-oriented. State Trading in foodgrains also figured prominently in the debate. While the leftist members, particularly the Communists, pleaded for State trading on a large scale, many others, including the former Minister of State for Agriculture, Dr. Punjabrao Deshmukh, vehemently opposed it. There was general agreement that the farmers should be given adequate inducements for raising agricultural production and that land reform measures should be pushed through vigorously. The need for providing fertilizers, electricity, seeds and irrigation water to the agriculturists at cheap rates was stressed vociferously by many. A lone voice pleaded for cordoning of big cities with a view to bringing down foodgrains prices. The sugar policy of the Government also came in for severe criticism. Many a member took the sugar mills to task for not making prompt payments for cane supplies.

Conflicting Estimates

The Minister for Food and Agriculture, Mr. Swaran Singh, and his colleagues, Mr. A. M. Thomas, Dr. Ram Subhag Singh and Mr. A. S. Shinde, made assiduous attempts to allay the fears that the country was in for a difficult period on the food front due to shortfall in agricultural production in the third successive year. But they obviously failed to create a feeling of confidence. Partly, this was due to the conflicting assessment put forth by them before the House about foodgrains output in 1963-64. Mr. Swaran Singh stated that rice production this year was estimated at 36.4 million tonnes — 400,000 tonnes more than the figure furnished by Mr. A. M. Thomas only two days earlier. Again, while the Food and Agriculture Minister refrained from giving any estimate of wheat production, the Minister of State for Food stated that the output of this commodity was expected around 11 million tonnes. Replying to supplementaries in the Lok Sabha a few days ago, the Minister of State for Agriculture, Dr. Ram Subhag Singh, had stated that an estimate of this year's wheat crop would be available only in May or June next. He had admitted that the cold wave in January last had done sizable damage to the wheat crop in various parts of North India. This suggested that the wheat crop this year would not be 11 million tonnes.

The official spokesmen, however, expressed the hope that as a result of the steps being taken by the Government to check rise in foodgrain prices and with the coming in of new crop, the situation would ease considerably. Mr. Swaran Singh reiterated that the Government would not hesitate to introduce controls at strategic points in the interest of keeping food prices in check. He indicated that the resolution passed at the Bhubaneswar Session of the Congress on taking over of rice mills would be implemented shortly.

From the figures supplied by Mr. Swaran Singh in regard to supply of and demand for sugar, it was evident that the Food Ministry will have to do tightrope dancing if it wanted to meet the situation on the sugar front squarely. The Food and Agriculture Minister estimated that sugar production this year would go up to 2.6/2.7 million tonnes. Adding the 170,000 tonnes carryforward from the previous year, the total availability of sugar this year came to about 2.82 million tonnes. He expected the domestic consumption to be in the neighbourhood of 2.34 million tonnes. Another 0.25 million tonnes, he said, would suffice for exports. Reserving 80,000 tonnes for meeting defence requirements and another 80,000 tonnes for festivals, the varry-over to the next year was estimated at the precariously low level of about 100,000 tonnes. All the calculations of the Food Ministry about sugar, thus, have gone wrong.

Uneconomic Mills

Mr. Swaran Singh hinted that the Government might take over uneconomic sugar mills if the Experts Committee, now studying this question, recommended that the change of management would be a better way of rehabilitating these units than the grant of heavy loans. He also announced that the co-operative sector in the sugar industry, which had been doing well, would be granted additional crushing capacity. He declined to accede to the demand that movement restrictions on gur and khandsari should be removed. Mr. Shinde revealed in the House, amidst cheers, that the Coimbatore Sugar Research Station had evolved a new variety of sugarcane which would revolutionise cane cultivation in India. This variety, known as 740, had yielded as high a cane crop as 238 tons per acre. The sucrose content in the 740 variety, Mr. Shinde said, was between 11 and 13 per cent.

The debate on the demands for grants for the Ministry of Law was notable for the concern expressed by members over mounting costs of elections, Government's failure to effect separation of judiciary from the executive, inordinate delays occurring in dispensation of justice and prevalance of corruption among the lower officials in courts. The unfortunate conflict in U.P. between the judiciary and the State Legislature also figured prominently in the debate. A plea was also made for making the Muslim Law up-to-date and for appointment of High Court Judges and heads of labour tribunals and labour courts on merit. The institution of Nagpur Panchayats was characterised by one member as a "perverse system of administration of law in villages". For bringing down election costs, it was suggested that the Election Law should be radically changed. Simplification of law procedures was urged in the interest of quick dispensation of justice and

at lower cost. Setting up of an All-India Commission was demanded for this purpose.

In his reply, the Law Minister, Mr. A. K. Sen, disclosed that the Chief Election Commissioner had been asked to suggest changes in the Election Law for making it a simpler legislation. He informed the House that eight States had separated judiciary from the executive and expressed the hope that the remaining ones would expedite this process. He regretted that the scheme for providing legal assistance to poor litigants had foundered because the State Governments were not prepared to finance it. Only the Kerala Government, he said, had implemented this scheme and that too partially. For expeditious disposal of court cases, the Minister said, measures were being taken to increase the number of judges and for simplification of legal procedures. Mr. Sen refuted the charge made by a Socialist Member that minorities were not being provided full protection under the law. The Constitution, he pointed, did not recognise any majority or minority and gave equal rights to all citizens. Briefly referring to the conflict in U.P. between the Legislature and the Judiciary, Mr. Sen opined that the various organs — the Executive, the Judiciary and the Legislature — should keep to their own spheres and not infringe upon the domain of others. Only this way, he said, a delicate balance could be preserved in our system wherein authority was divided.

P & T Board

The discussion on the demands for grants for the Department of Posts and Telegraphs was significant for the plea made by various members for raising the status of the P & T Board to that of the Railway Board. The Members generally congratulated the Department for its working, but some voices, though feeble, were also heard alleging deterioration in the Department's efficiency. It urged that in view of the long waiting list for telephone connections, another telephone equipment manufacturing unit be set up. The collaboration arrangement between the Indian Telephone Industries and the Belgian firm, Bell Telephones, for the manufacture of cross-bar type telephone equipment and supply of certain stores came in for vehement criticism on the ground that the French subsidiary of the Belgian firm had been alleged to be indulging in espionage activities in Tunisia. The Minister, Mr. A. K. Sen, however, stoutly defended this deal and pointed out that all the facts about it had been placed before the Cabinet which took a decision on the matter. About the alleged espionage activities of the associates of Bell Telephones in Tunisia, he said, that they had supplied only the equipment and the secret tapping of telephone messages in Tunisia had been done by some French employees engaged by the French-managed Telephone Corporation there. It had been confirmed that the French subsidiary of Bell or any of its employees was never accused of espionage

Intervening in the debate earlier, Mr. B. Bhagwati, Deputy Minister for Communications, told the House that the P & T Department would reach the targets set under the third Plan and even exceed the physical targets in certain spheres. By the end of the third Plan, he said, there would be about 100,000 post offices functioning in the country. All the headquarters of Panchayats, National Development Blocks and Community Development areas would be provided with post office savings bank facilities. The number of telephone connections would go up to 800,000. Mr. Bhagwati further stated that the plans being carried out for introducing coaxial system, micro-wave system and carriers would make possible introduction of subscriber dialing of telephones between the important cities in the country.

During the debate on the demands for grants for the Ministry of Transport, the members called for greater attention to be paid to the development of roads and inland waterways and improvement of the facilities for foreign tourists. Replying to the debate, the Minister for Transport, Mr. Raj Bahadur, presented a reassuring picture of Indian shipping. The original third Plan target of raising the shipping tonnage of the country to 1.1 million GRT, Mr. Raj Bahadur said, had been achieved 2½ years in advance; by November last, the shipping tonnage of India had gone up to 1.213 million GRT. With the proposed acquisition of 19 more bulk-carriers for overseas trade, the Indian shipping, he added, would be in a position to get a much greater share in the haulage of the country's foreign trade. He announced that an official team would visit Japan in the middle of April to conclude an agreement with Mitsubishi for the construction of the second shipyard at Cochin. All the hurdles to the agreement with the Japanese firm, he said, had been cleared.

About development of inland water transport, Mr. Raj Bahadur stated that the Government had decided to set up a separate directorate to plan and design full utilisation of the river potential in the country. In regard to development of roads, he disclosed that the Rs. 100 crore scheme for the construction of a road from Bareilly (U.P.) to Amingaon (Assam) along the Himalayan tarai belt, had been approved. This road would greatly facilitate the economic development of U.P. Bihar, West Bengal and Assam. Efforts, the Minister added, were also being made to include in the fourth Plan the scheme for the construction of the East Coast road in Madras. Attention was also being paid to constructing a coastal road in Gujarat. In regard to tourism, Mr. Raj Bahadur stated that about 40 main recommendations of the Jha Committee had already been implemented and the remaining ones were receiving the attention of the Government. It had been decided, he said, to set up a corporation to build hotels in the public sector. This would help in providing more hotel accommodation in the country for foreign tourists.

Working of Airlines

The Deputy Minister for Transport, Mr. Ahmed Mohiuddin, dwelt at length on the working of the Air-India and the Indian Airlines Corporation and disclosed that the IAC had decided to purchase Avro-748 (Series II) aircraft from the Kanpur Defence Depot. He assured the House that effective steps were being taken to improve and strengthen the Indian airports in the light of the modern trends in civil aviation.

The Joint Committee of Parliament on the 17th Constitution (Amendment) Bill has recommended that the lands which are personally cultivated and are within the ceiling limits should not be acquired unless the law relating to the acquisition of such lands provides for payment of compensation. Compensation, it has further suggested, should not be less than the market value of such lands and should cover not only the land acquired but also the buildings and other structures standing on it.

Out of 124 State enactments, which were originally proposed to be added by this Constitution (Amendment) bill to the existing list of 20 protected land laws in the 9th Schedule, the Commitee has selected only 36 Acts. The other 88 Acts, it says, should not be included in the 9th Schedule to the Constitution because they have been either already implemented without being challenged or they have stood the test of challenge in courts.

The Committee, however, has added another eight enactments to the 9th Schedule. These are: (1) Kerala's Jenmikaram Payment (Abolition) Act, 1960; (2) The Kerala Land Tax Act, 1961; (3) The Gujarat Surviving Alienations Abolition Act, 1963; (4) the Kerala Land Reforms Act, 1963; (5) The Orissa Merged Territories (Village Offices Abolition) Act. 1963; (6) The Andhra Pradesh (Talangana Area) Tenancy and Agricultural Lands (Validation) Act, 1961; (7) The

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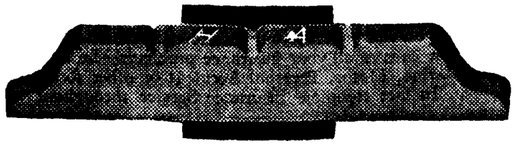
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Hyderabad Tenancy and Agricultural Lands (Re-enactment, Validation and Further Amendment) Act, 1961; and (8) The Hyderabad Tenancy and Agricultural Lands (Validation) Act, 1961.

The Committee has further recommended that the Rajasthan Tenancy Act, 1955, should be included in the list of protected laws only on the condition that no land is acquired under it without payment of compensation under the formula proposed by the Committee. In regard to the Bihar Land Reforms (Fixation of Ceiling Area and Acquisition of Surplus Land) Act, 1961, the Committee has recommended its inclusion in the 9th Schedule with the exclusion of Section 28.

The report of the Committee is not a unanimous one. Five minutes of dissent have been attached to it. Mr. S. D. Patil in his minute of dissent has opposed additions to the list of protected laws on the ground that it was not safe to ask Parliament to pass these enactments. They should stand the scrutiny of competent judiciary. In the second minute of dissent, Mr. P. R. Patel has said that the amending Bill should have had a provision requiring the States to exempt certain types of plantations from the purview of the land ceilings legislation. It is also unconstitutional, he suggests, to validate, as proposed by the Committee, some of the enactments which, in his view were passed by State Legislatures trangressing their jurisdiction and legal bounds. In the third minute of dissent, appended by Mr. Kashi Ram Gupta, Mr. Ram Savak Yadev and Dr. L. M. Singhvi, it has been suggested that the Constitution amendment should have been phased as to make clear that the ownership of the lands and buildings acquired would be transferred to the tillers of the soil, agricultural labourers or artisans. Dr. Singhvi has added another separate minute to the dissent wherein he withholds his support to the Bill as amended by the Joint Committee, on the ground that some of the inherent deficiencies of the original Bill had not been removed. Mr. P. Ramamurti and Mr. A. V. Raghavan have dissented from the Joint Committee on the inclusion of the Kerala Land Reforms Act, 1963, in the 9th schedule.

Question Hour

Foreign Credits: The Union Finance Minister, Mr. T. T. Krishnamachari, revealed in the Lok Sabha on March 26 that the Government of Japan was considering the question of extending to India suppliers' credit to the tune of $ 15 million (about Rs. 7 crores) for purchase of textile machinery. It was difficult to indicate at this stage how much of this credit would be available to the new textile units and how much to the existing ones, he added. The loan, however, would cover only a small portion of the Indian textile industry's needs which for the current Plan period were estimated at Rs. 320 crores.

The Finance Minister also indicated that the German Democratic Republic was willing to discuss with the Government of India projects needing long-term aid. The proposal was under the consideration of the Union Government.

HEL's Expansion: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, told the Lok Sabha on March 28 that the Government had approved the expansion of Bhopal Heavy Electricals for the manufacture of steam turbines and turbo-alternators to 600,000 KW per annum capacity. The present British collaborators of this public sector undertaking would be assisting in this expansion programme. During the fourth Plan period, Mr. Subramaniam said, the annual power production programme was expeced to be 2 million KW.. Fifty per cent of this might come from hydro-electric projects and the remaining 50 per cent from steam turbines projects.

Mineral Deposits: Mr. Subramaniam also told the Lok Sabha on March 28 that deposits of gold, iron ore and limestone were known to occur in Kerala. No deposits of lead ore, however, had been located in this State. Geological mapping of the gold belt in this area—Wynaad goldfield—had been originally undertaken at its Madras end. It has now been extended to Kerala. It was too early to comment on the possible outcome. The reserves of iron ore, with 32 to 38 per cent iron content, at Ettakkad, Kachcheri, Malapuram Madhuvallur, Nelambur and other places in the Kozhikode and Palghat districts had been estimated around 17 million tonnes. The limestone deposits were reported in Pandaretu Chemmanthimalai, Nettuvangai and Vembanad Lake areas.

Development of Collieries: The Deputy Minister of Steel Mines and Heavy Engineering, Mr. P. C. Sethi, revealed in the Lok Sabha on March 28 that owing to the delay in the utilisation of the World Bank credit by the private sector coal mines, the programme of modernisation of colleries had slowed down. Even if the entire loan was now utilised by the revised target date of September 30, 1965, the benefits resulting from modernisation could be derived only during the fourth Plan period. Mr. Subramaniam added that wherever amalgamation of collieries had taken place, the situation had improved. The progress recorded in regard to amalgamation of coal mines, however, had been very little because amalgamation at present was done on a voluntary basis.

STC's Expansion: The Minister for Industries, Mr. Nityanand Kanungo, denied in the Lok Sabha on March 27 that the State Trading Corporation was hesitating to extend its activities because of representations received from the private sector. The objection from certain quarters in the private sector to the operations of the STC was well-known and constant, but the reason why the STC was not taking over more products under its umbrella was that its hands were already full. The Memorandum of Association of the STC, the Minister stated, specified no limitation to its scope. No immediate programme for further expansion of the activities of the STC, however, was under the consideration of the Government.

Mr. Kanungo gave the following other informations to the House on March 27 and 28.

Tea Exports: The Swiss Government had recently abolished customs duty on Indian tea and the Tea Board had undertaken a pilot campaign to promote Indian tea in that country. It was done through sampling at the consumer level. Switzerland imported larger quantities of tea from India in 1963. The quota of Indian tea imported by Switzerland improved from 24 per cent in 1962 to 30 per cent in 1963.

Social Security: Mr. T. T. Krishnamachari told the Lok Sabha on March 26 that the Government proposed to tackle the problem of social security sector by sector. Provision for social security for the country's entire population, the Finance Minister said, was a big problem, but "we are not going to be frightened by it.' Every assistance would be given to the Labour Ministry to undertake this programme.

The Deputy Minister for Finance, Mrs. Tarakeshwari Sinha, stated that the Government was actively considering a pension scheme for the aged. A committee of officials had been set up to go into matters relating to formation of social security measures for Government servants (both belonging to the Centre and the States) and generally for all employed persons in regard to pensions and allied benefits to the family, educational facilities for the children of the employees, housing and medical facilities etc.

OUR POPULATION PROBLEM—II

Can the Birth Rate Look After Itself?

R. CHOPRA

PERHAPS IT may not be out of place to mention that that the Registrar-General predicted in 1951 that taking into consideration all possible methods of increase agricultural production, i.e., irrigation, increase of acreage under crops and other methods, the effort to keep pace with the unchecked growth of population was bound to fail after the 450 million mark had been passed—which has incidentally happened. It be also his substantiated opinion that industrialisation is not the answer to the food problem.

Many would dispute the Registrar-General's opinion, but its significance lies in the fact that the land is not inexhaustible. Even if the "point of no-return" is not reached with a population of 450 million, it may not be very far from it.

Let us now consider the population at the world level. The rate of growth is not the same everywhere. Generally speaking, one group of industrialised countries consisting of Japan and most of the European countries will double their population in 50 to 100 years. Another group of industrialised countries consisting of the USA, USSR, Australia, New Zealand, Canada etc. (relatively sparsely populated at present) are doubling their populations in 30 to 40 years. The rest, that is the under-developed countries of the world containing two-thirds of the total population, are growing at the rate which will double their populations in 20 to 40 years. India's population as mentioned elsewhere will increase from 450 to 900 million in 35 years.

European Example

What are the prospects of the birth-rate in India falling to the level prevailing in, say, Europe at present? And when? Let us study the case of western Europe which was the first to feel the impact of the industrial revolution, increase in education, standards of living etc.

Most of the industrialised countries of the world have gone through :

(a) a period of high birth and death-rates; (b) followed by a period of high birth-rate and low death-rate and eventually (c) the period, which is at present, of low birth and death-rates.

India is at present passing through the second stage i.e. high birth-rate and low death-rate*. When will we reach the third stage i.e. of low birth and death-rates? Let us compare our position with that of those of the western countries where the birth-rate is very low to see how and when will our present rate of growth decrease by itself i.e. natural decrease.

Before the Industrial Revolution there was a balance, more or less, between the birth-rate and the death-rate in Europe. This uneasy balance, however, was upset with the advent of the Industrial Revolution which led to a substantial reduction of the death-rate. This was partly because of better transport and communications, wider markets and greater productivity but more directly because of the development of sanitation and, later, modern medicine.

The immediate result was a huge increase in population. Estimates show that between 1750 and 1900 the population of Europe with its overseas offshoots increased nearly four times. This spurt in the growth was finally checked when Europe reached the third stage i.e. low birth and death-rates. In some countries, the trend began early in the nineteenth century but in most of the countries of Europe the birth-rate, generally speaking, dropped significantly during the later part of the last century.

All experts agree that 'the main cause of the decline in the birth-rate was the deliberate and conscious increase in the practice of avoiding conception by the adult population.' Since the rapid decline took place in the days when artificial contraceptives were crude and supplies inadequate, it can be said that the birth-rate fell due to the change in people's attitude towards producing children, brought about by the industrialisation and modernisation of western Europe. Large families were no longer thought necessary as in agricultural societies (more hands to work, more wealth) or where the rate of survival is low. Material comforts for the family and better educational upbringing of the children was considered more desirable. Who has not heard of the dilemma of the newly-married couple in a wealthy country who could not decide between having a baby or buying a car? Or of parents who limit their families to send their children to college?

The decline in the birth-rate continued till in the early 1930's; the birth-rate was only slightly more than the death-rate.

Baby-Boom

In the 1930's there was, however, a revival in the birth-rate in some countries but the increase lasted for a few years only. It should be remembered that even this increase was much lower than the birth-rates in the under-developed countries including India. For example, in 1947 while the so-called "baby-boom" was going in Europe, the USA etc., the average annual birth-rate was about 24 per 1000 population and the death-rate was 14. In other words, the population was increasing at the rate of 1 per cent per annum which is substantially below India's current rate i.e. nearly 2.4 per cent. The boom lasted a short while and the birth-rate has since fallen.

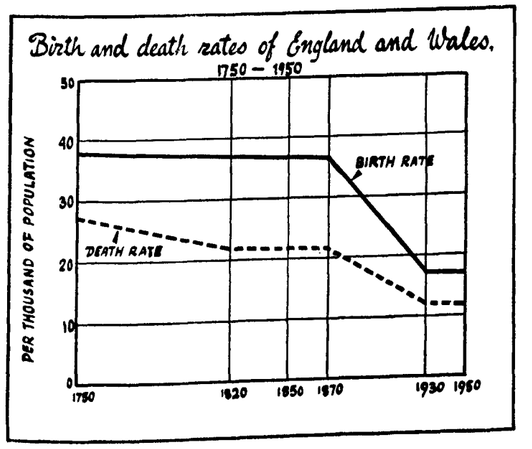
The transition period from the second stage i.e. high birth-rates and low death-rates, to the third stage i.e. low birth and death-rates lasted nearly 70-100 years. The graph (page 781) clearly show the birth and death-rates of England and Wales for the period 1750-1950).

In India, the birth and the death rates were both high prior and up to 1921. The death rate started declining after 1921 till in 1961 it was slightly more than one-third that in 1921. In the period 1951-61, it fell by over 10 points. The birth-rate, on the other hand, fell slowly from 49.2 in 1921 to around 40 in 1961. It has been more or less stationary in the period

*As Helleiner, in his "The Vital Revolution Reconsidered" says: A good illustration is offered by contemporary India. Between 1891 and 1921 a high and nearly constant level of fertility was combined with relatively high but fluctuating death-rates. Death-rates fluctuated in response to famines induced by crop failures and to the incidence of major famines. The result was a very slight rise in population. Over the interval 1891 to 1921, the total growth was little more than 5 per cent or an average of less than one-six th of one per cent per annum. After 1921, while the level of fertility and that of "normal" death remained constant, the sudden and violent peaks of the death-rate due to epidemics and famines disappeared. The absence of major calamities of this sort since 1921 has produced a growth rate that over the period 1921-1951 has exceeded one per cent per annum.

1951-61 with a tendency for a slight rise. This has resulted in the rate of population increase going up from 1-1.5 per cent in the period 1921-51 to 2.4 per cent in 1961. It is estimated that this rate will continue for some time to come.

While making a comparison with western Europe several important differences must be kept in mind. First, the birth-rate in India has been consistently above 40 whereas in Europe it was around 35-37 during the high birth-rate period. Secondly, thanks to the low-cost, highly-developed health techniques, the death-rate, in India, fell sharply and over a relatively smaller period whereas the decline was very gradual in Europe. Thirdly, India was already a very densely populated country



compared to Europe at the beginning of the Industrial Revolution. And last, but not least, India and the other densely populated countries do not have any empty continents to fill with their surplus populations which Europe could. In fact, immigration which was a major check to the pressure of population in Europe is absolutely out of the question for India and other Asian countries.

So, we are now armed with the fact that India will also reach a stage when there will be a natural decline in the rate of increase of population. We know that the death-rate will continue to fall though not so rapidly as in the decade 1951-61. The birth-rate has been stationary for some time and may, perhaps, show a very slight decrease in the near future. But the surplus of births over deaths will NOT decrease or decrease significantly for at least a few decades. As mentioned earlier, it may even show a slight increase over the next few years.

If India is to follow the trend of Europe, it can be roughly estimated that there will be no significant reduction in the birth-rate for another 20-25 years followed by a gradual decrease. This means that we shall pass the 1000 million mark during this century. Even the most optimistic planner in the country would get discouraged when faced with this population figure!

What the 1000 million population will do to our standard of living is best left unsaid. Obviously, therefore, if we let the population grow uncontrolled, hoping that as in western Europe, improved living conditions would bring about a natural decline in the rate of increase, we may be quite sure that the rapidly growing population would itself prevent the achievement of modernisation (and thus material improvement), we are depending upon to bring the birth-rate down.

It would be worthwhile to clinch this point by quoting from an article on Population by Joseph M. Jones, which appeared in the Supplement to the 'American Review' in July, 1963 :

> "In addition to widely prevalent hunger and malnutrition, under-developed countries have many conditions in common, including (1) low per capita income, (2) a low rate of savings and investment, (3) high illiteracy, (4) a high proportion of the labour force engaged in agriculture, (5) a high percentage of dependent children, (6) low industrial output, (7) poor roads and communications and (8) a high incidence of disease which depletes the energy of the workers. They also have in common (9) very high birth rates.
>
> **"If birth rates were reduced, all the other conditions here mentioned could be much more easily improved, and this would speed up economic development and increase levels of living.**
>
> "Economic development requires greater investment — in agricultural industry, in public health, in education—and increased expenditures for public services and more efficient government administration. Increased investment requires greater savings. High birth rates operate to reduce savings: they increase the burden of mere subsistence in relation to income; they produce high percentage of dependent children; they increase the burden of education and other public services; they increase pressures on already densely settled land; and they create overcrowding, undermine health, and reduce productivity."

Do we need more convincing?

(To be continued)

SPECTACULAR PROGRESS DURING 1963

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WINDOW ON THE WORLD

More Gold from Russia

PAUL BAREAU

LONDON :

ONE OF THE many projects that will be debated by the United Nations Conference on Trade and Development which opened in Geneva on the 23rd March, is the future and possible improvement of the international monetary system. The 1,500 delegates representing 122 countries may find in this a tempting but dangerous diversion from subjects which would be more appropriate to their discussions. The international monetary system and the adequacy of international reserves is admittedly of prime importance to the future growth of world trade and to the interests of developing nations which are the immediate objective of the Geneva conference. But that conference, unfortunately will have no executive powers. It will talk and influence opinions but it cannot act, except indirectly by making some impact on policy makers.

In the realm of trade policy, tariffs, quotas and the rest, the executive arm will remain the General Agreement on Tariffs and Trade (GATT) whose discussions on the Kennedy round of tariff reductions are due to start, also in Geneva, on May 4th when the UN Conference should still be in full cry. On monetary policy and the improvement of the international payments system, the executive arm must be the International Monetary Fund whose experts are deeply involved in the study of new projects for improving world liquidity. Their work is being paralleled by meetings in Paris of a working party of the ten most important industrial countries. The debate on this subject at the Geneva UN Conference may be highly sophisticated, but it will be necessarily arid since it will be held in an operative vacuum.

Russian Contribution

Turning from the debate on this subject to action, it is somewhat paradoxical to note that the most positive contribution to the problem of world liquidity and to easing the strain on the two reserve currencies, sterling and the dollar, has recently been made by Soviet Russia. This it has done through large sales of gold. It is estimated that in 1963 sales of Soviet gold amounted to between $500 and $600 million. These operations are by no means over. The 1964 selling campaign has just begun with a batch of sales valued at about $45 million. This gold is being sold in order to provide the currencies required to pay for the substantial imports of wheat and other cereals which Russia and other Soviet bloc countries are being compelled to make. The Soviet authorities appear to be determined to pay cash for the bulk of these purchases. Credit terms offered to them have been spurned though, it should be added that the Soviet government is showing intense interest in long-term credit to finance its purchases of capital goods in Western countries. When it comes to short-term credit facilities to finance the movement of consumer goods, the Russians take another view of the problem, recall the Marxist aversion to usury and decide to pay cash.

This is very welcome to the Western countries at the moment and there are great hopes that the procedure will continue. It should continue in the first place because further substantial purchases of grains will have to be made by the Soviet agencies between now and the next harvest, and secondly because there appears to be plenty of gold left in Russian reserves. The leading bullion house in London, Samuel Montagu & Co., estimate in their recently published Bullion Review, that current gold production in the USSR is well in excess of $200 million a year and that Soviet gold reserves are substantially over $2,000 million.

Most of the Russian gold sold during the past year was thankfully absorbed by the international gold pool whose mysteries were recently unmasked by the Bank of England in the Quarterly Bulletin for March 1964. This pool is described by the Bank of England as "a kind of gentlemen's agreement, evolved over the past two or three years with the aim of co-ordinating the gold operations in London of certain European central banks and of the Federal Reserve Bank of New York." It came into being as a result of the dollar scare of October 1960 when the free market price of gold rose to over $40 per ounce. This convinced the US authorities that measures would have to be taken to stabilise this market if the whole structure of exchange rates, including that of the dollar, was not to be threatened. The pool was thus formed, the United States taking a 50 per cent share in the consortium, with the balance provided by the central banks of Belgium, France, Italy, the Netherlands, Switzerland, Western Germany and the United Kingdom.

Gold Pool's Objective

The pool now works both as a buyer and a seller and with the objective of minimising the fluctuation in the price of gold. In 1962, at the time of the Cuba crisis, it had to make substantial sales but by the end of the year the losses had been completely recovered. During 1963 no contributions whatsoever had to be made by the participants to support the market, i.e. to prevent gold rising in price. On the contrary, rather more than $600 million was brought and shared out among the participating central banks. The figure in fact approximately corresponds to the amount of Russian sales, and the distribution of this "red" gold has helped to fortify both US and UK gold reserves during the year.

This tale is likely to be repeated in 1964. At the first hint that the Soviet authorities were in the market as sellers of gold, every potential buyer of the metal disappeared from sight. The price which had been held at $35.10 promptly fell to $35.06 and the bulk of the gold on offer was taken up by the authorities, no doubt acting once again for account of the international pool. The operations of this pool and the fact that the central banks no longer deal in the London free market for their own individual account, have involved a considerable loss of business for the main bullion dealers.

Another factor which has tended to diminish the turnover of the market has been the substantial curtailment of sales to the Middle East for ultimate destination to India On this particular subject Messrs. Samuel Montagu point out that following the coming into effect of the regulations of January 1963, abolishing the free internal market for gold, there was a period of some months during which there was a drastic curtailment in the demand for gold from those Middle East centres which were known to be the source of supply in the Indian market. In the latter part of the year, however, this demand again became quite large and this firm concludes that "it would appear that the attraction of a price roughly double that of the international market, has been sufficient incentive for the smugglers to enable them to find means of circumventing, at least to a certain extent, the restrictions on their activities".

In a subsequent part of their report, Samuel Montagu wonder whether reliance on various forms of international credit may not diminish the role to be played by gold in the settlement of international payments. But given what happens to the price of gold when the freedom of the market is tampered with, one must agree with them when they write "it is difficult to believe that the world could turn its back altogether on gold". This will surely rank as one of the great understatements of the century.

First Round in Geneva

From Our Special Correspondent

PARIS:

THE OPENING speeches at the Geneva world trade conference may not have set the tone for the whole of this long meeting; it is due to last almost three months and could take an unexpected turn. But they showed that two of the protagonists — the Common Market, and the spokesmen of the developing countries—approached the marathon in a fairly conciliatory mood. The representative of the European Economic Community opened with a defence of that organisation, citing figures on its trade with developing countries which cannot have failed to convince, or which, at the very least, will make it difficult for later orators to stigmatise its "protectionism". From the other side, the Argentine economist Raul Prebisch who is secretary-general of the conference, made it clear that the developing countries were not going to concentrate their fire on the Common Market; they had other targets for attack no less interesting. A head-on collision between these two groups having thus been avoided at the outset (which does not mean that it cannot occur later), there was time to see that there were many points of concord between the "plans" put forward by each of them. There were points of discord too; specifically, issues on which the developing countries will quote the practice and the precept of Britain against the Common Market Six. Yet, having begun by noting points of agreement, the two parties should be able to discuss their differences more calmly later.

Principal Customer

It was M. Brasseur of Belgium who cited on behalf of the Six their trade record. Their imports from developing countries were $ 7,119 million in 1957 (before the Common Market existed), but they rose to $ 9,000 million last year, an increase of just over 25 per cent. No other importer has increased its purchases from that source so fast, and the Common Market has become the principal customer of the developing nations. It buys from them twice as much as Britain or the USA (it buys as much as those two countries combined), and ten times as much as Russia. While its imports from all developing countries were rising 25 per cent, its purchases from its "associates" in Africa rose only 12 per cent, which indicates that the Euro-African association has not damaged the commerce of outsiders.

Mr. Prebisch presumably knew all this and, in commenting on his report on trade and development which serves as basic document for the conference, he was quick to say that the developing countries did not incriminate the Common Market alone. He cited a calculation to the effect that if the USA followed a more liberal policy in importing raw materials, the exporters of those commodities could earn $800 million yearly more than they now do. More than that, he had a surprise for the instigators of the UN trade conference—the Soviet bloc — for he revealed that its inadequate imports from the developing world were going to be one of the main subjects of complaint. In 1962, he said, Western countries bought $21,030 million worth from developing nations, whereas the European Communist countries bought a mere $1,420 million There were, of course, many reasons other than Communist protectionism for this discrepancy, but Mr. Prebisch was sure that the markets of the Communist bloc constituted an "immense potential" for the developing world, and one of the aims of the conference should be to see that it was used.

Passing to the points of agreement between the arguments of the developing nations and the Six (or some of them at least, notably France and Belgium), there was concordance in their opening emphasis on the necessity to organise markets rather than to let the free market sort matters out. U Thant and Mr. Prebisch were as definite about this fundamental opinion as the British were insistent on their opposition to any scheme that would make raw materials more expensive. Presenting the French case for organised markets, M. Giscard d'Estaing was careful to avoid open challenge to the contrary British view, but quite definite in stating his belief in schemes to "regularise" commerce, "moderate fluctuations in commodity prices" and raise the price of temperate-zone foodstuffs. Aware that the French memorandum on this subject had aroused interest in India, he extended his projects to include world trade pacts on tea and certain other tropical products.

Synthesis of Views

Mr. Prebisch, then, was able to quote the French document approvingly. But he also took up the points that attract the developing nations in the liberal case of the Anglo-Saxons. In fact his report is a synthesis of the free-trade and organised-market viewpoints, so much so that one is entitled to recall the argument set out on this page last week: by trying to get the best of both worlds, to extract concessions from two Western camps whose trade philosophies are incompatible, the developing nations run the risk of asking the impossible and of discrediting all plans to reform world trade. It might be tempting to add up the gains the developing nations would make if the Common Market and the USA started importing as many Asian manufactures as Britain does, if the Six and the Americans started buying as much food abroad as Britain but if all of them paid the high prices suggested in the French food plan, if all the industrialised nations were to buy more commodities and simultaneously iron out fluctuations in their price, and if — to boot — the Communist bloc were to buy more. But it would not be realistic. To pick the plums out of the rival puddings would be to ruin all the cooks.

There is similar contradiction underneath another point on which Mr. Prebisch, on behalf of the developing nations, endorsed a suggestion in the French plan. This concerns regional groupings between developing economies, such that they could grant each other mutual preferences without, for all that, being obliged to constitute a common market or free-trade zone as these are defined in GATT's strict rules. The virtues of such regionalisation, at the expense of the "most-favoured nation" clause, are urged both by the Franco-Belgians and the developing countries. Yet at the same time the latter take up the British plan for a preference to be granted by industrialised countries to the industrial exports of all developing nations without distinction. This is an anti-regional plan; one of its first implications, of course, is liquidation of the system of Commonwealth preferences. In contrast, the

Franco-Belgian plan named after M. Brasseur foresees that industrialisaed powers would grant selective preferences to certain developing countries, and for certain products; it is understood that the selection would be related to the formation of regional groups within the developing world. Once again, one suspects that by picking out attractive features of inconsistent plans some spokesmen of the developing world are trying to have it both ways. The suggestion for universal, non-discriminatory preferences in favour of all developing countries is a free-trade doctrine; the plans for regional groups is an organised-market doctrine. They cannot be married at will.

Agreement, real or apparent, between the Continental and developing-nation cases gives way to opposition when the matter of trade in manufactures is taken up. The Brasseur plan, since adopted by Paris, does indeed foresee some increase of imports of Asian manufactures into the West, but on a carefully regulated basis that appears frankly stingey to such as Mr. Prebisch. The import liberalism of the Common Market, shown by the figures cited above, does not extend to manufactures: whereas some 13 per cent of all British imports of industrial goods comes from the developing world, this figure is only 8.8 per cent for the USA and somewhere between 1 and 4 per cent for the Six. Mr. Prebisch believes that this unwillingness to open the taps wider stems from an exaggerated idea of the threat that such "cheap" imports represent for Continental industries. His argument on this point is worth citing.

"In 1961 the exports of manufactures from developing countries were worth only $2,000 million. Suppose that they increased to $10,000 million by 1970 (which is extremely optimistic), this would wipe out half the trade deficit of the developing world expected at that date ($20,000 million). But that figure would still amount to a mere 4 or 5 per cent of the increase in consumption of manufactures inside industrialised nations in the period 1961-70." In other words, there is room for a notable increase in imports of Asian manufactures into the West; the "flood" of cheap industrial goods would be a mere trickle that would be lost in the upsurge of Western consumption in this decade.

This argument has yet to be answered in Geneva. No doubt these global figures would have to be broken down so that one could see if they were in reality likely to be concentrated on certain products (so that there was a danger of annihilation of single industries like textiles), or to impinge on the trade balances of certain countries that already run a deficit. But it is clear that this sort of abstract reasoning cannot be combined with plans to combine such concessions on manufactures with equally costly concessions on food and raw material prices. In sum, various plans have been tabled in Geneva and much of the rest of the conference will be concerned with choosing between them, once it is admitted that they cannot be combined.

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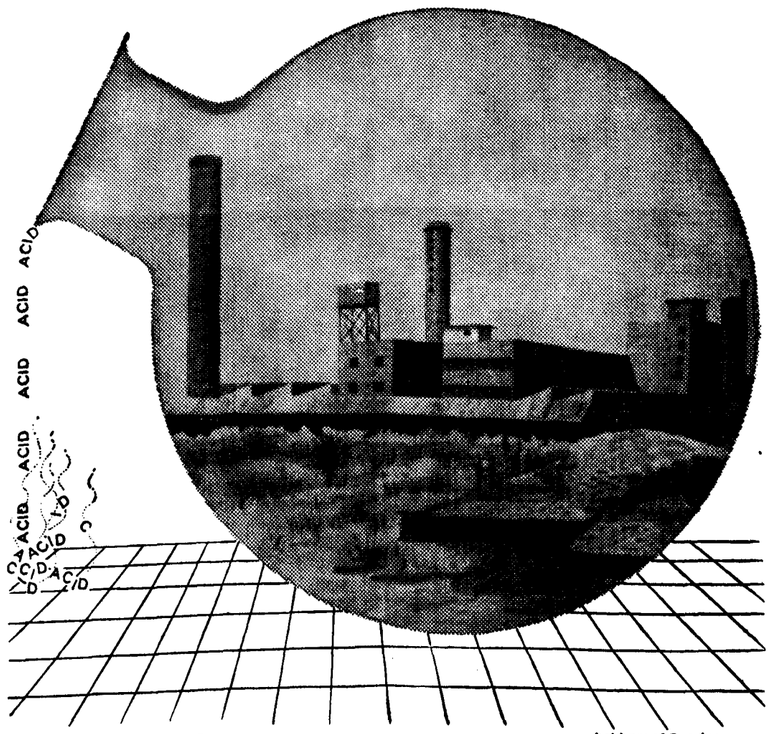
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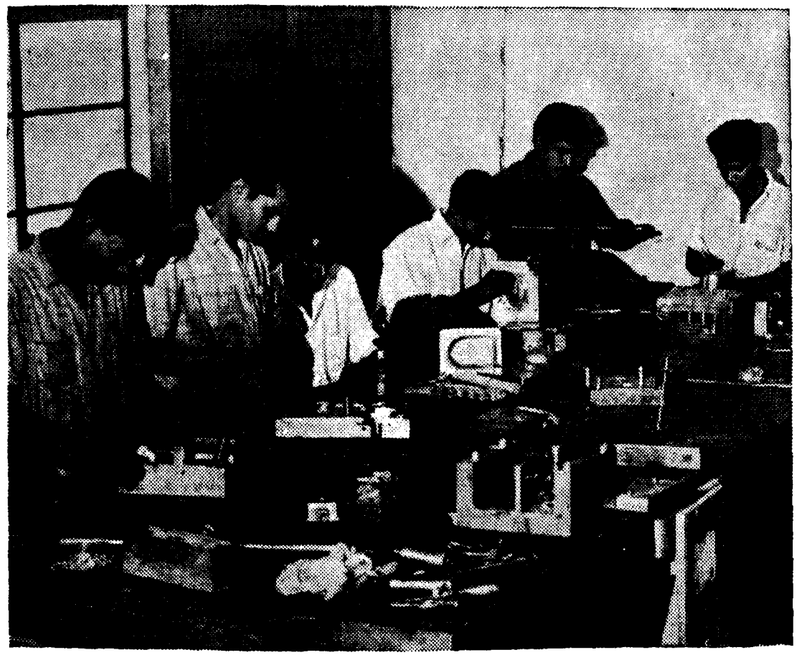
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LISTENING POSTS

Imports Tuned to Development

By Our Special Correspondent

NEW DELHI:

DESPITE A substantial improvement in export earnings in 1963-64, the import policy for 1964-65, announced on March 31, continues to be restrictive except in respect of imports to meet the requirements of defence, the small-scale sector and export-oriented industries. The overall import bill of the established importers and actual users is proposed to be maintained approximately at the 1963-64 level. Within this ceiling, an attempt has been made to adjust import quotas with a view to ensuring all round increase in production.

The new policy, however, is a substantial improvement over the one followed hitherto inasmuch as it seeks to expedite issue of import licences. The last date for the submission of applications for import licences has been advanced by 45 days. A provision has also been made to allow utilization of import entitlements for the second half of the annual licensing period immediately after October 1, 1964 instead of after six months of the date of issue of import licences. Import procedures are likely to be streamlined further in another week or so when the Union Government takes decisions on the final report of the Swaminathan Committee.

One more outstanding feature of the new import policy is that all export incentive schemes have been brought within its orbit for the first time even though import entitlements under these will continue to be proportionate to the f.o.b. value of exports.

Quotas Slashed

Import quotas for twelve low priority items have been slashed by 10 to 50 per cent. The commodities affected are: (1) Polished zinc sheets; (2) Component parts of knitting machines, hosiery machines and embroidery machines; (3) Dental surgical instruments, apparatus and appliances; (4) Filter paper; (5) Motor vehicle parts viz., filter-cleaner assembly, etc; (6) Carbon brushes; (7) Dash board instruments; (8) Speedometer cables; (9) Nickel catalyst; (10) Silk or artificial silk goods used or required for medical purposes; (11) Oxalic acid; and (12) Rubber chemicals.

Increases in quotas, ranging from 1¼ per cent to 100 per cent, have been announced for a number of items. These include: Steel belt lacing (other than alligator type); Drugs and medicines (bottled penicillin and its preparations); Anhydros dextrose, excluding preparations; Homoeopathic medicines; Liquid paraffin; Machine cloth; Grinding rollers (dead or traverse); Surgical instruments, apparatus and appliances (not made mainly of rubber and also not made mainly of glass); Arms and ammunition; Cartridge cases (filled or empty); Motor vehicle parts (shock absorbers, etc.); Thin-walled bearings, etc. The basic period in respect of a few items such as motor vehicle parts, rubber blankets and spare parts of agricultural tractors and/or tractor-drawn agricultural implements has also been extended.

A few new items have been added to the import list of actual users with a view to meeting their import requirements better. These include: Asbestos manufactures; Steam, pneumatic and hydraulic packing for all machinery. Ready-made boiler packing; Ring travellers; Machine cloth; Sperm oil; Blanc fixe; Rubber blankets; Diamonds industrial, natural and synthetic in all forms including diamond grit and powder; Carbon black; Vanadium pentoxide catalyst; Packing engines and boilers.

The new policy also contains a provision to the effect that actual user licences for import of motor vehicle parts will, in future, be given also to industries and institutions which own a fleet of 25 vehicles or more for transport of their goods. Hitherto, such licences were issued only to fleet-owners having a fleet of 25 vehicles or more, provided these vehicles were used for public transport purposes

The liberalisation effected in the import policy for the small-scale sector of industry restores the position which prevailed before severe cuts were imposed on imports of this sector two years ago. The small-scale industries have now been allowed larger import of both raw materials and components.

The new Red Book applies to importers in Goa, Daman and Diu also, subject to such changes as may be separately announced.

Annual Basis

Licensing of all imports will be done on a yearly basis, subject to the condition that during the first six months of the validity period of a licence, the licensee shall be entitled to order shipment of the goods to the extent of only 50 per cent of the value of the licence. Remittances will also be limited to that extent. The balance 50 per cent of the value of a licence can be utilised only after the commencement of the second half-year and after endorsement by the licensing authority. This utilisation will be subject to such changes in value as may be decided upon by the Government. In the case of items imports of which are restricted to a certain percentage of the face value of a licence, it shall be open to the licensee to import such restricted items by applying the face value restriction only to half of the value of the licence, while utilising the 50 per cent of the value of the annual licence. In cases where licensing to actual users is not to be done on an annual basis, licences covering the first half-yearly entitlements will be issued as first instalment and supplementary licences covering the second half-yearly entitlements will be issued in the second half-year, subject to such cuts as may be decided upon having regard to foreign exchange availability and other factors. Actual users who are issued annual import licences up to the value of Rs. 5,000, however, will be allowed to effect imports immediately in one lot.

A small procedural change has been made in the case of imports by consumer co-operative societies. Under the new scheme, imports of a few selected consumer goods will be allowed during April 1964 - March 1965, within a limited ceiling, through wholesale/central stores, recognized by the Ministry of Community Development and Co-operation, for distribution by such wholesale/central stores to consumer co-operative stores.

The new import policy, coupled with larger maintenance imports as a sequel to increase in non-project aid this year, is expected to enable better utilisation of the installed industrial capacity in the country.

★★

In a bid to achieve the third Plan targets of adding 4 million spindles and 25,000 automatic looms to the 1960-61 installed capacity of the cotton mill industry, the Union Government is understood to have permitted some expansion to all the existing units. All mills have been allowed to expand their spindleage by 7½ to 10 per cent. The composite mills have been authorised to install 10 per cent additional automatic looms. All spinning mills have been permitted to have 100 automatic looms each.

This step, it is learnt, has been taken in view of the fact that progress achieved during the last three years has been

far below expectations. Although licences had been issued for installing as many as 4,602,937 new spindles, the total number of spindles actually put up upto February 29, 1964, came to only 242,568. Of these, the new units accounted for barely 9,440 spindles. They had been licensed to set up as many as 2,944,896 spindles. Licences for 274,000 spindles had to be revoked in the case of new units. Similarly, although allotments had been made for installing 8,000 automatic looms on the condition that 50 per cent of the cloth produced on these looms would be exported for a period of five years, only 289 looms had been actually installed up to February 29, 1964.

Steps are also being taken to augment the supply of raw cotton during the current year. Efforts are being made to advance the import of this commodity from the United States under the barter agreement concluded in June last between the Commodity Credit Corporation of the US and the State Trading Corporation of India. It is expected that total imports of cotton this year will be of the order of 1.2 million bales — the highest since 1952-53.

**

According to a recent assessment made by the Union Department of Steel, only four schemes for the manufacture of alloy and special steels, out of the fifteen on which work has been initiated by the licensees, are expected to bear fruit by 1965-66. The Rourkela Steelworks will have by the end of the current Plan period an installed capacity to produce electrical steel to the tune of 50,000 tonnes per annum. Globe Motors, Ballabhgarh, already in production, will be turning out spring steel to a capacity of 6,000 tonnes a year. The Durgapur Alloy and Special Steels project will go on stream with an annual capacity to manufacture 14,500 tonnes of high speed, tool and die steels, 27,500 tonnes of alloy constructional steel and 18,000 tonnes of stainless steel. The fourth scheme expected to materialise by 1965-66 is that of Canara Workshops, Nagpur. Its plant, designed to produce 9,600 tonnes of spring steel per year, is under erection. One of the remaining eleven schemes, that of Mahindras, Bombay, is anticipated to fructify in 1966-67. This unit will be capable of producing 18,000 tonnes of alloy constructional steel.

Possibility of Improvement

The supply position of alloy and special steels from indigenous sources, however, should improve considerably in 1967-68 when nine other projects go into production. These are: Mysore Iron & Steel Works, Bhadravati (capacity: 30,000 tonnes free-cutting steel; 12,300 high speed, tool and die steels, and 31,700 alloy constructional steel); Guest Keen and William, Calcutta (45,000 tonnes spring steel); I. M. Pai, Bombay (300 tonnes high speed tool and die steels and 300 tonnes alloy constructional steel); V. Pandurangiah, Madras (1,000 tonnes free-cutting steel, 6,000 tonnes high speed, tool and alloy steels and 7,000 tonnes stainless steel); D. Balasundaram, Salem (2,000 tonnes high speed, tool and die steel and 8,000 tonnes alloy constructional steel); Taxmaco, Calcutta (25,000 tonnes alloy constructional steel); G. Baijnath Kanpur (19,800 tonnes alloy constructional steel); V. M. Shah, Ahmedabad (20,000 tonnes stainless steel); K. T. Rolling Mills (3,400 high speed, tool and die steels and 5,000 alloy constructional steel). The capital goods requirements of the fifteenth scheme, that of Man Industrial Corporation, Jaipur, have been cleared only recently. No firm date for starting production has been given as yet by this unit.

When all fifteen schemes go into full production in the latter half of the fourth Plan period, the total availability of alloy and special steels from indigenous sources is expected to go up to 464,400 tonnes. Category wise, the availability will be as follows: spring steel — 84,600 tonnes; free-cutting steel — 31,000 tonnes; high speed, tool and die steels — 38,500 tonnes; alloy constructional steel — 135,300 tonnes; stainless steel — 45,000 tonnes and electrical steel — 130,000 tonnes. The demand for the various types of alloy and special steels is expected to increase in the following manner: spring steel — 133,000 tonnes; free-cutting steel — 200,000 tonnes; high speed, tool and die steels — 86,000 tonnes; alloy constructional steel — 250,000 tonnes; stainless steel — 80,000 tonnes, electrical steel — 180,000 tonnes; total — 929,000 tonnes.

In view of the drain on foreign exchange resources, the Union Government is anxious that not only all these schemes should be completed according to their revised schedules, but new entrepreneurs from the private sector should also come forward to undertake the manufacture of alloy and special steels.

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The Union Government has announced the first instalment of its current year's market borrowing programme. It is floating on April 15, two high-yield loans — 4 per cent Loan, 1970, and 4½ per cent Loan, 1989 — to provide facilities to the holders of the maturing 3½ per cent National Plan Loan, 1964, and 3 per cent Loan, 1964, to convert their holdings. The outstandings against the two maturing loans amount to Rs. 188.51 crores.

The new 1970 loan is to be issued at Rs. 99 per cent and the 1989 loan at Rs. 100 per cent. The subscription lists for both the loans will close on April 22.

Since the gross borrowing target of the Central Government as laid down in the 1964-65 budget is Rs. 295 crores, the Union Government will have to enter the market again to raise approximately Rs. 107 crores. This probably will be done during the slack season.

The market circles attach great significance to the fact that the redemption yields of the two new loans are higher than those of the comparable loans floated in the past. Does it indicate that the Bank Rate will be raised in the near future?

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The Union Government has taken a number of decisions to promote tourism in India. It has accepted, in principle, the recommendation of the Jha Committee that one or more undertakings should be set up in the public sector to handle activities of commercial character connected with the promotion of tourism. A start is proposed to be made shortly by setting up two undertakings to provide hotel and road transport facilities for tourists. The incentives being given for the growth of tourists facilities in the private sector are to be continued. Legislative measures are intended to be introduced in the near future in respect of travel agencies, hotels and guides with a view to ensuring healthy growth of the tourism industry.

A Special Fund is being created in order to give subventions to the Indian Airlines Corporation for providing air services to out-of-the-way tourist centres. A large number of IAC stations are proposed to be linked by teleprinter lines so that confirmation of bookings may be made easier. Measures have already been initiated for effecting improvements in the terminal buildings at the principal airports in the country.

Almost all the measures recommended by the Jha Committee for simplication of immigration and customs regulations applicable to tourists have been accepted by the Government. The possibilities of simplifying customs rules further are being explored. It has been decided to constitute an Air Customs Pool of Officers specially trained to handle the present-day fast moving tourist traffic. The question of creating a Central Cadre of immigration staff is also being considered.

Special arrangements are proposed to be made to ensure that foreign tourists are able to obtain liquor permits, with all-India validity, immediately on their arrival in the country. The Government is also examining further simplification of prohibition procedures applicable to foreign visitors.

Master plans are being prepared for the development of certain tourist areas. Two new tourist offices — one at Tokyo and the other at Chicago — will be opened during the current financial year as a measure to step up tourist publicity efforts abroad. A Standing Committee of the main departments concerned with the problems connected with tourism is to be set up to review the inadequacy in facilities and arrangements and to examine the complaints brought to the notice of the department of tourism.

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The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, deserves compliments for the firm stand he has taken to check the growing indiscipline at the Rs. 100 crore Heavy Electricals Plant at Bhopal. Serious note needs to be taken of the disclosure he has made in the Lok Sabha about the labour trouble at this key national undertaking being Communist-inspired. It exposes the CPI's professions that Communists are lending whole-hearted support to the building up of the defences of the country against Chinese aggression.

Following labour trouble, the Bhopal Plant had to be shut down on March 30. The daily loss of production is estimated at Rs. 3 lakhs. The repercussions that the closure of this factory for any long period will have on the economy as a whole can well be imagined. This is the only unit in the country producing heavy electrical equipment at present.

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Mr. F. Ruzicka, Czechoslovakia's Vice-Minister for Internal Trade and Leader of a Czech purchasing mission visiting India for the last 20 days, pointed out at a Press Conference here this week that his country was interested in buying Indian socks, knitted woollen wear, woollen and cotton underwears, woollen knitting yarn, handkerchiefs, handicrafts, ladies' shoes, razor blades and other consumer goods. He was of the opinion that the prices of some of the Indian consumer goods were higher than the prevailing international prices, but by and large it would be possible for Czechoslovakia to buy these goods from India. The Mission would also consider the possibility of buying from here poplins, artificial fibres, flannels, silks, juices and squashes, sardines, crab meat, spices, sports goods, refrigerators and portable transistor radio sets. Mr. Ruzicka expressed considerable satisfaction over the performance of the refrigerator and transistor radio factories he had visited in India and was of the opinion that they easily matched the international standards of efficiency.

To popularise Indian goods in the Czechoslovak market, Mr. Ruzicka stated that his country had requested the Government of India to organise an exhibition of engineering and consumer goods in Czechoslovakia in 1965.

A Big Hand for Handlooms

From Our Correspondent

BOMBAY:

THE ONSET of the hot season in the City has not in any way affected the tempo of meetings and conferences. The relaxation of the Prohibition rules has also been a factor of fresh excitement among sections who are rushing to receive the permits. The most significant meeting of the week was the first technical Seminar organised by the Weavers' Service Centre of the All India Handloom Board. Mr. Nityanand Kanungo, Union Minister for Industries, inaugurated the Seminar and in his address dealt comprehensively with the problems of the handloom sector in the industrial set-up of the country.

It is needless to say that the handloom industry has been an important part of India's economy from the beginning of recorded history. While, no doubt, the advent of power spinning and weaving machines affected the prosperity of the handloom weavers, the industry has continued to occupy a prominent place in the national economy as the largest single cottage industry sustaining millions of people engaged in it. There are nearly 2.7 million handlooms in existence today accounting for nearly one-third of the total production of cloth. About 10 million families depend for their livelihood on handlooms. The fact that this industry has to survive under severe competition from the growing organised textile industry shows the vitality and resilience of the sector. However, the very importance of the industry, the employment potential that it provides and the reputation which the handloom goods have in foreign markets — all point out to the urgent need for a practical approach to the problems of the handloom industry, from the point of view of modernising the industry and also making it a complementary part in the industrial sector.

It is from this point of view that Mr. Kanungo emphasised that there was need for encouraging the weavers to keep pace with the latest developments and growing demand for the most fastidious tastes. He observed that it would be very difficult to continue its existence in the face of the organised rivals unless a sustained and vigorous drive is made to cater for sophisticated consumers. It was essential that all efforts were directed towards the rehabilitation and development of the industry on a firm footing so that millions of people depending upon this industry are able to progress with the development in the economy. Though the assistance in the form of loans and grants to State Governments in order to rehabilitate the industry has amounted to over Rs. 35 crores, the industry, as the Chairman of the Handloom Board pointed out, is faced with the basic questions of full utilisation of equipment provided to it, the financial resources for the pilot centres and the need for ensuring quality standards with particular reference to export fabrics.

In regard to export prospects of our handlooms, the Executive Director of the Handloom Export Corporation revealed at a Press conference last week that India will put on sale about Rs. 50 lakhs worth of handloom fabrics and handicraft products at the New York Fair to be inaugurated by President Johnson on April 22. The United States today consumed Rs. 5 crores worth of handlooms against Rs. 30 lakhs in 1958, according to the data which he supplied. In the last one year, the value of the total exports of handlooms had improved from Rs. 9.5 crores to Rs. 13.5 crores. In order to fulfil the export targets of Rs. 20 crores annually, by the end of the fourth Plan, the Export Corporation is making strenuous efforts to capture the European and Australian markets; the main competitor in Europe is China, which is reported to be selling silk at below the cost price. This would therefore require the streamlining of the processing techniques in India with a view to converting the type of fabrics produced in Orissa and Madhya Pradesh as a substitute for the Chinese silk. With the extension of the quality control schemes to the different types of fabrics, it is expected that the volume of handloom fabrics exported to the Continent and Australia can be substantially stepped up in future. All these would require an integrated and co-ordinated approach both at the Government level and at the level of the organisation of the weavers. The Seminar has provided a forum for discussion of these vital problems.

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Maharashtra State contains a large area where raw materials for production of paper are available in adequate quantities.

Mr. S. G. Barve, State Minister for Industries, therefore, appropriately touched on this facility and advised the paper traders to turn their resources and enterprise to the field of production, if the import restrictions had rendered the trade less profitable. He was inaugurating the 23rd annual general meeting of the Paper Traders' Association. In his view, the need to step up production of paper was very urgent. The demand was bound to be doubled in another five years and the restrictions on imports would have also inevitably to continue in future. Referring to the facilities which the Government can provide, he assured that he would look into the position and provide all possible help for those who intended to establish paper mills in the State. There were exceptionally favourable locations for such factories in the State. While reviewing the practical difficulties of the traders as dealt with by the President of the Association, he expressed that it might not be possible to accept the trade's request of replacing sales-tax on paper items by additional levy of excise duty. In such case, he said, the State would stand to lose its revenue. Earlier, the President of the Association pleaded for the restoration of the 50 per cent blanket cut imposed on established importers of paper items and also the urgent need for an equitable distribution in the allocation of foreign exchange for paper items between the established importers and other categories. He appealed to the mills to broad-base their distribution system as per the recommendation of the Tariff Commission and to dispense with the practice of demanding huge deposits, to standardise the qualities of products and to follow rational paper trade rules.

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The Kirloskar Industries in Maharashtra have been playing a prominent part in promoting the industrialisation of the under-developed parts of the region. The new venture sponsored by this House is the Kirloskar Cummins Limited with US collaboration for manufacturing high powered diesels in the range of 60 to 800 h.p., with an authorised capital of Rs. 3 crores and issued capital of Rs. 1.5 crores, besides paid-up share capital of Rs. 1.2 crores and AID loan of Rs. 33 crores. It is a major industrial unit near Poona at Kotharud and is spread over 90 acres. The new factory was declared open at the week-end by the Union Defence Minister, Mr. Y. B. Chavan, who congratulated Kirloskars for this magnificent addition to the industrial face of Maharashtra.

Mr. S. L. Kirloskar, chairman of the group, observed that the new venture was meant to demonstrate that high horsepower lightweight diesels can be widely versatile in their use and the infinite usefulness and desirability of collaborations for the industrialisation of our country. These diesels would be useful to the manufacturers of excavators, air compressors, bulldozers, road graders, industrial pumps, shunting locomotives, work and fishing boats, electric power generators. It is also expected that such indigenous diesels will provide great incentive to new industries to manufacture construction, industrial and mining equipment. It will thus help save considerable foreign exchange. The Defence Minister admitted that the production would be of great use to defence needs, besides the needs of industries in general. The company expects to attain the installed capacity by 1965-66. The indigenous content of 28 per cent, to start with, will increase to 73, 90 and 100 per cent in the next three years. A significant feature of the venture is that all components of the new engine would be completely inter-changeable with those produced by the collaborators themselves due to special standardisation. There is no doubt that the industrial importance of Poona will be enhanced by this large-scale industrial unit of the Kirloskars.

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In the industrial complex of Maharashtra, refrigeration industry is occupying an important place and in the future also there are immense possibilities of its development. In order to focus the importance of the industry as also the problems for future development, a Refrigeration and Air-conditioning exhibition has been organised by the Refrigeration and Air conditioning Trades Association. The President of the Association hoped that the exhibition would spot-light the role of the industry in the developing national economy. He said that in the highly industrialised countries, 85 per cent of refrigeration and air conditioning are for industrial uses. With the growing tempo of industrialisation in India also, the industry had made phenomenal progress. Refrigeration and air conditioning embrace a wide field of industrial activity, from preservation of foodstuffs to production of gases in fluid state, storage of furs and control of temperature to ensure clear reproduction in printing. They have much today to do in the manufacturing processes of chemicals, pharmaceuticals, ammunition, dam building, coal bye-products, atomic power, aircraft manufacture and the preservation of antibiotics.

Mr. S. G. Barve, State Minister for Industries, while formally opening the exhibition gave an assurance that the Government of Maharashtra would attend to the problems of the industry and do what it could to remove the difficulties. He also revealed that the Maharashtra Government itself had plans to open cold storage plants and to promote co-operative societies for providing refrigeration facilities in rural and other areas. He stressed that refrigeration played a vital role not only in industry but also in agriculture, particularly in preserving supplies that came to cities from outlying areas. Further, refrigeration industry was export-oriented and could contribute substantially to the export drive which was so essential for augmenting our financial resources for the development of the country. It makes possible the export of fish, frog legs and other perishables to earn foreign exchange worth Rs. 5 crores annually. While he was not certain about the percentage of indigenous content in the equipment manufactured in this country, he hoped that the indigenous content would increase gradually till the industry was fully self-reliant.

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Speaking at an informal meeting held in his honour by the Indian Merchants' Chamber, Bombay, the President of the Czechoslovak Chamber of Commerce, Mr. Josef Harn, said that the Indian exporters should try to export more consumer and semi-manufactured goods to his country. He added that nearly 50 per cent of the Czechoslovak exports went to the private sector in India. The Indian exporter, he felt, had not yet made good attempts to explore the market in his country. He disclosed that a purchasing mission of Czechoslovakia would be in this country very soon and that it was open to the Indian commercial community to put attractive proposals to them. Mr. Horn opined that the unfavourable balance of trade which India had with Czechoslovakia could be set right if exports of Indian textiles, shoes and semi-manufactures were stepped up.

Replying to some of the questions, Mr. Horn said that he would do his best to establish an arbitration machinery between his Chamber and the Federation of Indian Chambers of Commerce and Industry for settling disputes between importers and exporters. At present such machinery does not exist and the Indian exporters have to go to Czechoslovakia to settle disputes. Mr. P. A. Narielwala, Vice-President of the Indian Merchants Chamber, said that the latest trade agreement signed between the two countries provided for exchange of goods each way to the tune of Rs. 24.50 crores by 1966. Provision had been made in this agreement for exporting new Indian manufactures in addition to traditional items.

A Body-Blow to Share Values

From Our Correspondent

CALCUTTA :

IN CONTRAST to its pre-Budget buoyancy, the Calcutta Stock Exchange is now showing signs of increasing despair. There has been a steady erosion of share values since Mr. T. T. Krishnamachari presented his Budget for 1964 65. The brief flicker of recovery which took place subsequently was more in the nature of a technical correction than because of buying by the L.I.C. and the Unit Trust. Even those among the stock market operators who once saw some "improvement" in Mr. Krishnamachari's Budget over that presented by Mr. Desai in the previous year, are now convinced that at least as far as the corporate sector is concerned, the former has given nothing away and, in fact, the corporate sector may be worse off as a result of the "regrading" of the country's taxation structure. No equity investor feels that the dividend tax and the subjecting of bonus issues to capital gains tax are exactly calculated to promote his interests, and few companies have any illusions about the surtax being a less penal levy than the super profits tax which the former is meant to replace. Even those companies which escaped the super profits tax net because of the 10 per cent deduction will now be hooked in by Mr. Krishnamachari's new fiscal device.

Reflecting the investor's despair, therefore, most of the leading scrips of the Calcutta stock market showed fall in their prices between 1st March and 26th March (all closing prices) :

	1st March	26th March
Indian Iron	Rs. 25.60	Rs. 24.60
Birla Jute	Rs. 35.00	Rs. 33.00
Textile Machinery	Rs. 28.50	Rs. 28.00
Dunlop Rubber	Rs. 39.00	Rs. 36.50
Guest, Keen, Williams	Rs. 27.50	Rs. 25.12
Indian Copper	Rs. 3.70	Rs. 3.50
Hindustan Motor	Rs. 19.69	Rs. 18.31
Kesoram Industries	Rs. 28.50	Rs. 26.52
Rohtas Industries	Rs. 12.75	Rs. 11.94

New issues have particularly suffered because of the uncertain outlook for the equities. The bulk of them now quote below par, while not long before the Budget they were commanding substantial premiums. What is remarkable is that even for shares belonging to the class of industries which Mr. Krishnamachari has picked for special tax concessions in recognition of their importance to the economy, the quotations have declined in line with the rest of the new issues market. As for bonus share issues, it is unlikely that there will be many during the current year. Already two leading companies, Elgin Mills and T. Maneklal, have decided to drop their proposals for issuing bonus shares and many more may follow. Capital appreciation and growth prospects are among the criteria by which an investor judges the value of his investment in an equity share. They rank with a reasonable return in his scale of values. By denying the investor the full benefit of capital appreciation of his investments, the Finance Minister has made equity shares an unattractive proposition for the investing classes, and has thus made it difficult for companies to raise fresh market capital for their expansion programmes.

Speaking, last week, at the annual general meeting of the Calcutta Stock Exchange Association, its President, Mr. C. L. Jhunjhunwala, once again asserted that the new impositions like the 7½ per cent tax on equity dividends and the extension of the capital gains tax to bonus issues had put the stock markets of the country in a moribund condition. The proposals as a whole have brought a fresh wave of despair and disappointment, because the Finance Minister not only makes equities an unattractive proposition for the investor, but he also strikes at the traditional classes who go in for this investment. As Mr. Jhunjhunwala analysed, the revival of the expenditure tax, the stepping up of the estate duty rates, the reduction in the exemption level for purposes of the gifts tax and the forced savings in the shape of annuity deposits, are measures to be deplored, because they would not promote the growth of the economy. Mr. Jhunjhunwala pointed out that the super profits tax would be continued under the new label of the surtax. Although at first hand, the latter might appear to lighten the burden imposed by the former levy, on a closer scrutiny it becomes clear, however, that the relief, if any, will be of a very minor character, while for some companies, it will mean a more onerous burden than the super profits tax. Finally, Mr. Jhunjhunwala reminded the Finance Minister of a simple and common sense, but universally valid, proposition that people make big efforts and take big risks only when they see the prospect of big rewards.

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Speaking at a reception at the Calcutta Stock Exchange, the Chairman of the Unit Trust Ltd., Mr. R. S. Bhatt, said that the Trust had already started investing in securities on a modest scale. Mr. Bhatt added that the Unit Trust would initially commence operations with Rs. 5 crores to be obtained from the Reserve Bank, the State Bank, the Life Insurance Corporation and some scheduled banks.

At the party, the Unit Trust officials exchanged views with the Committee of the Calcutta Stock Exchange and the record of the talks would be sent by the Committee afterwards to the UTL in the form of a memorandum. Mr. Bhatt invited the members of the Calcutta Stock Exchange to make offers to the UTL of good securities and informed them that like the LIC, the UTL would also purchase shares of those companies which held good record of paying dividends. The details of its methods of operation were being formulated and for that purpose, Mr. Pendharkar, Executive Trustee of the UTL, had gone to the U.K to study the methods of working of the Unit Trust in that country.

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Dr. A. N. Khosla, Governor of Orissa, delivered the Sixth Sir Mokshagundam Visvesvaraya lecture in Bangalore some time ago, the theme of his address being "Orissa's Decade of Destiny; 1963-73". In the course of the lecture Dr. Khosla outlined a plan for the integrated development of the river basins of Orissa. The controversial Tikerpera project, against which Mr. Harekrushna Mahtab, a former Chief Minister of the State is leading a compaign, forms the core of this plan. (It is a master plan which presumably has been drawn up by Dr. Khosla himself. He has considerable knowledge of the State's economy. He was associated with flood control plans in early thirties and now as the Governor of the State. Dr. Khosla naturally takes a close interest in its development). The plan, or the master plan, it is seen, is not only meant for Orissa but for a number of neighbouring States as well. Dr. Khosla calls it a multi-State plan for the six eastern States of India. In respect of power, it is a plan for the eastern region comprising Orissa, West Bengal, Bihar, Madhya Pradesh, Andhra Pradesh,

Uttar Pradesh (and possibly also Maharashtra). In respect of irrigation, it is a plan for Orissa, West Bengal and Andhra. The pace and pattern of power development in the plan will be determined, besides the needs of Orissa, by the combined needs of the region as a whole, and also by consideration, at each stage, of the relative proportions of hydro and thermal power generation to ensure maximum utilisation of installed capacity, (both hydro and thermal) and to ensure the minimum unit generation cost. As regards irrigation, Dr. Khosla thinks it is possible to extend irrigation from the Mahanadi water stored at the Tikerpara dam to a million or more acres of land in Midnapur district in West Bengal, extending from the Orissa border to the Rupnarain river and Haldia port, and to a similar acreage (if physically within limits of command) in Andhra Pradesh extending from the Orissa border to Visakhapatnam port.

The cost of the master plan is estimated at Rs. 1,621 crores, spread over the next three or four five-year Plans, and its implementation naturally will depend on the co-operation and financial participation in the Tikerpara project (which will provide for the requisite hydro-electric power and create the necessary irrigation potential) of the States, for whose collective benefit Dr. Khosla has drawn it up. It also follows that if the co-operation and financial participation from other States do not come forth, then the plan does not have much chance of realisation in the shape in which it has been drawn up. Anticipating these difficulties, Dr. Khosla has mapped out the plan in suitable phases. For example, the Tikerpara project which, for all practical purposes, is the key scheme in Dr. Khosla's grand project, can be implemented in two phases — first, power; and second, irrigation and flood control. Power has been given priority in order to make it a revenue-earning project from the very first stage. To begin with, the power plant will be producing 288 MW of power, that is, some time within the "decade of destiny" of 1963-73, and in the second stage coming after this period, power generation (firm power at 100 per cent load factor) will go up to 825 MW. A potential of 3,000 MW can be eventually built up.

Dr. Khosla has worked out the unit cost of power produced from the Tikerpara hydro project with that of the thermal power project at Talcher (also in Orissa, based on the non-coking coal reserves in the area as well as middlings from coal washeries in Bengal and Bihar), and confidently predicts that the cost of the former will be substantially cheaper. In fact, because of the likely cheap cost and the enormous potential for power generation, Tikerpara, he advocates, should be treated as a national project. Whether it will in fact be so treated is not certain at present, but there need be no doubt about the great value of this project to the future of Orissa. Lack of power has been one of the main bottlenecks to Orissa's industrial development, although this State has a major share (almost 50 per cent) of India's mineral resources. Her economy has a poor agricultural base and she has the lowest per capita income of all States in India. The blessings of Tikerpara will not only give a fillip to industrialisation of the State, they will also minimise the havoc which the floods of the Mahanadi play year after year, and the irrigation facilities are bound to lead to greater agricultural production. The State Government of Orissa is determined to take up the project, but it lacks the funds to implement so expensive a scheme by itself alone. Consequently, it has entered the "race for securing funds from the Centre", which was marked by Mr. Biju Patnaik's manoeuvre to get the Prime Minister to "lay the foundation stone" for the project, the work on which has not yet started. However, the Centre should take a long-term view of the power needs not only of Orissa, but of the eastern region as a whole, and should extend generous assistance to the Tikerpara hydro-electric scheme and the Talcher thermal project, which promise to become great centres of power production within the next 20 years or so.

Dear Money in a Hurry?

From Our Correspondent

MADRAS:

FOLLOWING THE imposition of new credit restrictions by the Reserve Bank, interesting developments have been taking place in the money market. It is not clear whether the central banking institution got alarmed over the spectacular increase in advances as the higher level of prices had a distorting effect and many industrial units had also to borrow heavily in order to make tax payments. The increase in advances of scheduled banks by over Rs. 300 crores had no doubt exceeded expectations, but on a modest estimate it is reckoned that tax payments alone accounted for about Rs. 50 crores of bank finance and that the Central Government is to a certain extent responsible for the squeeze in the money market noticeable for some time now. The Income-tax Department has been unusually busy and it is reported that many companies have been obliged to pay taxes for two years within a short period. As a result, the availability of internal resources for working capital purposes has been seriously affected.

It has, therefore, been argued that the Reserve Bank need not have been in a hurry to modify the two-tier system and reduce the quotas of member banks for borrowing purposes. The direct effect of the new restrictions has been reflected in a higher inter-bank call rate while some banks, particularly medium-sized institutions, have been encouraged to raise their lending rates. A leading bank in Madras State has raised its rates on advances by ½ per cent all-round. As penal rates have had to be paid by the scheduled banks in respect of borrowings in excess of the revised quotas, an attempt has been made to pass on the increase in interest charges to the constituents. As it is generally felt that the penal rates will be operative only till such time borrowings were in excess of the quotas, there is no justification for a fresh increase in lending rates by many institutions especially as it has not been made clear that the higher rates would be operative only on that portion of borrowing which had been specially arranged during the busy season and that it would not be necessary to pay such rates after the lending bank had been able to reduce its borrowings from the central banking institution. The bigger banks have not followed suit so far. But it is apprehended that there will be a greater tendency henceforth to quote differential rates on a slab basis, where the limits had been raised, so that it can be argued that the constituents were being discouraged to reduce their borrowings and that an unexpected increase in advances was being met only with borrowings from outside sources on a higher interest basis.

The medium-sized banks in this part of the country are expected to raise lending rates wherever possible though in some cases they are already unduly high. At the same time, there are indications that some banks are eager to revise their deposit rates. There is a feeling that, in respect of funds placed with institutions for periods exceeding two years, higher interest rates would be more rewarding. It may be remembered that there was a near crisis in 1962 when the question of deposit rates, as they related to the various classes of banks, was discussed and the bigger institutions were not inclined to allow the medium-sized banks to charge higher interest rates as they feared there would be fresh complications. Eventually, an acceptable formula was devised and the inter-bank agreement on deposit rates was renewed.

The question of adjustment of deposit rates, in the light of the suggestion made by the Reserve Bank, was considered at a meeting of the members of the Indian Banks' Association in Bombay recently. But no decision was taken as opinion was divided and it was not also clear whether higher deposit rates would help bring about an increase in deposits. While it is difficult to say at this stage what exactly will be the final decision of the Indian Banks' Association, the view is held in particular quarters that the agreement on deposit rates has been honoured more in its breach than its observance and that many undesirable practices are being followed by some institutions. In order to put an end to these anomalies, it has been suggested that deposits rates should be revised upward wherever necessary and that there should be a direct relationship between deposit rates and lending rates for different types of advances. The banking system is passing through an interesting phase and it is significant to note that the authorities themselves are not having any definite view about the utility of a dearer money policy. The industrial sector will be greatly hit by a fresh increase in lending rates as there is heavy reliance on bank finance for meeting the requirements of working capital and even expansion to some extent. Thus, while there will be force in the view put forward by some major banks there should not be any hurry to raise deposit rates or lending rates without justification.

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The Madras Government is making a serious bid to bring down prices for rice by regulating business transacted by wholesale dealers and millers. It has "also been announced that exports to Kerala would be permitted only if a clearance certificate was given by a competent authority that the quotas under the levy system had been fulfilled. As rice imports from Andhra Pradesh have not been coming in freely and it is apprehended that availability within the State will not be satisfactory, if exports to Kerala were not regulated, a careful watch is being maintained on the utilisation of available stocks.

The wholesale dealers and millers did not like the original proposals for payment of licence fees and regulation of business. There has been some modification since in the amount of fees to be paid by the various classes of dealers while the Central Government has agreed to the suggestion of the State Government for increasing procurement prices by Rs. 2 per maund. It is felt that by the adoption of these measures, procurement of rice would be rendered much easier while the wholesalers would not try to exploit the present situation. How far the new measures will succeed in their objective is difficult to anticipate at this stage. But heavy sales through fair price shops have relieved, to some extent, the hardships endured by the lower income groups. However, it is an ordeal to secure cheaper rice from the fair price shops on account of the long queues and limited sales. There is no doubt that the supply situation is difficult and there can be no real improvement without a larger harvest in Andhra Pradesh in the next season. In Madras, it has been confidently asserted that the difficulties are mainly due to the exports to neighbouring areas and that the State is self-sufficient so far as its requirements are concerned, with even a slight marginal surplus. It is rather unfortunate that the difficulties endured by rice consumers have coincided with a short wheat crop and high prices for this cereal as well.

In regard to sugar also a difficult situation is developing. In spite of the fact that U.P., Bihar, and Maharashtra are not expected to do so well as anticipated earlier, sugar mills in Madras, Mysore and Andhra Pradesh will be able to increase their output significantly except in some areas where there has been some competition for available supplies from producers of jaggery. The output of other units will be according to expectations. But since it is now estimated that the total output for the current season will not be even 26 lakh metric tons, the quotas to various States have been reduced. Already there is acute scarcity in the rural areas and the consumers are paying high prices in the black market. It is, therefore, pointed out that unless a definite bid was made to increase the output of sugar in this special season in the South, through fresh incentives, a very difficult situation might arise in the closing months of the current season.

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In the Madras Stock Market, investors and operators are awaiting a fresh lead from the Union Finance Minister. Advices from Bombay and Calcutta have been discouraging and business passing is on a very restricted basis. There was, no doubt, a slight improvement in prices for a short while on account of buying by the Life Insurance Corporation and the Unit Trust of India. But in the absence of fresh investment buying the gains have not been fully held.

But for the fact that the bigger investors are sullen over the steep increase in estate duties and Gifts tax, the encouraging dividend declarations by some companies should have had an encouraging effect. It is now expected that many companies, particularly units belonging to the special group of industries, would benefit by the latest budget proposals. Where the liability in regard to the Super Profits Tax was heavy, there would be a substantial saving. The higher dividend declarations by such companies like Dunlop Rubber and Hindustan Lever, as a result of reduced tax liability, is stated as instances in favour. In the Madras Market there are some counters which are favourably affected. Mettur Chemical and Industrial Corporation is reported to be doing very well and the interim dividend for 1963-64 has been mentioned on the increased capital. It is expected that, as a result of increased production, there will be a significant improvement in earnings. Aluminium Industries Limited has benefited not only by a reduction in tax liability but also by an expanding volume of business. Reliable reports suggest that even the earnings for the first half of 1963-64, after providing for taxation on the amended basis, were equal to the earnings for the whole of 1962-63 and that it would be possible for the company to pay a dividend of 18 per cent, on the increased capital taxable, against 15 per cent, taxable, declared for 1962-63. Only a few days back, the interim dividend was maintained at 9 per cent, taxable, on old shares while the new shares will be eligible for a proportionate dividend. There has been a substantial rise in the profits of Bangalore Woollen Cotton and Silk Mills Company Limited, perhaps due to the execution of large orders for the Defence Services. The woollen products produced by this company have a good reputation. In spite of the fact that the company is obliged to bear a heavy tax burden, on account of the tax rates under section 23(A) of the Companies Act, it has been possible to double nearly the allocation to reserves besides increasing the dividend on equity capital to 24 per cent, taxable, from 18 per cent, taxable, in 1962. Buckingham and Carnatic Mills Company Limited, however, has not been able to report any significant increase in its earnings for 1963 and the dividend on equity capital has been only maintained at 18 per cent, taxable. Dalmia Cement (Bharat) Limited has again reported satisfactory results. Even though there was a substantial reduction in the burden for taxation the Directors have thought it advisable to transfer larger sums to reserves and maintain only the dividend on equity capital at 12 per cent, taxable, and on deferred shares also at 12 per cent, taxable.

The moving finger writes

AT A LUNCHEON meeting of the local Press Club on Saturday, March 28, Mr. Lal Bahadur, when asked what his reaction was to the proposal that there should be a Deputy Prime Minister, quipped that a "small" man should be chosen. This is perhaps as near to declaring his candidature as Mr. Lal Bahadur is ever likely to come. Not that the question of a Deputy Prime Minister is in any sense a live one now. This is so partly because of the welcome recovery of health by Mr. Nehru who is, indeed, now so confident of restored physical normalcy that he has decided to attend the Commonwealth Prime Ministers' Conference to be held in London in July.

Mr. Nehru now seems to have come to the firm conclusion that he is able to continue to shoulder actively and to the full not only the broad responsibilities but also the daily chores of leadership of the government. This much, and perhaps even more, was evident from his rejoinder in the Lok Sabha on Monday, March 30, to a remark about the possibilities of a Deputy being appointed. Mr. Nehru said promptly that "the question does not arise". His remark has given rise to some variety in interpretation. It has been argued, for instance, that Mr. Nehru's purpose was to drop a gentle hint to the nation generally, and to possible aspirants in particular, that he himself does not consider anybody in sight to be good enough to be nominated as Deputy Prime Minister and thereby virtually designated as his prospective successor. As against this, there is also the somewhat less charitable suggestion that Mr. Nehru, in fact, has his own ideas on who should succeed him, but would like to leave the issue open since he is not yet sure that the individual he favours is himself (or, is it herself?) ready or will be readily acceptable. This kind of speculation naturally could be made as interesting as one might wish to make it and it could, and evidently would, go on and on indefinitely. Meanwhile, I have been often wondering lately whether "the succession" is after all a prize to be coveted. The country is in a mess in many ways and Kashmir is messier still, also in many ways. I am beginning to think that if the Prime Minister persists in believing that, well or ill, he alone could handle the situation, we on our part should admire his dedication rather than blame his judgment.

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Talking of Kashmir, Mr. Lal Bahadur's elucidation, or more correctly, explanation, (such as it was) in Lok Sabha of the Government of India's role in or reaction to the announcement by Premier G. M. Sadiq of the State Government's decision to effect the release of Sheikh Abdullah within the next few days, was certainly not successful in reassuring public opinion which is agitated over the implications of this development. The attempt by the Minister without Portfolio to make it appear that the release of Sheikh Abdullah would be more or less in the nature of a law and order decision which fell within the competence of the State Government did not deserve to be and was not taken seriously by any section of the House. It is true, of course, that, while the Jan Sangh and the Hindu Mahasabha members and a few Independents protested by crying "shame, shame", other sections of the House comprising the Swatantra and PSP groups as well as a number of Congress men, cheered Mr. Lal Bahadur when he confirmed Mr. G. M. Sadiq's announcement about Sheikh Abdullah's forthcoming release. But even those who were in favour of the step taken were clearly interested not so much with the release of Sheikh Abdullah as such, as with the possible implications of this decision in terms of a new turn to the Government of India's Kashmir policy, or perhaps even a new Kashmir policy. The truth is that, whether the Government of India likes it or not, the public is now bound to feel that important shifts in New Delhi's thinking on the future of Kashmir are bound to take place if they have not taken place already. In the circumstances it is only fair that the Prime Minister should not only arrange to take Parliament into confidence as early as possible but also give the two Houses an opportunity for a full debate.

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A short visit to Bombay last week was most rewarding. The occasion was a seminar organised by a number of trade associations in Bombay, headed by the Indian Merchants' Chamber. The seminar had the advantage of an admirably lucid and crisp note prepared by Mr. Palkhivala on the economic, legal, administrative and other implications of the budget proposals relating to corporate and personal taxation. I was impressed, in particular, by Mr. Palkhivala's firm and sound conclusion that, while there may be some practical convenience in regarding corporate taxation and the taxation of personal incomes derived as dividends from corporate sources as two different entities, what is really of the essence is the totality of the tax burden which the individual has to bear, first at the level of the corporate assessee, secondly, when the receipts are taxed in his hands. I endorse, without any hesitation, Mr. Palkhivala's thesis that it is the total burden of all forms of taxation on the individual assessee receiving a dividend income from corporate earnings which is the grim economic reality bearing on the investment climate and the flow of the savings of the community into industrial expansion and economic progress. Reckoned in this manner, it can hardly be denied that providing risk capital to industry has become a mugs' game in this country.

Incidentally, my discussions in Bombay served to give me new knowledge of the numerous anomalies which are bound to result from excessive experimentation in the fiscal field. One of the major sins of the SPT is its unevenness and arbitrariness. The present Finance Minister has readily conceded this, but ironically enough, his own proposal of a surtax does not seem to be appreciably more virtuous. I may point out one anomaly. Burmah-Shell, I understand, will get a relief of about Rs. 70 lakhs in taxation due to the replacement of the SPT by the surtax. Now, I have nothing against Burmah-Shell. On the contrary, I fill up at their service stations and in our house we burn burshane. But that has nothing to do with the fact that I just am not able to appreciate why a company should profit merely because it has a large debenture base, while another company or other companies in the same industry, operating in more or less similar conditions should fail to fare as well simply because their capital schemes are structured in a different way. I may perhaps add that ESSO, which has provided for some Indian participation in the form of preference shares, is stated to be less advantageously positioned with regard to its tax liability than Burmah-Shell. My point in mentioning all this is only to emphasize that it is virtually impossible to keep clear of anomalies once a tax has been permitted to base itself on unsound principles or assumptions.

V.B.

Trade Winds

SEARCH FOR TALENT

DELIVERING HIS presidential address at the Fourth General Assembly of the Indian Institute of Science, Mr. J. R. D. Tata said that, in one form or another, a talent search was on in the country and in this the Union Government, State Governments and private agencies were all playing their part. In this connection he referred to the 'Grandes Ecoles' of France and the possibility of developing in India a similar institution. From the early days of the French Revolution, Napolean and his advisers conceived of a centralised administration and a state system of education that would not only put France on her feet again, but raise her to the foremost position in the counsels of Europe. While in Britain and the United States schools and universities were largely left to grow up on their own, in France, under a centralised educational system, more deliberate steps were taken to train an elite for the public services, quite apart from the work of the universities. This was done through a group of institutions for higher education known as the 'Grandes Ecoles' which simply mean the 'Great Schools'. Three of such schools where competition for entry is the stiffest and the training most rigorous, deserve mention. Two of them, the 'Ecole Polytechnique' and the 'Ecole Normale Superieure', go back to Napoleon's days; the latter provides France with many of her best teachers and thinkers, and the former has given her many of her great military commanders, scientists and leaders in industry. The third is the new 'Ecole Nationale d'Administration' (ENA) which General de Gaulle established in 1945 for the express purpose of training an elite for the public services. The tremendous prestige of these three institutions attracts the most gifted, and only the most gifted can succeed in the fierce competition for entry.

Clarifying his statement, Mr. Tata said that his objective in referring to the French system was to stress the point that, while the duty of the State was to spread education as widely as possible, there was also a compelling need to train to the highest level a select few. Though the democratic process would, no doubt, throw up leadership from many walks of life, the progress of the country would greatly depend on the creative and constructive abilities of an elite of brilliant administrators, managers, scientists and innovators whose example and leadership would inspire others. He suggested that in view of this a central agency should be created to conduct vigorous search for the best talent in our schools and colleges, followed by special facilities for intensive training for the most promising so that they may enter stiff competitive examinations. He added that as a result of such examinations only the ablest, a number not exceeding 500 at the outset, should be trained in three or four 'career' institutions for a period of two or three years. These institutions should not be inhibited by traditional concepts and courses of study and be free to innovate and experiment. The ratio of teachers and students and their quality and inter-action should be such as to stimulate the intellect, sharpen the faculty for thought and arouse the spirit of enquiry. Men thus rigorously selected and finally tempered in the furnace of exacting disciplines would, Mr. Tata opined, bring creative vigour and brilliance to many facets of the nation's life.

Talking about scientists and engineers in particular, Mr. Tata observed that the one outstanding quality they needed most in our country today, was imagination — a leap of the mind that takes men beyond the boundaries of one science into another, or in other words, a pursuit of new knowledge in the spirit of untrammelled inquiry, harking back to the social purpose that must often condition and even dominate the quest.

STATE TRADING

According to the Estimates Committee Report presented to the Lok Sabha by the Committee Chairman, Mr. A. C. Guha, it has to be realised that State trading, which is not universally supported, has to create a good image of its working in the public mind and that the benefit it brings to the consumer is the measure of its success. The Committee has reported to the Lok Sabha that the canalisation of imports of certain commodities wholly through the STC has not benefited actual users or general consumers in the matter of price. It has also suggested that the role and functions of the Corporation should be more specifically stated in order to remove the prevailing uncertainty and avoid unnecessary criticism. The Committee has stressed the need for a clearer indication of the commodities which will be handled by the Corporation, as also the principles governing their selection. It has been suggested that the Government should periodically review the effect of the Corporation's entry in the trade of various commodities so that the original purpose of such an entry is constantly kept in view. While agreeing that there should be a Government agency like the STC to undertake exports of certain commodities, even though such exports may entail a loss, the Committee is of the opinion that the question of loss of Rs. 2.13 crores incurred by the Corporation in respect of groundnut oil requires a thorough investigation.

The Committee has stated in its report that while there had been a reduction in the purchase price of some commodities by the Corporation, the resultant benefit had not been passed on to the consumer. In respect of certain commodities like camphor, mercury, coconut oil, betelnuts, cloves, etc., the Corporation's margin of profit varied from 100 per cent to 200 per cent. The reason offered for charging such a high margin of profit, namely, to counteract speculative tendencies and unhealthy practices, has not been found satisfactory by the Committee and it has suggested that suitable measures should be devised immediately.

Referring to international trade in cement, the Report says that there has been considerable overlapping between the functions of STC and those of selling agents and stockists. Nearly Rs. 2 crores are being spent annually on fees and remuneration to various agencies employed in the distribution of cement. The Committee feels that selling agents who are nominees of factories do not serve any vital and useful function and that the STC can take over their functions and thereby save Rs. 2 crores. Referring to STC's role in buffer stock operations, the Committee points out that this does not normally fall within its functions. The Corporation had undertaken buffer stock operations as a measure of price support, but if the objective is to be achieved, the first step to be taken is to ensure that all primary producers of the commodities concerned are covered by such operation.

The Committee has expressed its dissatisfaction at the bifurcation of the STC into two independent Corporations because, in its opinion, the purpose of handling additional business could have been well served by setting up two units with separate General Managers under the same management instead of two independent Corporations. The Committee has also observed that the STC's efforts to handle and expand export of difficult-to-sell items have not so far met with any

great success. In regard to the import of non-canalized items, it says that the ruling prices in the market are higher than the selling prices of STC and, therefore, to maintain a balance, it is necessary to seek the co-operation of other importers so that the commodities can be made available to consumers at a fixed price.

The report states that since iron ore is an important foreign exchange earner, there is a need to reduce its cost of production with a view to not only retaining but improving the competitive strength of Indian ore in the international market. It recommends that a study of the cost structure of iron ore should be undertaken immediately and that the desirability and possibility of arriving at an understanding regarding prices with other iron producing countries should be explored.

WORLD SHORTAGE OF FERTILIZERS

In view of the fact that the world is currently passing through a shortage of fertilisers, India is likely to be affected in respect of her import plans drawn up to take care of shortfalls in internal production of fertilisers which are badly needed to improve upon our agricultural performance. In this connection, the findings of Mr. B. P. Patel, Chairman of the State Trading Corporation of India, who has returned after a tour of German Democratic Republic, Czechoslovakia and the U.S.S.R., are noteworthy. Addressing a press conference, Mr. Patel disclosed that it would be possible to import only one lakh tonnes of ammonium sulphate from Russia this year against the original import possibility of 1.5 lakh tons. He also revealed that Russia might supply the same quantities of nitrogenous fertilisers as last year. He further disclosed that he had entered into an agreement with the East German Government for the import of 1,10,000 tons of nitrogenous and potassium fertilisers and 10,000 tons of sodium sulphate valued at Rs. 2.65 crores.

During his visit to Moscow, Mr. Patel also concluded contracts for the export of 10 million metres of cotton textiles (against 2.1 million metres last year) and 4 lakh metres of woollen fabrics worth about Rs. two crores. Export to the Soviet Union of opium worth about Rs. 62 lakhs and tobacco worth Rs. 45 lakhs were also contracted for by Mr. Patel. He further stated that export possibilities of chemicals, grinding and gear cutting machines, leather goods, handicrafts and fruits and juice were also discussed and that the contracts regarding exports of these items would be signed soon. Mr. Patel also revealed in his statement that an agreement had been reached with the U.S.S.R. for the import of 15,000 tons of wood pulp worth Rs. 93 lakhs.

Regarding exports to the USSR, Mr. Patel said that apart from traditional commodities like jute manufactures, tea, coffee, cotton textiles and tobacco, there was a large scope for the export of leather-ware, consumer goods like ready-made garments, knitwear, tinned fish, fruit juices, bananas; oranges etc., and light engineering goods. He pointed out that so far as textiles exports to the Soviet Union were concerned, there was a big rise and added that during the last seven years Indo-Soviet trade grew ten-fold, rising from Rs. 9.5 crores in 1955-56 to about Rs. 95 crores in 1962-63. During 1964, a further increase of 25 per cent was envisaged. During the last seven years, the Indo-G.D.R. trade had also increased from Rs. 18 lakhs to Rs. 16.4 crores in 1962-63.

DGS & D TERMS LIBERALISED

The terms of payment against suppliers' bills have been liberalised by the Directorate General of Supplies and Disposals. This assurance was given at a recent meeting of one of the Purchase Advisory Councils of the D.G.S. and D. It was also stated that the number of items reserved exclusively for purchase from the small-scale sector had been increased to 70. A suggestion was made at the meeting for the setting up of centres for distribution of raw materials to contractors. The Government representative replied that it would not be possible for the D.G.S. and D. to assure contractors of availability of raw materials. It was, however, assured by him that in individual cases where difficulties were experienced by the suppliers, D.G.S. and D. would examine the question of issuing raw materials on merits.

According to the suppliers' representatives, it would facilitate the trade and industry to develop sources of supply if the list of items which were not indigenously manufactured was widely circulated either to the advisory panels or to the members of the regional councils of the advisory body. The Government representative stated in his reply that the D.G.S. and D. was unable to do anything in the matter since it was merely a purchasing agency. Still an assurance was given that the D.G.S. and D. would endeavour to ascertain from indenting departments the likely forecast of certain items of stores provided the members furnished details of items which were now being imported and were purchased by the D.G.S. and D. Referring to suggestions regarding non-participation in tenders by the small-scale units, owing to non-availability of raw materials, it was stated from the Government side that the purchase organisations could not undertake the responsibility for stocking raw materials and making them available to the prospective buyers.

CENTRE FOR TRADE INFORMATION

The 61 member States of the GATT have agreed to set up a Centre for Trade Information Services and Trade Promotion Advisory Services for developing countries. The decision is based on the recommendation of a group of experts which met in Geneva last month. The Centre, which is the first of its kind to be set up as an inter-governmental organisation, is expected to start operations by June, 1964.

JAPANESE METHOD OF STEEL PRODUCTION

According to the Indian Steel Delegation which visited Japan recently, some of the techniques and production methods employed by the Japanese steel industry can be adopted with advantage both by public and the private sector steel plants in India. The delegation will shortly submit a detailed report to the Government indicating which techniques and production methods can be followed here. Even after the application of the Japanese methods, which will take some time, it is not known whether the actual cost of production of steel in India, which has been going up, can be brought down. The Delegation feels that it is too early to see whether any reduction can be achieved.

The Delegation was greatly impressed by the progress and the performance of the Japanese steel industry whose output had gone up to 31 million tons, compared to only one million tons soon after World War II. Investment in Japan per ton of steel is stated to be much lower than that in India. The Japanese are also stated to have turned to great advantage the absence of main raw materials for their steel plants by importing the best quality iron ore and coal from abroad and by setting up their steel plants very near the ports.

OSAKA TRADE FAIR

The Sixth International Trade Fair will open in Japan on 9th April, 1964. The Fair will last for three weeks and is claimed to be the biggest fair East of Suez. Thirty-five nations will be participating in the Fair and will try to sell to the Japanese markets a wide variety of goods ranging from ultra-modern machinery to cut-glass and diamonds. Machinery for the rapidly expanding Japanese industries is expected to dominate the Fair, though some consumer goods such as foodstuffs, cosmetics, quality textiles and sundry goods are also expected to attract wide attention because their imports into Japan are being increasingly liberalised. According to the Fair Secretariat officials, the European Common Market nations are showing particularly active interest in the Japanese markets.

TEXTILE EXPORTS TO U.S.

The procedure for submitting applications for the export of restricted varieties of cotton textiles to the United States during the year April 17, 1964, to April 16, 1965, has been announced. Reserved quotas will be issued by the Cotton Textiles Export Promotion Council on recommendations made by the U.S. Textiles Licensing Advisory Committee on the basis of the average quantity shipped by each exporter during the basic year 1960, 1961 and 1962. This will cover categories 009 and 019 each 40 per cent of the average quantity shipped. Categories 022 and 026 each 50 per cent of the average quantities shipped with the condition that not more than a third of the quota should be utilised by the established exporters to export cloth, realising prices as follows: 50 nP. per sq. yard in category 009; 50 nP. per sq. yard in category 019; 60 nP. per sq. yard in category 022 and 75 nP. per sq. yard in category 026. Unreserved quotas will be issued in respect of categories 022 and 026 only for a maximum of 2,50,000 sq. yards each to the applicants during the first three months of the licensing period on the basis of the contracts established and supported by letters of credit on the condition that the minimum price realisation is Re. 1 and Rs. 1.25 per sq. yard f.o.b. in the two categories respectively. The quotas will be granted on first-come-first served basis.

INDO-POLISH TECHNICAL AGREEMENT

Poland has agreed to assist India in the development of mining industry, particularly coal mining in which it has made great progress. Polish assistance will be made available under an agreement that has been signed for scientific, technological and cultural co-operation for the next two years. The agreement envisages the setting up of a Chair for mining in the Indian School of Mines, Dhanbad, and training of 10 to 20 Indian engineers in Poland. Besides training in mining, Poland will also receive a number of Indian engineers to be trained in the construction of power plants, electric motors and textile machinery. According to the Polish Minister, Mr. T. Galinski, there was no limitation to the choice of fields for technical co-operation between the two countries. In India desired training facilities in certain specific industries such as shipbuilding, which were not mentioned in the present agreement, would be arranged. Poland is already constructing nine deep coal mines in this country under the economic assistance programme. Work on such mines has been started recently.

CLOTH EXPORTS

The country's foreign exchange earnings from cotton textiles exports increased by over Rs. seven crores in 1963. The total foreign exchange earnings from textile exports amounted in 1963 to Rs. 63.49 crores against Rs. 55.86 crores in 1962. The extra earnings of Rs. seven crores, despite slight fall in the value per unit, was due entirely to the increase in the volume of yarn and cloth exports. The realisation per unit in respect of both cloth and yarn declined in 1963 compared to 1962 mainly because of fierce competition in world markets which have lately been shrinking. Exports of yarn totalled nearly 30 million lbs. in 1963 against 23 million lbs. in 1962. The price realised per lb., however, dropped from Rs. 2.30 in 1962 to Rs. 2.07 in 1963. Similarly, the price realisation in case of mill-made cloth fell from Re. 0.79 per yard to Re. 0.77 per yard.

GERMAN INVESTMENT IN INDIA

Addressing the Indo-German Cultural Society in Bombay, Mr P. A. Menon, India's Ambassador in Bonn, said that one of the hurdles in the way of increased West German investment in India was the provision in our Constitution empowering the Government to acquire an industry, the quantum of compensation being decided by the Executive authorities against which there was no appeal to the court. He, however, added that an appreciable increase in West German investments in Indian industries could be expected if the present talks on the question of payment of compensation and repatriation of capital against nationalisation resulted in an agreement. He said that the differences between the West German Government and the Government of India on this question had narrowed considerably and that an agreement may be finalised soon.

INDIA'S NATIONAL DEBT

The National Debt of India was Rs. 7,621 crores on March 31, 1963, including market borrowings totalling Rs. 2,371 crores. Giving the debt figures in its latest report, the Lok Sabha's Public Accounts Committee has pleaded for the second year in succession that the Union Finance Ministry, should make a study of the procedure followed in various democratic countries and obtain Parliamentary approval for Government borrowings. The Committee favours an Act of Parliament to fix a limit on Government borrowings.

PULP & PAPER CONVENTION

Addressing a Press Conference on Wednesday, the President of the Indian Pulp and Paper Technical Association, Mr. V. Podder, disclosed that the inaugural convention of the Association would be held in New Delhi on April 11 and 12. Mr. Asoka Mehta, Deputy Chairman of the Planning Commission, will open the convention.

An International Seminar on "Raw Materials for More Paper" and an exhibition of pulp, paper and paper products, including inks, chemicals, dyes, felts, wires and paper machinery, are being organised on this occasion. The convention will be attended by delegates from all over India. Representatives from several foreign firms, which are pioneers in different processes of pulp and paper manufacture, are expected to participate in the Seminar.

EXCISE ON SODIUM SILICATE

An excise duty at the rate of Rs. 4 per quintal has been levied on sodium silicate with effect from March 1, 1964. The duty is payable on quantities of sodium silicate manufactured on or after this date. It is to be paid before the goods are cleared from the factory. Desides paying duty, the manufacturers have to take out a Central Excise licence and observe certain other incidental formalities such as the maintenance of accounts, submission of monthly returns, etc.

ALCOHOL AND MOLASSES EXPORTS

Considerable shortage of alcohol for industrial purposes is being experienced at the moment and it is estimated that the deficit during the year 1964 might be of the order of about 20 per cent of the demand. In order to evolve measures to tide over this difficulty, the Minister for Petroleum and Chemicals, Mr. Humayun Kabir, recently convened a conference of the State Excise Ministers. As a result of this conference, Government of India have restricted, with immediate effect, the exports of molasses and alcohol and in future, no such exports shall take place without specific sanction of the Central Government in each case.

Company Affairs

UNITED BANK OF INDIA

Dr. N. N. Law, Chairman, United Bank of India Ltd., while addressing the annual general meeting held recently highlighted the progress achieved by the bank during 1963. Its profit increased by nearly 25 per cent and deposits increased by over 12 per cent. It opened seven new branches during the year and acquired site for Head Office building at Court House Street in Calcutta. The Chairman indicated that this impressive performance should not lead the bank to complacency because a great responsibility has devolved on all the banks in the face of mounting operating costs. The bank aims, therefore, at the achievement of a deposit level of Rs. 100 crores within the next two years and carry through a process of wider decentralisation to provide banking services to the largest population. Another important task before the bank today, he added, was to meet the growing burden of interest on deposits. It appeared that a further rise may be effected in the rates of interest on deposits to attract more funds but such a step would add to the already high operating cost and, consequently, would tend to step up the lending rates. Dr. Law, therefore, was against such a rise. In fact he advised the larger banks in the country to rationalise their lending rates which would bear a reasonable relation with the pattern of the largest bank in the country. It should, at the same time, be their aim to remain free from anxiety concerning liquidity. An important method for achieving these ends was to make concentrated efforts to increase deposits resources through means other than that of raising the interest rates.

Dr. Law expressed satisfaction over the headway made by the bank in the matter of providing facilities to the small-scale industries. A separate section was set up by the bank two years ago with a view to processing with special care such proposals from small-scale industrial units as could not be considered straightaway in normal course by the advances department. The bank has made tangible progress in this direction. The recent experience has proved that the small entrepreneurs are faced with problems other than financial such as marketing, raw materials, power, land, technical know-how, etc. In many cases it was possible for the bank to advise the concerned unit to solve these problems.

The issue of nationalisation of banks also was taken up by the Chairman. He indicated that the charges levelled by the protagonists of nationalisation such as concentration of power, diversion of resources to big industries and failure to spread into rural areas, were quite baseless. With the recent amendment of the Banking Companies Act, the already substantial powers of the Reserve Bank of India have been further expanded. Moreover, the Reserve Bank has extensive powers in the matter of making advances, including the maximum amount that could be advanced to an individual borrower. As for the question of expansion to the rural areas, Dr. Law indicated that this could not be undertaken indiscriminately. The branches in rural areas and semi-rural areas incurred losses for a number of years and for any economic unit, balance had to be struck between that part of its operation which was already economic and that which was for some time likely to remain uneconomic. Moreover, the number of branches opened by the United Bank of India and many other banks in smaller towns recently made this charge also look equally baseless.

MADURA MILLS

Madura Mills Company Ltd. carried through successfully its plans for modernisation and expansion during 1963. This was revealed by the Chairman, Dr. M. A. Muthiah Chettiar, while addressing the annual general meeting of the company held recently. The year 1963 saw the establishment of the first phase of its weaving project and 456 looms were installed. Its target for the present is 950 looms out of which 850 will be erected at Ambasamudram where an up-to-date weaving shed is under construction. It is placing orders with Picanols, Belgium for the additional 500 looms against the Belgian credit negotiated by the Government of India. The addition of bleaching, dyeing and finishing plants has also been taken up and its application, recommended by the Textile Commissioner, is being considered by the Government of India. There has been consequently a marked improvement in the company's performance during the year 1963 when its net profit increased to Rs. 42.79 lakhs against last year's figure of Rs. 31.81 lakhs. This is all the more appreciable as this increase was achieved after providing higher depreciation charges and higher development rebate reserve. It is evident that modernisation and nationalisation are beginning to show their beneficial results.

The Chairman indicated that the export performance of the company during the year, although satisfactory, showed a slight fall over the previous year. This was mainly due to increase in competition in all overseas markets. There has been however, an encouraging trend in recent months and the performance during 1964 was expected to be better.

SEN-RALEIGH

A chronic shortage of raw materials which forced certain sections of Sen-Raleigh factory producing bicycles to be laid off for periods extending upto two to three months at a time, resulted in disappointing performance during the year ended September, 1963. Mr. Abhijit Sen, Chairman, Sen-Raleigh Ltd., in his statement appended to the annual report of the company, indicated that as a consequence the directors have been unable to recommend the payment of dividend on ordinary share capital of the company. This conservation of resources was also necessary in view of the expansion scheme which was being implemented. It was not till the end of 1963 that the company was satisfied that the raw materials required for such expanded production would be available. Now that the expansion plan has been taken up, increased scale of output will definitely lead to some economies which are so necessary in the face of increasing prices of raw materials and services. The Chairman referred to the increased demand for certain components and indicated that towards the middle of 1964 — immediately after the cycle expansion was in full operation — the company would concentrate on plans for expanding component production.

Referring to the export performance of the bicycle industry, Mr. Abhijit Sen pointed out that appreciable orders were now flowing for the Balaka bicycle which was introduced in the African and Middle Eastern markets during the year. He, however, mentioned an extremely disquieting feature of exports, particularly exports from Calcutta, where consignments sent out seemed to have suffered pilferage which has left a very bad image of Indian manufacturers abroad. No dealer in a competitive market can risk such a damage to his reputation and this matter deserves the serious attention of the Ministry of International Trade. The Chairman also referred to the Government's recent scheme under which any manufacturer who is not a member of the Bicycle Manufacturers' Association, can draw a direct subsidy on its products. This is unfair because each member of the Association contributes to a pool on the basis of production and naturally the

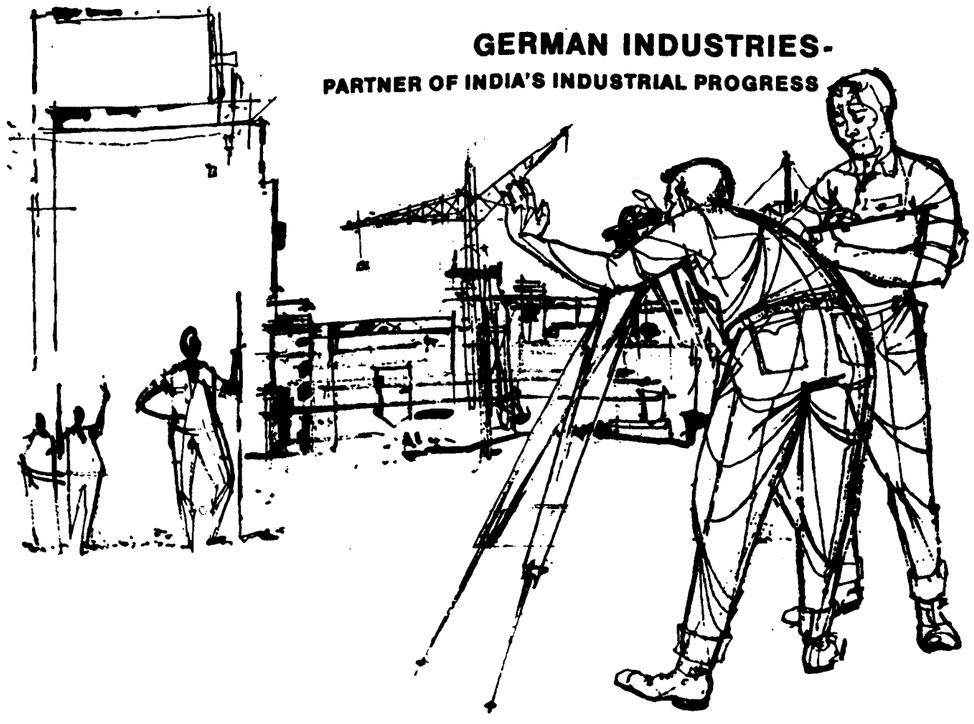
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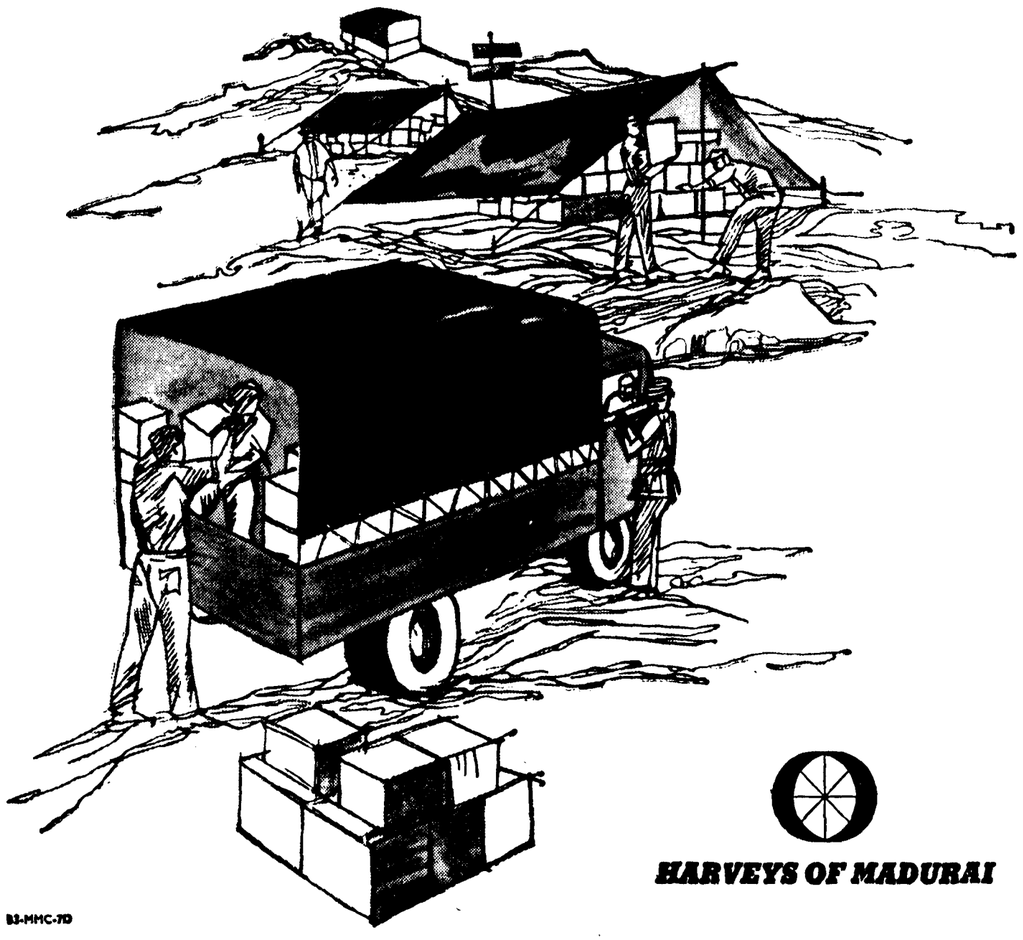
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members of the Bicycle Manufacturers' Association would resent if any non-member was given subsidy without having to contribute towards the pool. This mater should also receive serious consideration of the Ministry of International Trade.

JAY SHREE TEXTILES

Jay Shree Textiles & Industries Ltd. has recorded a substantial progress during the year ended March 31, 1963. According to preliminary report, net sales have increased by about 35 per cent from Rs. 220 lakhs to Rs. 297 lakhs while the gross profit amounts to Rs. 55.97 lakhs against Rs. 43.00 lakhs last year. After providing Rs. 9.49 lakhs for depreciation, Rs. 20 lakhs for taxation and Rs. 2.69 lakhs for development rebate reserve, there is a net profit of Rs. 20.53 lakhs. Adding the unclaimed dividend and the amount brought forward, there is an available sum of Rs. 20.3 lakhs out of which the directors have allocated Rs. 13.25 lakhs to reserve fund. They have recommended the payment of a dividend at the rate of Re. 1 per share (taxable), same as last year.

INDIAN OVERSEAS BANK

The Indian Overseas Bank Ltd. during the year ended December 31, 1963, registered an impressive performance. Its deposits increased to Rs. 42.12 crores against Rs. 37.13 crores a year before and advances increased to Rs. 27.53 crores against Rs. 24.42 crores on December 31, 1962. Borrowings from other banks declined to Rs. 91.76 lakhs as against Rs. 136.25 lakhs. This improvement in working was reflected in earnings on interest and discount which advanced to Rs. 189.63 lakhs against the corresponding figure of Rs. 163.24 lakhs a year before. Earnings on commission, exchange and brokerage also were higher at Rs. 72.43 lakhs against Rs. 67.81 lakhs a year before. Net profit for the year came to Rs. 16.23 lakhs and the directors propose to transfer Rs. 8.70 lakhs from pension and gratuity funds account. A sum of Rs. 6.75 lakhs has been transferred to reserve fund and Rs. 6 lakhs towards provision for bonus. The directors recommend the payment of dividend at the rate of 14 per cent per annum subject to tax as against 12 per cent last year. During the year nine branches were opened and the bank took over assets and liabilities of the Coimbatore Standard Bank Ltd., Coimbatore with its R. S. Puram branch and also Nanjinad Bank Ltd., Nagarcoil with its branches at Eraniel and Thittuvilai. Subsequent to the date of the balance sheet, the Bank has also taken over the selective assets and liabilities of the Coimbatore Vasunthara Bank Ltd., Coimbatore, Satyamangalam, Puliampatti and Kaniyur.

SYNDICATE BANK

Syndicate Bank Ltd. recorded substantial increase in its deposits — from Rs. 32.65 crores to Rs. 45.49 crores — during the year ended December 31, 1963. Advances also increased from Rs. 18.27 crores to Rs. 27.83 crores at the end of the year. This improvement in its functioning was reflected in profits too which came to around Rs. 39.92 lakhs as against Rs. 30.33 lakhs. After providing Rs. 9 lakhs to statutory reserve fund, the directors propose the payment of a dividend at the rate of 20 per cent per annum on A, B and C equity shares, which will absorb Rs. 9.83 lakhs. Dividend on cumulative preference shares will absorb Rs. 1.84 lakhs. A sum of Rs. 14.78 lakhs is provided for taxation and Rs. 5 lakhs for bonus to staff.

During the year under review, the bank took over three banks under the scheme of transfer of assets and liabilities — The Citizens Bank Ltd., Robertsonpet, The Pollachi Town Bank Ltd., Pollachi and The Coimbatore Sri Kannikaparameshwari Bank Ltd., Coimbatore. These banks have had three branches in their respective places and 13 other branches were opened during the year so that the bank has nearly 190 branches today. It has several distinctive features like women's branches, ladies counters at several other branches and students' and children's accounts which have positively helped in the extension of banking habit among new clients.

ATUL PRODUCTS

Atul Products Ltd. recorded a higher turnover from Rs. 4.73 crores last year to Rs. 4.83 crores during 1963. The gross profits, however, was lower, but even then the directors have decided to maintain the distribution for the year at Rs. 12 a share less tax. The gross profit was around Rs. 97.83 lakhs against Rs. 124.44 lakhs. A sum of Rs. 34.26 lakhs was provided for depreciation as against Rs. 26.24 lakhs last year. The Directors have been obliged to draw upon the general reserve to the tune of Rs. 3 lakhs to meet part of the distribution, The set-back in earnings is attributed to an increase in the cost of raw materials which continued to be in short supply. The expansion of sulphuric acid plant is under way. The caustic soda plant is expected to attain full capacity shortly and the erection of the plant for the manufacture of naphthelene intermediaries is expected to commence next month.

HINDUSTAN LEVER

The turnover of Hindustan Lever for the year 1963 has touched a new high of Rs. 59.55 crores — an increase of over 10 per cent over the last year's performance. A part of the rise has stemmed from the sharp increase in company's exports to Rs. 5.12 crores against Rs 2.01 crores last year. The directors have declared a higher final dividend of 80 nP. per share against 60 nP., thus raising the total distribution to Rs. 1.40 or 14 per cent for the year as against 12 per cent last year. The pre-tax profit of the company was around Rs. 4.31 crores. Directors have indicated that the profits was slightly lower than the last year because of an increase in the cost of raw materials and the fact that the prices of two important products — washing soap and vanaspati — remained under price control for greater part of the year. The directors have set aside Rs. 56.5 lakhs for taxes. The dividend distribution will involve Rs. 115.4 lakhs.

RAYMOND WOOLLEN DIVERSIFICATION

The Raymond Woollen Mills Ltd. proposes to manufacture certain organic chemicals and chemical compounds such as resorcinol and its derivatives, vinyl pyrrolidones etc. in collaboration with Helene Curtis Industries Inc., Chicago, USA. For this purpose a private company, J.K. Helene Curtis (Private) Ltd., with a capital of Rs. 5 lakhs divided into 50,000 equity shares of Rs. 10 each has been formed. The technical know-how and assistance will be provided free of charge by the collaborators. It proposes to subscribe for 25,500 equity shares representing 51 per cent of the issued capital of the new company. The collaborators will subscribe the balance of 24,500 equity shares of Rs. 10 each.

VIBGYOR LTD.

Vibgyor Ltd. will enter the capital market shortly to raise Rs. 15 lakhs from the public to finance the establishment of a steel fabrication unit and an engineering division at an estimated cost of Rs. 26.50 lakhs. The authorised capital of the company is Rs. 50 lakhs of which Rs. 15 lakhs in equity shares of Rs. 100 each have been issued and subscribed. The company proposes to offer an additional Rs. 15 lakhs in 15,000 equity shares of Rs. 100 each at par for public subscription. The entire public issue is underwritten. The company is engaged in the distribution of paints and allied products, civil and construction engineering work and in painting and decoration. It proposes to establish a fully equipped unit for steel fabrication plant at Thana, Bombay, to become self-sufficient

in steel structurals and manufacture of ancillary engineering equipment and appliances. It has made arrangements for technical collaboration with Hawke Engineers, San Francisco, California, for know-how and specialized civil engineering job and with Charles Maesner Inc., New York, for construction of multi-storey building and with J. Rich Steers Inc., New York, for docks, jetties etc.

CAPITAL ISSUES

Nine companies have been authorised to raise fresh capital exceeding Rs. 7.87 crores. Of these, six are issuing bonus shares and three equities. Two companies are Central Government Undertakings. One company involves foreign collaboration and is offering part of its equities to the public. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Indian Tool Manufacturers Ltd., Bombay, is to issue Rs. 10 lakhs bonus capital in equity shares of Rs. 100 each, on capitalisation of the General Reserves to a like extent. The bonus shares will be issued in the proportion of two for every five shares held.

Nikhil Jute Baling Company Private Ltd., Calcutta, will be issuing bonus shares of Rs. 5 lakhs divided into 50,000 equity shares of Rs. 10 each on capitalisation of its reserves to a like extent in the ratio of one bonus share for every two equity shares held.

G. Das (Jute & Gunny) Ltd., Calcutta, is to issue bonus shares of Rs. 3,00,000 divided into 30,000 equity shares of Rs. 10 each on capitalisation of its general reserves to a like extent. The shares will be offered in the ratio of 3 bonus shares for one equity share held.

Shree Bhawani Cotton Mills Ltd., Calcutta, is to issue bonus shares of Rs. 7,50,000 divided into 75,000 equity shares of Rs. 10 each on capitalisation of its free reserves to a like extent in the ratio of 3 bonus shares for 7 ordinary shares held.

Garware Plastics Private Ltd., Bombay, is to issue bonus shares of Rs. 3 lakhs divided into 3,000 equity shares of Rs. 100 each on capitalisation of the company's General Reserves to a like extent.

The South Indian Concerns Ltd., a company incorporated in Bombay, is to issue 800 equity shares of Rs. 20 as fully paid up bonus shares on capitalisation of reserves.

Hindustan Photo Films Manufacturing Co., Ltd., Ootacamund, a Central Government Company, will be issuing further capital of Rs. 60 lakhs, divided into 6,000 equity shares of Rs. 1,000 each for cash at par. The money will be utilised for the manufacture of raw films for cinema industry, x-ray, roll films and photographic papers.

Heavy Engineering Corporation Ltd., Ranchi, a Central Government Undertaking, is to issue further capital of Rs. 6.35 crores divided into 63,500 equity shares of Rs. 1,000 each for cash at par. The capital will be utilised for financing the Heavy Machine Building, Foundry Forge and Heavy Machines Tools plants at Ranchi, and Coal Mining Machinery Plants at Durgapur.

Scottish Indian Machine Tools Ltd., Bombay, is to issue Rs. 64 lakhs in equity shares of Rs. 100 each, for cash at par, out of which 40 per cent capital will be subscribed by Scottish Machine Tool Corporation Ltd., U.K. or Scottish Machine Tool Overseas Ltd., and the share money utilised in the import of plant and machinery, 30 per cent will be offered to the public and the remaining 30 per cent will be subscribed privately. The money will be utilised in the manufacture of Guillotine Shear etc.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 21st March, 1964. The list contains the names and addresses of the licensees, the articles of manufacture and annual installed capacity.

IRON AND STEEL

M/s. Godrej & Boyce Mfg. Co. Private Ltd., Lalbaug, Parel, Bombay-12 (Maharashtra) — Steel Castings — 4,500 tons. M/s. Marikar Industries Ltd., 'Marikar Buildings', Main Road, Trivandrum-1. (Kerala State.) (Mamala, Ernakulam, Distt. Kerala) — Automobile leaf springs. (Shifting). (Change of location from Palghat Distt to Ernakulam, Distt. in Kerala State).

COAL

M/s. The Bhulanbararee Coal Company Ltd., 4. Clive Row, Calcutta. (Bihar) — Coal — 1963-64 — 1,20,000 tonnes; 1964-65 — 1,80,000 tonnes; 1965-66 — 2,40,000 tonnes; 1966-67 — 3,00,000 tonnes. Shri Debi Prasad Marwary, At & P.O. Mahagama, Distt. Santal Parganas. (Bihar-Santal Parganas) — Coal — 8.000 tonnes. M/s. Hind Shippers Private Ltd., 135, Canning Street, Calcutta-1. (Distt. Dhanbad, Bihar) — Coal — 1,92,000 tonnes. M/s. Nag's Kajora Jambad Colliery, 4, Mandeville Gardens, Calcutta-19. (P.O. Ukhra, Distt. Burdwan, West Bengal) — Coal — 2,00,000 tonnes. M/s. Samla Collieries Ltd., 33, Netaji Subhas Road, Calcutta-1. (P.O. Pandaveswar, Distt. Burdwan, West Bengal) — Coal — 1964 — 1,30,000 tonnes; 1965 — 1,38,000 tonnes; 1966 — 1,38,000 tonnes; 1967 — 1,38,000 tonnes. M/s. Shyama Coal Co., Diamond Phularitand Colliery, P.O. Kharkharee, Distt. Dhanbad (Bihar). (P.O. Kharkharee, Distt. Dhanbad, Bihar) — Coal — 12.000 tonnes.

TEXTILE MACHINERY

M/s. Marsden Spinning & Manufacturing Co. Ltd., Ahmedabad (Gujarat State). (Ahmedabad, Gujarat) — (i) Pneumaclear Cleaning Plants for draw frames — 420 units. (ii) Pneumastop for roving frames — 240 units. Shri K. Devadas, 7/9, A. T. T. Colony, Coimbatore-1. (Coimbatore, Madras) — (1) Bare Cylinder Grinders for 40" — 60 Nos. (2) Card Mounting Machine 40" with mounting units, Brusher, Double Purchase Jack — 40 Nos. (3) Automatic Top Clipping Machine — 40 Nos. (4) Flat Clipping Machine — 20 Nos. (5) Automatic 3-Flat Grinding Machines — 60 Nos. (6) Traverse Wheel Grinders — 400 Nos. (7) Long Grinding Rollers — 400 Nos. (8) Portable Flat Cleaners — 40 Nos. (9) Lickerin Teeth Roller Wire Recovering, Grinding, Dressing and Burnishing Machines — 20 Nos. (10) Rubber Roller Grinding Machine suitable for cotton and worsted spinning frame rollers — 20 Nos. (11) Pneumatic Assembly Machine — 20 Nos. (12) Roller Deflection Testors — 60 Nos. (13) Roller Testers — 60 Nos.

SUGAR MACHINERY

M/s. Utkal Machinery Limited, Kansbahal, Near Rourkela, P.O. Box 47, Rourkela-1. (Kansbahal, Orissa) — (i) Battery of H. S. Sugar Centrifugals — 40 Nos. (ii) Complete Milling Plants (30" X 60") — 2 Nos. M/s. Textile Machinery Corporation Limited, Post Office Belgharia, 24, Parganas, West Bengal. (Belgharia, W. Bengal) (i) Centrifugal Machines (long cycle and short cycle). (ii) Massecuite Heat Treating Equipment — Valued at Rs. 27 lakhs.

CONVEYING EQUIPMENT

M/s. Kirloskar Asea Ltd., C/O Kirloskar Electric Co. Ltd., Post Box No. 1017, Bangalore-3. (Hebbal, Bangalore. Mysore) — (1) Chain Hoists upto 500 Kg. — 1,000 Nos. (2) Wire Rope Hoists upto 6,000 Kg. — 350 Nos. (3) Crane Crabs upto 12,500 Kg. — 100 Nos.

BALL BEARINGS

M/s. Andhra Pradesh Industrial Development Corporation Ltd., B-1-174, Fateh Maidan Road, Post Box No. 13, Hyderabad-4. **Name and style of:** Andhra Pradesh Ball Bearings Works Ltd. (Hyderabad, Andhra Pradesh) — (1) Ball Bearings 15-45 mm bore — 6.00,000 Nos. (2) Tapered Roller Bearings 20-60 mm bore — 6,00,000 Nos. (3) Cylindical Roller Bearings 17-50 mm. bore — 2,40,000 Nos. (4) Journal Bearings 120 mm. bore — 24,000 Nos.

MACHINE TOOLS

M/s. New Standard Engineering Co. Ltd., Carroll Road, Bombay13. (Bombay, Maharashtra) — Hot Blast Cupolas — 6 Nos. M/s. Hindustan Machine Tools Ltd., P.O. Jalahalli, Bangalore. (Kalamassery, Ernakulam, Distt. Kerala) — (i) Centre lathes of all types and sizes. (ii) Turrets both hexagonal and drum types. (iii) Single and multispindle automatics and other turning machines — First phase 1,200 Nos. Second phase 2,400 Nos. M/s New Standard Engineering Co. Ltd., Carroll Road, Bombay-13. (Maharashtra) — Trimming Presses (upto 200 tonnes capacity) — 36 Nos. M/s. Saran Engineering Company Ltd., Marhowrah Works Branch, Marhowrah — District Saran, Binar. (Marhowrah Saran Distt. Bihar) — Pneumatic Power Hammers — 120 Nos.

HAND TOOLS

Shri P. Kumar, Industrial Estate, Lalbaug, Bombay-12 (Poona, Maharashtra) — Milling Cutters of various types — 31,500 Nos. worth rupees 30 lakhs.

INDICATING DEVICES

The Managing Director, National Instruments Ltd., Jadavpur, Calcutta-32. (West Bengal) — (1) H. P. Dial Air Gauges — 150 Nos. (2) Vertical Mechanical Comparator — 200 Nos.

ORGANIC HEAVY CHEMICALS

M/s. The Atul Products Ltd., Atul Post via Bulsar, Distt. Surat (Gujarat State). (Atul, Gujarat) — Phosgene — 660 tonnes.

MISCELLANEOUS CHEMICALS

M/s. J. B. Advani — Oerlikon Electrodes (Private) Ltd., Radia House, 6, Rampart Row, Fort, Bombay-1. (Bhandup, Bombay, Maharashtra) — Fluxes for submerged Arc Welding — 1,200 tonnes.

DRUGS AND PHARMACEUTICALS

M/s. Bengal Chemicals Pharmaceutical Works Ltd., 6, Ganesh Chunder Avenue, Calcutta-13. (West Bengal) — Kaolin Pectin Mixture N.F. — 7,200 litres.

COTTON MANUFACTURES

M/s. Shree Ganesar Textile Mills Ltd., 591, Mandipet, Devangere City. (Mysore) — 100 automatic looms for the manufacture of cotton cloth. M/s. The Kadri Mills (CBE) Ltd., Oddarpalayam, P.B. No. 19, Ondipudur P.O., Coimbatore. (Madras) — 100 automatic looms for the manufacture of cotton cloth. Shree Bhawani Cotton Mills Ltd., 2, Brabourne Road, Calcutta. (Abohar, Punjab) — 100 automatic looms for the manufacture of cotton cloth. The General Industrial Society Ltd., 15, India Exchange Place, Calcutta-1. (Distt. Hooghly, West Bengal) — 6,872 spindles for the manufacture of cotton yarn. M/s. Suraj Textiles Mills Ltd., Malout Mandi, District Ferozepur. (Punjab) — 13,200 spindles for the manufacture of cotton yarn. M/s. Sundaram Spinning Mills, Komarapalayam P.O., (Via) Erode, Salem Distt. (Madras) — 12,680 spindles for the manufacture of cotton yarn. M/s. The Rajkot Spinning and Weaving Mills Ltd., Karansinhji Cross Road, Rajkot (Gujarat). (Gujarat) — 6,000 spindles for the manufacture of cotton yarn. M/s. The Madhya Pradesh State, Industries Corporation Ltd., Industrial Estate, Pologround, Indore City (Madhya Pradesh). (Sanawad, Madhya Pradesh) — 12,500 spindles for the manufacture of cotton yarn. M/s. The Mahendra Mills Ltd., Mahendra Bhuvan, Opp: Gandhi Crossing, Navarangpura, Ahmedabad-9. (Gujarat) — 100 automatic looms for the manufacture of cotton cloth. M/s. Bhiwandi Weavers' Co-operative Society Ltd., Bhiwandi, District Thana, Maharashtra. (Bhiwandi, Distt. Thana, Manarashtra) — 25,000 spindles for the manufacture of cotton yarn. M/s. Belary Spinning and Weaving Company Ltd., 7, Balaji Rao Road, Bellary-2. (Mysore) — 12,680 spindles for the manufacture of cotton yarn. M/s. The Calicut Modern Spinning and Weaving Mills Ltd., 10/64, Somasundaram Mills Road, Coimbatore-1. (Kozhikode, Kerala) — 13,000 spindles for manufacture of cotton yarn. M/s. The Asok Textiles Private Ltd., Asokapuram, Alwaye. (Kerala State) — 9,444 spindles for the manufacture of cotton yarn. M/s. Vijayeswari Textiles Ltd., Puliampatti (Via) Pollachi, Coimbatore District. (Pollachi, Coimbatore District. Madras State) — 100 automatic looms for the manufacture of cotton cloth. M/s. G. T. N. Textiles Ltd., Soundararajapuram, Erumathala Post, Alwaye (Kerala State). (Alwaye, Kerala) — 13,000 spindles for the manufacture of cotton yarn. M/s. Prabhuram Mills Private Ltd., 5, Shanmuga Mudali Street, Royapettah, Madras-14. (Alleppy, Kerala) — 13,000 spindles for the manufacture of cotton yarn. M/s. The Rajalakshmi Mills Ltd., Singanallur Post, Coimbatore-5. (Madras)—100 automatic looms for the manufacture of cotton cloth. M/s. Sree Sabari Mills (Private) Ltd., Lakshmi Vilas, 5, South Bank Road, Raja Annamalaipuram, Madras-28. (K. Sathanur, Madras) — 12,000 spindles for the manufacture of cotton yarn (shifting from Thiruchirapalli to K. Sathanur in Madras State). M/s. Super Spinning Mills Limited, R.P.G.T. Colony, Hindupur. Anantapur District. (Andhra Pradesh) — 6,000 spindles for the manufacture of cotton yarn. M/s. The General Industrial Society Ltd., 15, India Exchange Place, Calcutta-1. (West Bengal). — 100 automatic looms for the manufacture of cotton cloth.

WOOLLEN MANUFACTURES

M/s. The Punjab Woollen Textiles Mills, G. T. Road, Chheharta, Punjab. (Chheharta, Amritsar, Punjab) — 18, power-looms for the manufacture of worsted woollen fabrics.

SYNTHETIC YARN MANUFACTURES

M/s. Century Spg. and Mfg. Co. Ltd., Industry House, 159, Churchgate Reclamation, Bombay-1. (Maharashtra) — Rayon Tyre Cord — 2.3 million Kgs. M/s. Fancy Corporation Ltd., Sir Vithaldas Chambers, 16, Apollo Street, Fort, Bombay. (Maharashtra) — Embroidery piecegoods — 4 embroidery machines for producing 1,40,000 yards per month.

PAPER

M/s. T. R. S. Ramanatha Iyer & Brothers, Bankers, Coimbatore and Palghat-4. (Palghat, Kerala State) — (i) Paper — 3,000 tonnes; (ii) Pulp — 3,000 tonnes. M/s. Krishna Flour Mills, Post Box No. 575, Old Tharagupet, Bangalore-2. (Ghataprabha Distt. Mysore) — Writing and printing paper — 6,000 tonnes. Pulp — 6.000 tonnes.

FLOUR

M/s. The South India Flour Mills Pvt. Ltd., 1-2, Rayapuram Beach Road, Madras-13. Name and style of: M/s. The South India Flour Mills Pvt. Ltd., Madras. (Madras) — Atta, Maida, Suji and Bran — 1,320 tons per month (in terms of wheat). M/s. The Balaji & Maharani Flour Mills, 300, Duncan Road, Bombay-4. Under the name and Style of: The Balaji & Maharani Flour Mills. (Maharashtra) — Wheat Products — 1,200 tons or 1,219 Metric tonnes per month (in terms of wheat).

VEGETABLE OILS

M/s. Hanuman Oil Mills. Shreeniketan, 99. Marine Drive, Bombay-2. (Khamgaon, Maharashtra) — Cotton seed oil (monthly capacity) — 300 tons. (Monthly capacity after expansion) 600 tons or (60,000 tons p.a. in terms of cottonseed).

LICENCES REVOKED OR SURRENDERED

(During the week ending 21st March, 1964).

(Information pertains to particular licences only).

M/s. Chamanlal & Brothers, Bombay — Jest system of Dyers and accessories for processing fabrics and paper coating, dyeing impregnating, etc. M/s. Jagmohan Silk Mills, Bombay — Textiles made of art silk including artificial silk yarn. M/s. West Coast Paper Mills Ltd., Bombay — Rayon grade pulp and paper out of grade pulp. M/s. Modi Vanaspati Manufacturing Co., Modinagar. Vanaspati. Shri Bhailalbhai, S. Patel, Bakrol via Anand, District Kaira — Penicillin vials and Heat Resistant Pressure ware, etc.

BOOKS BRIEFLY

Water is Good

Effects of Bhakra Dam Irrigation on the Economy of the Barani Villages in the Hissar District: 1960-61: Published by Economic and Statistical Organisation, Punjab Government, Chandigarh; Price Rs. 14.

Reviewed by T. P. MANI

THIS REPORT (for the year 1960-61), is the Ninth one in the series initiated by the Board of Economic Inquiry, Punjab and the object of it is, to study, analytically the impact of the Bhakra Nangal Project on the economy of the Barani villages in the Hissar district.

For the sake of analysis, the sample villages are grouped under three categories, viz., B.D. (Bhakra Dam irrigated), P.I. (previously irrigated) and Barani (completely rain-fed) The volatile fluctuations in the intensity of cropping during the years 1950-51 to 1960-61 has been well explained by linking it with the presence of a large percentage of Barani areas in the BD and PI villages. The unsteadiness, in the percentage distribution of area under Kharif and Rabi crops in the BD villages, has been accounted for by the uncertainty and inadequacy of the canal water supply. It is shown that the maturity of crop is higher in the irrigated areas as compared to the completely rain-fed category.

As regards cropping pattern "irrigation seems to have resulted in lowering the percentage area under bajra and gram and increasing the area under other crops which include cotton, sugarcane, vegetables, fodders, etc." The analysis of the value of production per acre held and the effect of irrigation on production are vague. The existence of higher levels of indebtedness and the higher redemption level in the BD and PI villages relatively to that in the Barani villages is an interesting point. Based on the arrivals of crops such as cotton, maize and chillies which are exclusively from irrigated areas it is concluded that the marketed surplus has a tendency to increase with the increase in irrigation facilities.

The analysis in Chapter IV of the Farm Accounts of the five selected holdings corroborates the conclusions drawn earlier regarding intensity of cropping and the cropping pattern. It is also shown that the output per acre of each crop has an increasing trend. It is rightly accounted that the remarkably high rate of yield in 1960-61 was due to favourable weather conditions during that year. From the analysis of gross income per acre from different crops no revealing conclusions have been arrived at. The analysis of net income, from farming is unnecessarily complicated. With the data on return per worker no interpretation has been attempted.

The study in Chapter V, on Family Budget of the five selected households, brings out the obvious fact, that farm, is the chief source of food supply of the families. As compared to the year-end budgetary position of the year 1959-60 which showed a deficit of Rs. 345.48 per family, that of 1960-61 discloses a surplus of Rs. 391.63 per family.

Thus, but for certain broad conclusions regarding intensity of cropping, maturity of crop and the cropping pattern, the Report does not bring out other aspects of the impact of the project. In arid lands irrigation may lead to progressively increasing degree of alkalisation. There is also the possibility of water logging due to a rise in the level of the sub-soil water. Lastly, there is the long-run problem of wastage of water due to seepage. No mention of these problems has been made. The result is that, despite its obvious good intentions, the survey fails to convey adequately a sense of the possible impact which this gigantic project may be expected to have made.

UNDER-DEVELOPED ECONOMIES

Essays on Planning and Economic Development: Centre of Research on Under-Developed Economies; P.W.N.-Polish Scientific Publishers, Warsaw.

Essays on Planning and Economic Development is the first in a series of studies on developing countries planned to be brought out from time to time by the Polish Centre of Research on under-developed economies. There are four contributions in this booklet by eminent Polish economists. The first paper by Mr. M. Kalecki deals with methods of constructing a perspective plan. This paper is based on Polish experience and was originally presented by its author to the UNESCO Seminar on the programming of economic development held in January, 1963, in Sao Paulo.

The choice of techniques has been baffling many under-developed countries. Mr. Zofia Dobrska quoting profusely from Prof. A. K. Sen's celebrated volume 'Choice of Techniques' makes some concrete suggestions with regard to the choice of planning techniques in various existing economic conditions in developing economies. Dr. Ignacy Sach and Mr. Jerzy Tepicht have chosen no less important subjects. Dr. Sach deals with planning in an import-sensitive economy. He suggests that while no fixed rules can be drawn .... an import-substituting scheme should be preferred to an export-oriented one, as it strengthens the economic independence of the country.

Mr. Tepicht's paper on agrarian relations and the growth of agricultural production has much to do with Indian experience. He suggests that "until the development of industry enables it to take over surplus labour from agriculture and to provide the remaining rural population with modern means of production, we should not make a fetish out of the technical productivity of labour, but on the contrary we should try to get out of agriculture those specific reserves for increasing output that can be put in motion by a consistently designed agrarian reform".

FERTILIZERS

Fertilizer Statistics, 1962-63: Issued by the Fertilizer Association of India, 85, Sundar Nagar, New Delhi; Pages 300; Price Rs. 10.

During the last eight years the Fertilizer Association of India has been bringing out regularly this annual publication on fertilizer statistics, but this year it has brought out two editions, one in February and the other in November. Broadly, the statistical study is divided into two parts. The first part, covering a little more than half, concentrates attention on the present installed capacity of plants producing different kinds of fertilizers, the licences which have been issue for the establishment of new units and those which have been planned but are yet to be licensed.

This also applies to the other types of fertilizers, such as phosphatic fertilizers, complex fertilizers, potassic fertilizers and mixed fertilizers. In addition to figures regarding installed capacity of the units, the publication sets out data regarding prices and subsidy, the third five-year Plan and various other miscellaneous statistics such as recommendations for fertilizers used for different crops in various States, main manuring seasons for various crops in different States, instructions for mixing fertilizers, etc. Also, it provides detailed figures to compare fertilizer production and consumption in India and abroad. An interesting table on page 168 compares fertilizer consumption with yield per acre and the density of population in India and thirteen other countries.

COMPANY MEETINGS

UNITED BANK OF INDIA LIMITED

Excerpts from the Speech delivered by Dr. N. N. Law, Chairman, United Bank of India Limited, at the Annual General Meeting of the Shareholders of the Bank held on March 30, 1964.

BANK'S PROGRESS

The past year has been a period of significant advance by your Bank. The Profit has increased by Rs. 5.19 lacs or 24.5 per cent. The dividend has been raised to 7½ per cent. This is the third rise in dividend since the amalgamation. Deposits have increased by Rs. 7.9 crores, i.e., 12.2 per cent (as against 10.1 per cent rise in the deposits of all scheduled banks). Seven new branches were opened during 1963 and so far this year 2 new branches have been opened. The emoluments of the employees have also been further improved.

Another important and significant event that has taken place during the year is the acquisition of a site measuring 57 Cottahs — nearly an acre — on Old Court House Street. On this site is proposed to be constructed a new home for the Head Office of your Bank. The detailed plans for the building are being drawn up by the architects, and it is hoped that construction work will commence during the year.

I do not wish to give you the impression that the results achieved so far should lead to complacence. On the contrary, in view of the mounting operating costs, referred to later in this statement, a greater responsibility has devolved on all of us, the Directors as also the workers in various spheres and levels in this Bank. A number of steps have been initiated early this year to achieve a wider decentralisation of functions, and as the year progresses, efforts will be made to implement the programme in a phased manner. Our aim should be the attainment of a deposit level of Rs. 100 crores within the next two years, if we are to cater to the increasing credit requirements of the developing economy. I do hope that with the concerted efforts of the workers, shareholders and present and prospective customers, the target may be achieved even earlier than contemplated.

INTEREST RATE

The biggest task before the Bank today is, therefore, to accelerate the rate of growth, and to meet the growing burden of interest on deposits. We shall try to achieve this by intensifying our efforts, opening more branches and by diversifying our services.

As I speak to you, banks are considering whether a further rise in the rates of interest on deposits is necessary, their attention to this matter having been recently drawn by the Reserve Bank. It seems likely that a further rise will be effected, and such a step will add to the already high operating cost and will consequently tend to step up the lending rates. My view on the lending rates is well known to be against such rise.

To my mind, it should be the aim of the larger banks in the country to be able so to rationalise, at an early date, their lending rates as will bear a reasonable relation with the line and pattern of the largest bank in the country. It should, at the same time, be their aim to remain free from anxiety concerning liquidity. An important method for achieving these ends would be to make concentrated efforts to increase deposit resources through means other than that of raising the interest rates. At the same time, an expedient utilisation of resources has also to be ensured.

In this context, I would like also to refer to the conditions obtaining in the Stock Exchanges. Ultimate safety and liquidity of bank advances in a growing economy, incapable, due to various reasons, of planning for extinguishment of debts, depend considerably on the ability of borrowers to shift the credit facilities in due course by obtaining equity and long-term finance through the Stock Exchanges. Apart from the inhibiting taxation, high rate of interest on bank advances stands in the way of the development and expansion of Stock Exchange services. On this ground also it would be against the interest not only of the banks themselves, but also of industrial expansion, to encourage a rising structure of interest rates.

However, the present mood seems to be to ignore these implications and to depend on an upward revision of the rates. In that case, since we cannot swim against the current, we shall also have to fall in line, much as I would have wished that the trend were checked.

If the rates have to go up, it would be better to confine the rise to that portion of bank deposits which could be marginally sensitive to interest rates, viz., term deposits for periods over twelve months, and not to cover the whole range of deposits. The incidence of the cost of term deposits can then be somewhat neutralised by reducing the cost of demand deposits, including Savings accounts which have virtually become Current accounts. One of the ways to do so would be to introduce two types of Savings accounts and to reduce the rate on those with very small balances, limiting the frequency of withdrawals in such uneconomic accounts. Adjustments of other service charges may also have to be undertaken.

SMALL INDUSTRIES

I am happy to report that further headway has been made by the Bank in the matter of providing finance to the small scale industries. As you will recall, a separate Section was started about two years ago, with a view to processing with special care, such proposals from smaller industrial units as could not straightaway be considered, in the normal course, by our Advances Department. After the initial experimenting and probing, some tangible progress has now been made and a number of small scale industrial units have been financed and are being given special service. Steps are now being taken further to expand the activities of this Section in the matter of financing small scale industrial units.

It has been our experience that more than the question of bank finance, the small entrepreneurs are faced with other

problems, those relating, for example, to risk capital, marketing, raw materials, power, land, technical know-how, etc. The difficulty that we mostly face in financing these units is the deficiency in financial management. There have been cases where after proper assessment and discussion it was discovered that a good portion of the required development finance could be found from resources within and that only a small advance from the Bank could satisfy their requirements. In some other cases it was also possible for the Bank to suggest ways and means by which the concerned units could raise finance from other more appropriate agencies or improve their profitability. Our approach, therefore, has been to provide the best possible financial guidance and advice along with the required finance. This is much appreciated by the concerned borrowers.

NATIONALISATION OF BANKS

The most significant issue that developed in the past year relates to the nationalisation of banks. I do not understand the wisdom of this clamour for nationalisation. Take the case of this Bank. The ownership is widely distributed, the management is conducted by people who have risen from the bottom of the ladder, the employees are drawn from the middle class families and number around 4,000. It serves the common man with sincerity and warm friendliness. Could nationalisation make any difference for the better? The only difference it could make, to my mind, is that the profit would then go to the State Exchequer instead of being paid to you as dividend.

The charges levelled by the protagonists of nationalisation are mainly those of concentration of power, of diversion of resources to big industries and of failure to spread in the rural areas. With the recent amendment of the Banking Companies Act, the already existing wide powers of the Reserve Bank of India have been further expanded. It can now remove any director, chief executive or any other employee of a bank and also appoint persons of its choice in place of those removed. It has also been provided that no shareholder can have a voting right in excess of 1 per cent of the total voting rights of all the shareholders of the banking company. With these powers vested in the Central Banking Authority the talk of concentration of power is not tenable.

In the matter of making advances also, the Reserve Bank has extensive powers to issue directives to all the banks generally, and to an individual bank particularly, in various matters regarding advances, including the maximum amount of advance that may be made to an individual borrower.

If the banks are financing big industrial projects it is only in accordance with the industrial policy of the nation. In the situation of control in this regard, installation and expansion of big units can only be in accordance with the industrial policy and with the permission of the Government. If, therefore, such projects are vital to economic development, it is only proper that the commercial banks should assist these to the best of their ability. What is really to be regretted is that on account of inadequate growth of deposits, the banks are not always able fully to cater to the requirements of these projects.

As for the question of expansion to the rural areas, it must be remembered that this could not be undertaken indiscriminately. It is a well-known fact that branches in rural or semi-rural areas incur losses for a number of years. The rate of expansion in this sphere, therefore, must be determined by the ability to bear losses. For any economical unit, whether in the public sector or the private, a balance must be struck between that part of its operation which is already economic and that which is, or is for some time likely to remain, uneconomic. Yet, the banks have already been expanding in these areas and during the past few years the coverage that has been extended must, in the circumstances, be considered satisfactory.

While it augurs well that views advocating nationalisation are held by a very small group and that the government has not endorsed these views, it is imperative that a thorough reappraisal and self-analysis be made by the industry itself with a view to devising ways and means to alter the image of its services to the community. The bankers are conscious of this need. An important step in this regard would be, besides an enlightened collective public relations programme, to develop, with a positive purpose, a wide range of promotional activities with adequate "social content", particularly in assisting growth of self-employment through small scale industries.

These efforts would no doubt need a lot of pioneering in finance, but that need not deter nor delay any such programme. Further, such activities would attract much more resources to the banking system than what higher rates on deposits are likely to fetch. On the other hand, such dissipation of bank earnings through higher rewards to depositors, by charging more to the people who undertake productive economic activity, increases consumption and adds to the factors distorting the efforts to hold the price line. Bank earnings devoted to the promotion of self-employment will accelerate economic development and go a long way in resisting inflationary pressures.

DEVELOPMENT BANKS

In this connection, the role that is being played by the development banks in the country comes to my mind. These institutions, while performing very useful services, are dependent, to a very high degree, on the Government for their resources. The resources made available to the Industrial Finance Corporation are interest bearing. While to State Financial Corporations such funds are not at all made available. Their own attempts to raise resources from the community in the form of increased equity or bonds have not been successful to the extent required. It is true that the conditions prevailing in the country are not yet conducive to the sucess of attempts by the development banks to raise their own resources. This is because in their case the prospects of profits are not only low, but long-term as well.

It would, therefore, be advisable that adequate funds be made available to these institutions in the form of junior capital. At the same time the commercial banks, which are not in a position to play an unrestricted direct role in providing development finance to industry on a substantial scale, though they are doing their best to provide medium term loans and working capital might orientate their operations and provide more resources to these specialised institutions. This would be a worthwhile contribution for the commercial banks to make and would help them as to liquidity. Similar contribution could be thought of in the field of agriculture also. It will still be necessary for the development banks, however, to create their own cells for initiating efforts to place their commitments in capital subscriptions and issue of bonds, direct with the public. This again makes the need for activising Stock Exchanges more urgent.

For assisting the small and medium scale industrial sector, a number of institutions are now functioning: the State Financial Corporations, the National Small Industries Corporation, the Small Industries Service Institute, the agencies functioning under State Aid to Industries Act, and the Guarantee

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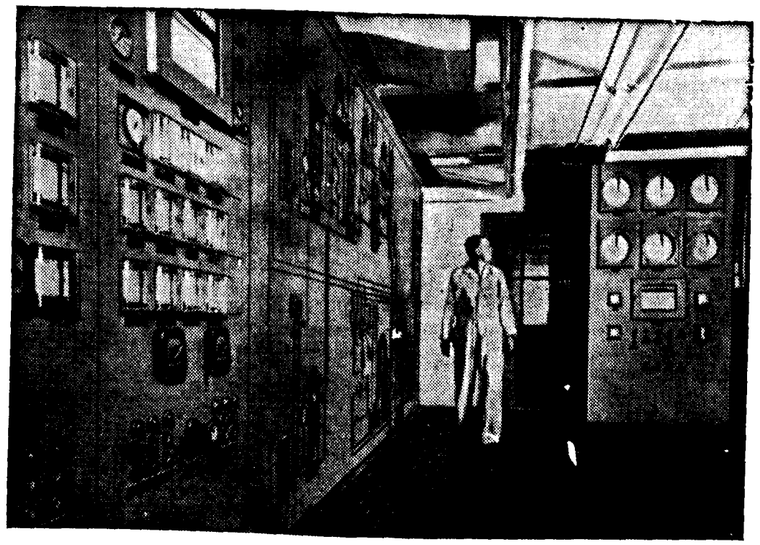
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Scheme operated by the Reserve Bank through the scheduled banks. Perhaps it may serve the purpose better if instead of multiplication of agencies dealing with small and medium scale industries, a separate single agency is set up for each region, with a combination of all the varieties of functions now performed by these multifarious agencies. Such an institution at the state level would be better equipped to render not only financial assistance, but also services in the form of marketing information, technical and managerial assistance, etc., which these industries so badly need. Through its provision, even if partially, of risk capital to the small entrepreneurs, such an institution would act as a catalytic agent in the capital market, on the lines of the functions performed by the Industrial Credit and Investment Corporation of India at the national level.

GENERAL ECONOMY

Coming to the overall economic development in the country, it is being increasingly realised that in recent years the rate of growth has not been up to the desired level and that vigorous steps should be taken to accelerate the tempo of development. A number of steps in this regard have been taken recently in the form of relaxation of capital control, price control, streamlining of licensing procedures, increased resources of the development banks, establishment of the Unit Trust and the Industrial Development Bank. The Finance Minister has also repeatedly emphasised the need for achieving faster growth and for this purpose he is contemplating further measures, over and above the fiscal incentives which in a limited way have been provided for certain industries in the budget.

At the same time it is equally necessary to establish a measure of continuity of these policies. An illustration of the lack of continuity in policies, which we have so often experienced, is provided by the recent budget proposals concerning the Annuity deposit, the expenditure tax and the increases in the rates of wealth tax and estate duty. The essence of a sound fiscal policy in the context of the situation prevailing in the country, is its ability to stimulate investments. An essential ingredient of investment decisions is constituted by reasonable expectations regarding the future course of events. Lack of continuity of policies does weaken such expectations, and set at nought all forecasts and planning so very vital in any industrial operation.

There is another facet of this aspect of expectation or forward projection, and that is psychological. But it plays a very significant part in any human activity. To my mind, what seems to be happening is that, while it is a declared objective to encourage investments and thereby to achieve a higher growth rate, there is not yet the full realisation of the significance of the psychological factor of expectations regarding finance of the psychological factor of expectations regarding the future. In the absence of reasonable optimism on this score, no amount of institutional props and persuasion will be adequate to generate the desired degree of economic growth.

What the country needs is an all-pervading atmosphere of development and a climate of self-employment through small and ancillary industries spread all over the country. While fiscal policy, in so far as it had been inhibitive, has undergone certain adjustments, this by itself will hardly be enough. Every region in the country should make a determined and positive bid to generate a real movement for stimulating industrial growth at all levels. An essential step in this respect would be to provide against a degree of risk which is inherent in any pioneering effort. When it is ensured that the community will back up the venture, much will be achieved in orientating the common man to the idea of self-employment through industries. No movement can achieve results without the readiness to pay the price for it.

At the State levels adequate funds should be found to take care of the financial risks which may develop through such a movement. Bearing the risks at the State level, in this manner, would actually be an investment in the future and will prepare the basic background for self-employment through industrialisation. If, from this point of view, it becomes desirable — which possibly it is — to pool the resources of the development banks operating in a particular region, that also should be done. The budgets of the States should be carefully examined and the impact of each item of expenditure should be analysed to see what proportion of the budget is directly aimed at encouraging self-employment. Provision of adequate funds, as mentioned earlier, would constitute a very small percentage of the total State resources but would go a long way towards fulfilling the goals of economic development.

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



THE INDIAN OVERSEAS BANK LIMITED

SPEECH OF THE CHAIRMAN, SHRI M. Ct. MUTHIAH

Following are the extracts from the speech delivered by Shri M. Ct. Muthiah at the Annual General Meeting of the Shareholders of The Indian Overseas Bank Ltd., held on Tuesday, March 31, 1964.

LADIES AND GENTLEMEN

I am happy to welcome you to this 27th Annual General Meeting of the Bank in this modern and new administrative building which, as you are aware, was inaugurated early this year by the Hon'ble Shri C. Subramaniam, Union Minister for Steel, Mines and Heavy Engineering. This building, as I stated on a previous occasion, symbolises our past performance, our present confidence and our optimism for the future. It is also a happy tribute to the continuing support of our shareholders, constituents and correspondent-banks at home and abroad. Another significant addition to the Bank's facilities will be the provision of a drive-in-counter with television facilities, which incidentally will be the first of its kind in India, attached to the administrative building. All this would not have been possible but for the support lent to us in abundant measure by our shareholders and I may, therefore, be permitted to express both on my own behalf and on behalf of the Board of Directors our deep appreciation of their steadfast faith and interest in the growth and expansion of the Bank.

BOARD OF DIRECTORS

Messrs. S. S. Vasan, C. M. Khatau and V. K. Ramaswamy Mudaliar, who were co-opted to the Board during the year, hardly need any introduction to the shareholders. I am sure you will all join me in extending to them a hearty welcome.

BANK'S PROGRESS

During the year under review, the Bank's progress was indeed very impressive as you will see from the Directors' Report which has been in your hands for some time and which, with your permission, I shall take as read. Capital and Reserves have increased from Rs. 180 lakhs to Rs. 194 lakhs and deposits from Rs. 3713 lakhs to Rs. 4212 lakhs. There was a sizable increase in advances also from Rs. 2442 lakhs to Rs. 2753 lakhs, resulting in an appreciable gross income of Rs. 263 lakhs as against Rs. 237 lakhs for 1962. We continue to maintain a high liquidity.

ALLOCATION OF PROFITS

With an increase in profits, your Directors were pleased, after making adequate provisions for tax and other statutory requirements, to strengthen the general and other reserves by the additional sum of Rs. 6.75 lakhs as against Rs. 4 lakhs in 1962. The dividend on shares was also restored to 14 per cent as against 12 per cent in the previous year, a cut necessitated by the imposition of Super Profits Tax. Provision for bonus was also stepped up to Rs. 6 lakhs as against Rs. 4 lakhs in 1962.

BANK'S EXPANSION

In the year under review the expansion of the Bank continued at an accelerated rate.

We also expect the Reserve Bank of India to give us permission to open a few more branches at important metropolitan centres which offer great scope for additional banking offices.

During the past year, we have also taken over the assets and liabilities of the Coimbatore Standard Bank Ltd., R. S. Puram, Coimbatore and the Nanjinad Bank Ltd., Nagercoil, with its two branches, one at Eraniel and another at Thittuvalai. The Coimbatore Vasunthara Bank Ltd., Coimbatore, with its branches at Satyamangalam, Puliyampatti and Kaniyur, and the Kulitalai Bank Ltd., Tiruchirapalli, with its branches at Tiruchi Cantonment, Kulitalai, Lalgudi, Musiri, Manaparai and Karur were also taken over on the 17th February and 23rd March, 1964, respectively.

INDIAN SCENE

1963 saw little improvement on the slow rate of economic growth witnessed in the preceding year. Measured in real terms, national income rose by only 2 per cent against an estimated rate of population increase of 2.5 per cent, resulting in a slight decline in per capita income. A mid-term appraisal of the third five-year Plan by the Planning Commission revealed the vast ground to be covered in the remaining two years, if the targets set for attainment are to be fulfilled. But the most disturbing factor was the uncontrolled price level which showed a persistent upward trend during the year, the index rising from 126 to 135, due to the defence efforts and decline in food production. The only silver lining amidst this deepening gloom was the buoyancy of exports which rose by nearly Rs. 104 crores — the largest increase for any single year since the Korean boom.

TAX INCIDENCE

The Central Budget for the year 1964-65 is like the proverbial 'Curate's egg good in parts'. It provides several welcome reliefs, but also contains some wholly new and unexpected imposts. With the Chinese threat still looming large, the budget provides for a total expenditure of Rs. 2041 crores as against the revised estimate of expenditure at Rs. 1825 crores in 1963-64. Taking into account the capital expenditure (including assistance to States) of Rs. 1957 crores, the anticipated budgetary deficit is Rs. 176 crores, which is proposed to be reduced to Rs. 86 crores through additional tax measures yielding Rs. 40 crores and an annuity deposit scheme bringing in Rs. 50 crores. The levy of a more liberal surtax on profits of corporate bodies in the place of super profits tax, the abolition of the compulsory deposit scheme and its substitution by an annuity deposit scheme, and the revision of income and super tax rates on the non-corporate sector to provide some modest reliefs to middle income groups, are some of the highlights of the budget. The dividend tax of 7½ per cent, the steep progression in the new rates relating to estate duty, capital gains tax on bonus shares and re-introduction of expenditure tax are some of the harsh features of the budget which need re-examination with a view to soften their rigours. This is hardly the appropriate forum for discussing these taxation measures in detail. With your indulgence, however, I should like to dwell briefly on one measure, viz. the Estate Duty. It lays a very heavy burden on individual estates which is bound to adversely affect the industrial development of the country. With the stress on a rapid and progressive growth of the national income, it will be conceded that enterprises, whether public or private, should in this country be large sized. Large scale private industries can be launched only by entrepreneurs with substantial means. With a steep estate duty taking away over Rs. 6 lakhs out of the first Rs. 20 lakhs and Rs. 8½ lakhs out of every Rs. 10 lakhs of the balance of an estate, the heirs to a large estate would not only be seriously handicapped in running the industries which are under their control but their efforts to pay the estate duty by selling a substantial part of their estate are bound to badly upset stock markets and bring about a depreciation of the value of

shareholdings all round. This may easily prove a serious deterrent to industrial investment. If the objective is to check concentration of wealth, this could be well achieved by the graduated wealth tax, which — because its incidence would be staggered over a period of time — is less likely to cause violent upheavals of our economy.

BANKING AND MONETARY TRENDS

For banks as a whole, the year under review turned out to be a prosperous one. Many banks were able to show larger profits than in the previous year which in turn enabled them to raise their dividends. There was a spectacular increase in scheduled bank deposits (excluding PL 480 and 665 deposits) from Rs. 1929 crores to Rs. 2211 crores. Unlike in previous year demand deposits increased faster than time deposits. The following table illustrates the pattern of deposit growth:

DEPOSIT GROWTH OF SCHEDULED BANKS DURING 1962 AND 1963

(Excluding P. L. 430 and 665 Deposits)

(Rs. Crores)

	VARIATION		
	Demand Deposits	Time Deposits	Total Deposits
1962	+ 84	+148	+232
1963	+ 182	+100	+282

The substantial accretion to deposit resources enabled banks to comfortably meet the demand for credit which rose by Rs. 158 crores to Rs. 1,580 crores and to reduce their borrowings from the Central Banking Institution. Money supply with the public rose by Rs. 421 crores as against only Rs. 281 crores in 1962. A rise in the Reserve Bank rate from 4 per cent to 4½ per cent early in the year had automatically increased the minimum rate for advance to 6½ per cent, i.e. 2 per cent over the Bank Rate under the Inter-Bank Agreement for minimum rates for advances.

Following the Finance Minister's announcement early in October that the credit policy would be liberalised to stimulate economic growth, the Reserve Bank increased the quota for borrowing by scheduled banks from 100 to 150 per cent of their statutory reserves. The control on minimum margin on advances against shares of 40 per cent was withdrawn. The Government and the Reserve Bank have been quite helpful and continued to pay special attention to credit requirements to the strategic sectors of the economy. The enlargement of the resources of the Industrial Finance Corporation and the industrial Credit and Investment Corporation of India, the establishment of the Unit Trust, the formation of an Agricultural Refinance Corporation to encourage the financing of long term needs of agriculture and land mortgage banks and commercial banks, the proposal to set up a Development Bank with an authorised capital of Rs. 50 crores to assist industrial growth, the lowering of the rate of interest on refinancing facilities made available by the Refinance Corporation against medium term export credits granted by banks from 5 to 4½ per cent — all bear testimony to this.

The clock has been put back, however, to some extent by the announcement on March 11, by the Reserve Bank of India of new restrictions on borrowing by member banks. The occasion for modifying the liberalised credit arrangement announced in October last year was probably provided by the increase in borrowings by member banks by as much as Rs. 45 crores, in the week ending March 6th. The striking increase in advances since the beginning of this year has, in my opinion, led to a mistaken impression that it was necessary to once again introduce selective credit control measures and to make credit available on a dearer basis.

BANKING LEGISLATION

Parliament passed the Banking Laws (Miscellaneous Provisions) Act, 1963 ostensibly to provide for stricter supervision and control by the Reserve Bank of India over banks and non-banking financial institutions which accept deposits from the public. The Act reduces the maximum voting rights of individual shareholders of a bank from 5 per cent to 1 per cent of the total voting rights of all shareholders. The Reserve Bank has also been given power (i) to dismiss or remove any person associated with a banking company either in the public interest or in the interest of the depositors or for the better management of that banking company, (ii) to appoint a suitable person in place of the person removed, (iii) to appoint upto 5 additional directors to the Board of a bank and (iv) to control the maximum amount of an individual advance. The Reserve Bank is also empowered to supervise, control and regulate the activities of non-banking institutions which accept deposits from the public.

NATIONALISATION SCARE

The amendments to the Banking Companies Act, though considered drastic, do not unsettle the bankers as much as the continuing uncertainty associated with the Government's intention touching the future of private banking in our country. As I said the other day at the inauguration of our new administrative building, if Indian banking was able to weather the criticisms levelled against it in Parliament recently, it was because the supporters of nationalisation seemed content with the hope that nationalisation was not entirely ruled out. Since then, I am glad to note that the Finance Minister in an interview with 'The Economist' of London (dated February 29, 1964) had this to say in answer to a question put to him about the considerable sentiment displayed at the annual session of the Congress Party in favour of the nationalisation of banks:

"In the first place, the demand is being raised by a very small section and I do not think we need really bother about it. Secondly, the demand is being linked to such aims as combating inflation and effecting the redistribution of wealth, both completely non-sequitur."

We are commited to an economic policy which depends for its success on rapid and large scale industrialisation. This inevitably means the ready, availability of finance and liberal credit. It has been conceded that the private sector has also to play a very important part in the development of our national economy. In one sense, private banks are only an extension of the private sector and the argument that holds good for the continuance of the private sector, ipso facto holds good for the continued existence of private banking."

I may add here that the Finance Minister in the course of the same interview which I referred to earlier went on to say that he would like the banks 'to lend essentially on the basis of a person rather than the security he has to offer'. He also conceded that the State Bank is not doing it but that it should. The Finance Minister had put his finger on the basic difference between Foreign and Indian banking systems. The industrial growth of the West since the war is to be attributed in large measure to the liberal policies followed by private banks. In my considered opinion, private banks in India are equally well fitted to play this role. Convincing statistics were adduced by the Treasury Bench to establish that both in regard to the profitability of their operations and mobilisation of resources, the record of the private banks was unexceptionable. Signs are not wanting that the banks are adopting a dynamic and creative approach to the problem of financing large, medium and small industries in the context of the overall

objectives of our planned economy. I welcome the addition of a special publicity wing to the Indian Banks' Association, which should continually place before the people relevant facts and figures to dispel such prejudice as may be entertained against banks by any section of the public. The banks, as you are aware, have amply demonstrated their vitality in the matter of mobilising resources through planned expansion and also in diversifying their services to effectively help all sections of the community engaged in the promotion of national productivity. It cannot be emphasized often enough that the need is for greater freedom of action for banks in an ever developing economy than regimentation under State monopoly. I am not without hope that sound economic considerations will prevail and the Government will come forward unambiguously against the nationalisation of private banks. Such an attitude by the Government will clear the air and enthuse the banks to dedicate themselves vigorously to nation-building activities.

STAFF TRAINING

In an increasingly competitive business like banking, it has become imperative to enlarge and intensify staff training methods to ensure a highly personalised service. A comprehensive training programme for the staff at all levels was, therefore, carried out through the year at the Bank's own well equipped residential training school and college. There were as many as five courses specially designed to meet the need of the apprentices and the senior clerks in the school and the directly recruited and promoted officers in the college, besides a refresher course for others. The Bank had also availed of the opportunities afforded by the Reserve Bank of India for the training of the senior officers in the Bankers' Training College at Bombay, which includes a specialised course in Industrial Finance.

BANK'S REVIEW

I am happy to state that the Quarterly Review published by the Bank since April 1963 to focus attention on the economic and trading problems of India and the South-East Asian territories which form part of the Bank's area of operations, has been very well received both here and abroad. It will be our endeavour to maintain the high standard of the publication in all future issues.

CONCLUSION

It is with mixed emotions that I address myself to the next task. Mr. S. R. V. Arasu, our General Manager, who has been with us for 19 years, retires as from 21st August, 1964. His geniality, politeness and courtesy had endeared him to all, staff and constituents of the bank. I will be failing in my duty if I do not express our high appreciation of his long and dedicated service to the Bank. You will all join me, I am sure, in wishing him a peaceful and contented retirement.

I now have the pleasant duty of welcoming Mr. K. M. Nanjappa, who will be our next General Manager. He has had a distinguished and long banking career extending over three decades with the State Bank of India. At present he is the Principal of the Staff Training College of the State Bank of India at Hyderabad. I am sure that the Bank will greatly benefit by his long and varied experience and mature guidance.

In conclusion, I should like to take this opportunity to express on behalf of the Directors and on my own, our high appreciation of the excellent work done by the staff at all levels during the year.

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

GOVERNMENT OF INDIA

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

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

The holders of 3½ per cent National Plan Loan 1964 and 3 per cent. Loan 1964 have been given the facility of converting their holdings into 4 per cent. Loan 1970 to be issued at Rs. 99.00 per Rs. 100 (Nominal) and repayable at par on 15th April, 1970 or 4¾ per cent. Loan 1989 to be issued at Rs. 100 per Rs. 100 (Nominal) and repayable at par on 15th April, 1989.

2 The securities of 3½ per cent. National Plan Loan 1964 and 3 per cent. Loan 1964 will be accepted for conversion at par and interest thereon will be paid at the rate of 3½ per cent. and 3 per cent. per annum upto and inclusive of 18th April, 1964 and 14th April, 1964, respectively.

3. The new securities to be issued by way of conversion will bear interest from 15th April, 1964. The interest, which will be paid half-yearly on 15th October and 15th April, will be liable to tax under the Income-tax Act 1961.

4. Applications for conversion will be received during the period 15th April, 1964 to 22nd April, 1964 (both days inclusive) at:-

(a) Offices of the Reserve Bank of India at Bangalore, Bombay (Fort & Byculla), Calcutta, Madras, Nagpur and New Delhi;

(b) Branches of the subsidiary banks of the State Bank of India conducting Government Treasury Work; and

(c) Branches of the State Bank of India at other places in India.

MADURA MILLS COMPANY LIMITED

Regd. Office: New Jail Road, Madurai

Speech of the Chairman, Dr. Rajah Sir M. A. Muthiah Chettiar, at the Annual General Meeting of the Shareholders of the Company held at Pandyan Building, Madurai, on 25th March, 1964.

Gentlemen,

The Report of the Directors and the Audited Accounts of the Company for the year ended 31st December, 1963 having been circulated in the prescribed manner, I propose with your permission to take them as read.

The country is still in the grip of the Chinese cold war and although there is at the moment no fighting at the border, the state of emergency cannot be said to have abated. Your Company and its associates continue to play their full part in meeting the defence requirements of the country.

The small carry-over of 13.90 lakh bales of cotton which the country had at the beginning of the season 1962/63, caused a certain amount of anxiety and Mills resorted to buying heavily as the crop started moving. Prices had a tendency to pierce the ceilings. But the system of quality surveys and the Supervisory Scheme introduced by the Textile Commissioner helped to bring down prices somewhat and I am pleased to be able to say that the purchases made by your Company were at reasonable levels.

Because of import restrictions due to the country's limited foreign exchange resources, there was acute shortage of foreign cottons during the year. However, our production programme of fine counts and of our Industrial lines was not impaired to any great extent.

There was very good demand for our yarns in inland markets throughout the year. Sales were maintained at a steady level as in the previous year and the revision in the yarn prices which came into force from 7th February 1963 enabled the Company to maintain a satisfactory turnover notwithstanding power cuts for a number of days on a voluntary basis and an enforced 100 per cent cut for a fortnight during June/July. Market prices for all counts of yarn continued to show an upward trend and the Government continued with their scheme of compulsory allocation of a certain percentage of the production to handloom weavers.

The export performance during the year, although satisfactory, shows a slight fall over the previous year. This is mainly due to increasing competition in all overseas markets and the new licensing procedure which came into force during December 1962 for all yarn exports to U.K. However, there is an encouraging trend in recent months and it is expected that our performance during 1964 will be better than in the year under review.

You will have noticed from the Directors' Report that the 450 Looms Project has been implemented. The year 1963 has thus seen the establishment of the first phase of our Weaving Project, although only in temporary accommodation at present. Our target for the present is 950 looms of which 850 will eventually be erected at Ambasamudram where an up-to-date modern Weaving Shed is under construction. Once again we are placing order with Picanols, Belgium for the additional 500 looms, out of the Belgian credit negotiated by the Government of India.

So far as the production on the existing 450 looms is concerned I am pleased to report that in spite of many difficulties a most satisfactory start has been made, both in the export markets, where we have more than met our obligations and in the Inland Market together with considerable Defence orders and it is anticipated that this progress will be maintained during 1964.

The addition of Bleaching, Dyeing and Finishing Plants has also been taken up and our application having been recommended by the Textile Commissioner is under consideration by the Government of India. We are hopeful that we shall receive their approval before long.

As for the accounts, you will have noted a change in the presentation of the figures in the Directors' Report showing a profit of Rs. 80,17,083. You will no doubt agree that the net profit of Rs. 42,79,091, is a marked improvement on last year's figure of Rs. 31,81,355 bearing in mind the increase in the depreciation charge and Development Rebate Reserve. The Modernisation Scheme and Rationalisation of workloads are beginning to show their beneficial results. The Company, with its large capital base, will not be adversely affected by the levy of Surtax which has been introduced in the place of Super Profits Tax but the imposition of the Dividend Tax is indeed an additional burden.

I should like to invite the attention of the shareholders to the net fixed assets position compared with the Paid-up Capital. In view of the very satisfactory Reserve position the disparity could no doubt be righted somewhat by bringing the Paid-up Capital position rather more into line with Capital actually employed, but the penal tax provisions contained in the recent budget act as a deterrent.

Before concluding, I wish to express my appreciation of the efforts of the staff and other employees who have contributed a great deal to these satisfactory results, and with their continued support we can look forward to increasing prosperity.

Sd/- M. A. Muthiah Chettiar.

NOTE: This does not purport to be a report of the proceedings of the Meeting.

SEN-RALEIGH LIMITED

CHAIRMAN'S REVIEW

The Fourteenth Annual General Meeting of Sen-Raleigh Limited was held in Calcutta on the 31st March, 1964. Below is the Statement of Mr Abhijit Sen, Chairman of the Company :

As anticipated in my last statement to you, the year under review turned out to be one of our more difficult ones. In spite of continuing demand for our products, sales were appreciably lower than in the preceding period as it was not possible to maintain production at desired levels owing to chronic shortage of raw materials, when sections of the factory had to be laid-off for periods extending up to 2/3 months at a time. As a consequence the financial results of the Company for the year have been extremely disappointing. For the first time in some years, your Directors have been unable to recommend payment of a dividend on the Ordinary Share Capital of the Company.

I am sure you would agree with me that in view of the heavy financial commitments ahead of the Company for implementing its expansion schemes about which reference was made in my last report to you, the wisest course for the Company to follow would be to conserve its resources to the fullest extent for the present.

Towards the end of the year under review your Company was ready to put into effect this vital scheme for expansion of bicycle production but it was not till the end of 1963 that it was entirely satisfied that the material flow required for such expanded production would be forthcoming. The expansion of bicycle production which is now under way, is one of a number of steps that the Company needs to take to bring back reasonable profits in its operation.

After three years of near stagnation, the demand in general for bicycles and some of its components has once again started looking up. Your Company intends to reap the full benefit of this rise in demand. In some components where the demand has grown to the degree that it is embarrassing for the Company to have to refuse orders even for supplies to other cycle manufacturers, the matter of expanding production is now actively engaging the attention of your Directors.

Progress in the House Service Meter Scheme of the Company has been limited to sending over the first batch of trainees to Associated Electrical Industries Ltd., Manchester and completing the import application for the plant. It is expected that with the first batch of trainees now actively associated with the planning of the Indian production in the U. K., this scheme will gather necessary momentum.

The protection granted to the Bicycle Industry fell due for review in 1963 and a Tariff Enquiry was held on the subject in July of that year. After the enquiry, the Tariff Commission recommended that protection be withdrawn in the case of the Bicycle Industry and this recommendation was accepted by the Government of India. However, to protect the interests of the consumer, the Tariff Commission further recommended that the manufacturers' prices of bicycles be brought under a system of voluntary control, and as this recommendation was also accepted by Government, today bicycle manufacturers cannot increase their prices without reference to Government. A further recommendation sought to establish a ceiling on retail prices of the bicycle. Both these latter recommendations appear inconsistent with the conditions prevailing at the moment. Whilst it may be possible to effect a control on manufacturers' prices voluntarily, there is little possibility of maintaining a voluntary ceiling on dealers' prices in a market where demand far outstrips supply.

After many years of consistent effort on the part of manufacturers, the export performance of the Bicycle Industry as a whole is showing a satisfactory trend. In common with other manufacturers your Company's exports rose appreciably in the period under review. Orders are now flowing in steadily for the Balaka bicycle which was introduced to African and Middle Eastern markets during the year.

A disquieting feature of exports — particularly from the port of Calcutta — is the pilferage that appears to take place at the docks here. Few of the consignments sent out over the last year from Calcutta seem to have escaped pilferage and importers in other countries are now chary of placing orders on Indian manufacturers as a result of this evil. No dealer in a competitive market can be expected to risk losses by ordering on India when he is assured of certain supplies by ordering on other countries. This matter deserves the serious attention of the Ministry of International Trade as a remedy to this problem is only possible at Government level and does no lie in the hands of the exporter.

A fresh Five Year Agreement in replacement of the expiring one has been negotiated with the Employees Union and is now in the final stage of drafting. It is hoped that the New Agreement would bring in improved operations on the part of the Company and even better relations with its workers.

It was with deep sadness and a sense of personal loss that the news of the sudden demise of Mr. G. H. B. Wilson in an unfortunate car accident was received in December. Many of you, who also knew him, must have felt the loss acutely. Mr. Wilson was a man of rare vision whose interest in the cause of spreading cycling gained for him the soubriquet of "Mr. Bicycle" in his own country — and for India its thriving bicycle industry.

I would extend a welcome to Mr. D. P. Harris, the Works Director of Raleigh Industries Limited who now joins our Board. The experience Mr. Harris brings to this Board would be of great value to the Company in its efforts to tide over it present difficulties.

We were very pleased to receive a visit from Mr. R. D. Young, the Chairman of Raleigh Industries Ltd. Although fleeting, the visit was extremely helpful and it is hoped it would be the precursor of many more in future.

ABHIJIT SEN

Calcutta.
Dated 26th February, 1964.

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

RECORDS AND STATISTICS

Budget Chasing Shadows?

HE BOMBAY Stock Exchange has brought out a ritical memorandum on the tax proposals in the entral Budget for 1964-65, pointing out the probable dverse consequences for the capital market and indusrial expansion. A particularly useful feature of the emorandum is the analysis of corporate data in suport of two of its principal arguments: (a) the assumption that a dividend tax is needed to prevent excessive ividends is not correct since there has, in fact, been o tendency in the corporate sector to distribute unduly high dividends at the expense of reserves; and (b) a bonus issue does not lead to any immediate or direct accretion of capital values as is contended by the Finance Minister in defence of his proposal to tax the entire value of bonus shares as if they are capital gains. The memorandum has been extensively referred to in the first leading article in this issue and here we reproduce from the memorandum some of the tables which are relevant to the discussion.

EARNINGS AND APPROPRIATIONS OF SELECTED INDUSTRIES : 1951—61

Year	Percentage to Net Worth				Percentage to Paid-up Capital			
	Profit before Corpn. Tax	Profit after Corpn. Tax	Dividends	Retained Earnings	Profit before Corpn. Tax	Profit after Corpn. Tax	Dividends	Retained Earnings
COTTON TEXTILES (146, 211, 257)								
1951	17	10	5	5	31	18	9	9
1952	5	2	4	—2	9	4	7	—3
1953	7	4	4	0	14	7	7	0
1954	7	4	4	0	13	7	8	—1
1955	15	10	5	5	30	19	10	9
1956	14	8	5	3	29	17	10	7
1957	3	—1	4	—5	5	—2	8	—10
1958	5	0	4	—4	8	1	7	—6
1959	12	7	6	1	22	13	11	2
1960	20	13	7	6	40	26	13	13
1961	23	13	6	7	45	26	12	14
JUTE TEXTILES (44, 49, 58)								
1951	20	13	7	6	39	25	13	12
1952	8	3	5	—2	15	5	10	—5
1953	8	5	4	1	16	10	8	2
1954	8	5	4	1	16	10	8	2
1955	3	1	4	—3	5	1	6	—5
1956	—3	—4	3	—7	—5	—7	4	—11
1957	5	3	4	—1	8	5	6	—1
1958	11	8	5	3	18	12	8	4
1959	17	13	7	6	29	21	12	9
1960	12	7	5	2	20	13	9	4
1961	3	0	4	—4	5	0	6	—6
BASIC CHEMICALS (13, 13, 35)								
1951	7	4	3	1	8	5	3	2
1952	4	2	2	0	4	2	2	0
1953	2	1	3	—2	2	1	3	—2
1954	5	4	2	2	5	4	4	0
1955	9	7	4	3	10	8	5	3
1956	9	7	4	3	11	8	5	3
1957	8	4	4	0	9	5	4	1
1958	10	6	6	0	11	7	7	0
1959	14	10	6	4	18	12	7	5
1960	19	13	6	7	25	18	8	10
1961	21	13	7	6	29	18	10	8

Year	Percentage to Net Worth				Percentage to Paid-up Capital			
	Profit before Corpn. Tax	Profit after Corpn. Tax	Dividends	Retained Earnings	Profit before Corpn. Tax	Profit after Corpn. Tax	Dividends	Retained Earnings
CEMENT (7, 12, 15)								
1951	21	12	7	5	25	14	9	5
1952	20	12	7	5	25	15	9	6
1953	18	10	7	3	24	13	9	4
1954	20	11	7	4	28	15	9	6
1955	20	11	7	4	28	16	9	7
1956	15	10	6	4	22	15	8	7
1957	12	7	7	0	16	10	9	1
1958	11	5	5	0	14	7	6	1
1959	11	8	6	1	15	11	10	1
1960	12	8	6	1	16	11	10	1
1961	13	8	7	1	18	11	10	1
PAPER (12, 18, 21)								
1951	21	13	6	7	40	26	11	15
1952	19	12	4	8	39	24	9	15
1953	18	10	4	6	39	22	9	13
1954	14	9	5	4	27	16	9	7
1955	16	10	6	4	28	17	9	8
1956	14	6	5	1	25	11	9	2
1957	15	7	5	2	26	13	9	4
1958	20	11	6	5	36	20	11	9
1959	20	12	7	5	36	23	13	0
1960	15	9	6	3	27	17	11	6
1961	13	8	6	2	23	14	10	4
IRON & STEEL (2, 2, 2)								
1951	25	15	7	8	48	29	13	16
1952	25	15	7	8	54	32	14	18
1953	24	14	6	8	39	23	10	13
1954	30	19	6	13	52	32	10	22
1955	35	22	5	17	70	44	10	34
1956	25	15	5	10	53	31	8	23
1957	15	11	5	6	31	24	9	15
1958	12	12	6	6	25	24	8	16
1959	15	14	8	6	28	27	11	16
1960	12	11	6	5	24	21	13	8
1961	14	10	6	4	28	21	13	8

EARNINGS AND APPROPRIATIONS Of SELECTED INDUSTRIES: 1951—61—(Contd)

Year	Percentage to Net Worth: Profit before Corpn. Tax	Profit after Corpn. Tax	Dividends	Retained Earnings	Percentage to Paid-up Capital: Profit before Corpn. Tax	Profit after Corpn. Tax	Dividends	Retained Earnings
ELECTRICAL MACHINERY (15, 21, 45)								
1951	13	6	4	2	16	8	5	3
1952	15	7	4	3	19	9	5	4
1953	8	5	4	1	11	7	5	2
1954	18	10	5	5	24	13	7	6
1955	29	15	9	6	42	21	12	9
1956	29	14	7	7	45	21	11	10
1957	24	12	7	5	39	18	11	7
1958	22	11	7	4	36	18	12	6
1959	26	14	9	5	44	24	15	9
1960	27	16	9	7	49	28	16	12
1961	24	13	8	5	38	21	13	8
MACHINERY OTHER THAN TRANSPORT & ELECTRICAL (33, 52, 54)								
1951	11	6	2	4	15	8	3	5
1952	10	6	2	4	14	7	3	4
1953	10	6	3	3	14	8	4	4
1954	11	5	3	2	15	7	4	3
1955	20	10	5	5	29	15	7	8
1956	22	10	6	4	33	15	8	7
1957	23	12	5	7	37	19	8	11
1958	21	9	6	3	32	15	9	6
1959	23	12	7	5	37	20	12	8
1960	21	12	6	6	38	21	11	10
1961	22	13	7	6	32	18	10	8
ALL INDUSTRIES (750, 1001, 1333)								
1951	16	10	5	5	25	15	8	7
1952	10	6	4	2	16	9	7	2
1953	12	7	5	2	18	10	7	3
1954	13	8	5	3	21	12	8	4
1955	16	9	5	4	25	14	8	6
1956	16	9	5	4	26	14	8	6
1957	12	6	5	1	20	11	8	3
1958	13	7	5	2	22	12	8	4
1959	17	11	7	4	27	17	11	6
1960	18	11	7	4	31	19	12	7
1961	18	10	6	4	30	17	11	6

Note: Figures in brackets indicate the coverage of companies for the years 1951-54, 1955-60 and 1961.

GROSS CAPITAL FORMATION AND RETAINED EARNINGS OF JOINT STOCK COMPANIES

(Rs. crores)

Year*	Gross Capital Formation (Increase in gross fixed assets)	Earnings Re-invested: Total	Depreciation	Other Free Reserves and Surplus
1951 ..	32.57	52.75	24.96	27.79
1952 ..	45.81	34.45	24.20	10.25
1953 ..	48.45	38.76	24.46	14.30
1954 ..	63.46	43.51	28.35	15.16
1955 ..	80.61	61.40	26.56	34.84
1951-55 ..	270.90	230.87	128.53	102.34
1956 ..	138.74	85.05	37.04	48.01
1957 ..	178.71	68.62	46.70	21.92
1958 ..	149.01	75.53	51.68	23.85
1959 ..	105.91	94.71	56.98	37.73
1960 ..	122.60	141.62	78.93	62.69
1956-60 ..	694.97	465.53	271.33	194.20
1961 ..	180.49	215.21	93.79	121.42

*1951-55 for 750 Companies, 1956-60 for 1,001 Companies, and 1961 for 1,333 Companies.

DISTRIBUTION OF TOTAL EARNINGS OF COMPANIES

(Rs. crores)

Year**	Total Earnings	Provision: Depreciation	Tax	Total	Net Profit: Dividends	Retained Earnings	Retained Earnings as % to total	% of (retained earnings + Depreciation) to Dividends
1951	112.87	27.71	33.61	51.55	26.99	24.56	48	194
1952	82.50	26.80	24.67	31.03	24.46	6.57	21	136
1953	94.25	28.62	27.03	38.60	26.07	12.53	32	158
1954	108.66	30.20	32.66	45.80	29.22	16.58	36	160
1955	132.70	35.34	37.81	59.55	32.22	27.33	46	195
1956	178.81	47.50	58.83	72.48	42.68	29.80	41	181
1957	162.16	53.46	51.82	56.88	42.79	14.09	25	158
1958	180.09	57.49	56.56	66.04	47.20	18.84	29	162
1959	229.85	66.44	59.72	103.69	64.54	39.15	38	164
1960	272.66	85.00	71.98	115.68	71.21	44.47	38	182
1961	331.55	103.20	99.06	129.27	82.24	47.03	36	183

**1951-55 for 750 Companies, 1956-60 for 1,001 Companies, and 1961 for 1,333 Companies.

BONUS SHARES ISSUED DURING THE DECADE 1954—64

(BOMBAY STOCK EXCHANGE ONLY)

Name of Company	Ratio between Old shares and Bonus Shares	Last Cum-bonus Market Rate	Notional Ex-bonus Rate based on Last Cum-bonus Market Rate	First Ex-bonus Market Rate	% Increase or Decrease in first Ex-bonus Market Rate over Notional Ex-bonus Rate
	Old : Bonus	Rs.	Rs.	Rs.	%
1954					
Associated Cement	5 : 1	176.75	147.29	150.00	1.84
Khatau Makanji Spg.	1 : 1	231.12	115.62	110.00	—4.86
Mysore Spg.	4 : 1	164.37	131.50	120.00	—8.75
Tata Iron & Steel Defd.	1 : 6(Equity)	2220.00	185.00(Equity)	186.25(Equity)	0.68
Equity	1 : 1	369.00	184.50	..	0.95
Svadeshi Mills	3 : 1	292.50	219.37	228.00	3.93
Gokak Mills	4 : 1	280.00	224.00	226.00	0.89
1955					
Shreeniwas Cotton	3 : 1	283.75	212.81	225.00	5.73
1956					
Indian Copper	2 : 1	6.93	4.61	4.56	—1.08
Great Eastern Shipping	5 : 1	21.75	18.12	17.00	—6.18
Belapur	2 : 1	323.00	215.33	215.00	—0.15
Bank of India	5 : 1	175.25	146.04	145.00	—0.72
1957					
Maharashtra Sugar	2 : 1	810.00	540.00	850.00	57.41*(1)
Dawn Mills	4 : 3	178.75	102.14	97.50	—4.54
Waterfall Estates	2 : 1	6.50	4.33	4.50	3.93
Blue Mountain Estates	5 : 2	6.12	4.37	4.50	2.97
Dehri Rohtas	3 : 1	13.16	9.87	10.25	3.85
Scindia Steam	5 : 1	19.24	16.03	16.40	2.31
Punjab National Bank	7 : 3	67.00	46.90	45.00	—4.05
Alembic Chemical	5 : 1	136.25	113.54	114.00	0.41
1958					
New India Assurance	3 . 1	54.30	40.73	40.50	—0.56
Polson	4 : 1	183.75	147.00	145.00	—1.36
Standard Mills	4 : 1	477.00	381.60	397.00	4.04
Midland Rubber	2 : 1	15.80	10.53	13.16	24.98*(2)
Tata Iron & Steel	5 : 1	189.25	157.71	163.25	3.51
		186.50	155.42	161.00	3.59
Kalpetta Estates	1 : 1	24.88	12.44	13.44	8.04
Haileyburia Tea Estates	5 : 1	18.40	15.33	16.48	7.50
Bombay Burmah	1 : 5) 4 : 1)	628.00	502.40	515.00	2.51
Rohtas Industries	10 : 1	23.80	21.64	20.36	—5.91
1959					
Indian Iron & Steel	5 : 1	26.65	22.21	22.36	0.68
Indian Mfg.	1 : 1	4350.00	2175.00	2100.00	—3.45
Kirloskar Brothers	4 : 1	65	52.00	53.00	1.92
1960					
Victoria Mills	10 : 1	375.00	340.91	325.00	—4.67
Waterfall Estates	2 : 1	3.80	2.53	No business recorded	..
Blue Mountain Estates	5 : 1	520	4.33	3.98	—8.08

BONUS SHARES ISSUED DURING THE DECADE 1954—64 —(Contd)

(Bombay Stock Exchange Only)

Name of Company	Ratio between Old shares and Bonus Shares	Last Cum-bonus Market Rate	Notional Ex-bonus Rate based on Last Cum-bonus Market Rate	First Ex-bonus Market Rate	% Increase or Decrease in first Ex-bonus Market Rate over Notional Ex-bonus Rate
	Old : Bonus	Rs.	Rs.	Rs.	%
1961					
Mysore Kirloskar	4 : 1	190.00	152.00	146.00	—3.95
Premier Construction	2 : 1	280.00	186.67	195.00	4.46
Dharamsi Morarji	10 : 4	275.00	196.43	192.50	—2.00
Century Spg.	4 : 1	689.00	551.20	570.00	3.41
Simplex Mills	5 : 1	198.00	165.00	165.00	..
Indian Tool	2 : 1	201.00	134.00	275.00	105.22*(3)
Shivrajpur Syndicate	1 : 1	99.00	49.50	51.00	3.03
Standard Mills	5 : 2	1538.00	1098.57	1165.00	6.05
Victoria Mills	4 : 1	500.0	400.00	373.75	—6.56
1962					
Dehri Rohtas	3 : 1	23.00	17.25	13.40	6.67
Swan Mills	3 : 2	700.00	420.00	420.00	..
Western India Spg.	1 : 1	802.50	401.25	860.00	114.33*(4)
Indian Mfg.	3 : 1	3225.00	604.69	867.50	43.46*(5)
Hindustan Spg.	1 : 1	6850.00	856.25	925.00	8.03
Alembic Chemical	10 : 1	273.75	248.86	240.90	—3.56
Kirloskar Oil Engines	2 : 1	59.50	39.67	41.50	4.61
Hindustan Lever	25 : 12	69.80	47.16	47.60	0.93
New India Industries	10 : 1	447.50	406.82	395.00	—2.91
Hindusthan Sugar	1 : 1	387.50	193.75	191.00	—1.42
Sirdar Carbonic Gas	2 : 1	900.00	600.00	700.00	16.67*(6)
Modern Mills	6 : 1	65.00	55.71	61.00	9.50
Associated Rubber	10 : 1	110.00	100.00	94.00	—6.00
1963					
Indian Tool	4 : 1	328.75	263.00	222.00	—15.59*(7)
Indian Vegetable	7 : 1	201.25	176.09	177.50	0.80
Bombay Burmah	1 : 1	665.00	66.50	66.50	—
Khatau Makanji Spg.	1 : 1	423.75	211.87	211.25	—0.30
New India Industries	10 : 1	321.00	291.82	300.00	2.80
Maharashtra Sugar	5 : 2	147.50	105.36	105.00	—0.34
New India Assurance	5 : 1	65.00	54.17	53.00	—2.16
		65.50'A'	54.58	54.00'A'	—1.07
Sassoon Spg.	29 : 2	46.50	43.50	41.25	—5.17
Modern Mills	6 : 1	..	..	..	..
Indian Copper	1 : 1	5.40	3.60	3.68	2.22
Aluminium Corporation	4 : 1	13.64	10.91	13.60	24.66*(8)
Thacker & Co.	4 : 1	50.00	40.00	No business recorded	..
Indian Aluminium	4 : 1	39.25	31.40	29.15	—7.17
Mysore Spg.	8 : 1	49.50	44.00	43.00	—2.17
1964					
Great Eastern Shipping	3 : 1	18.12	13.59	14.48	6.55

*Time lag between Last Cum-Bonus Market Rate and First Ex-Bonus Market Rate — (1) 43 months; (2) 3 months; (3) 4 months; (4) 50 months; (5) 10 months; (6) 2 months; (7) 2 months; (8) 2 months.

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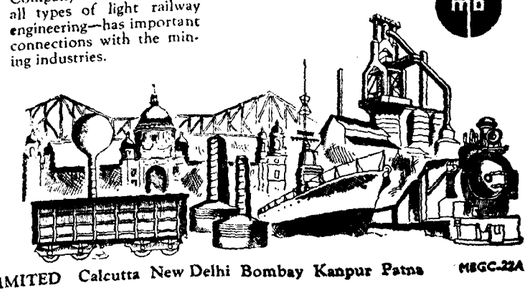
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EASTERN ECONOMIST

APRIL 10, 1964.

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Holding A Mirror to Caliban

CYNICS, PERHAPS, might be tempted to remark that the Santhanam Committee on Prevention of Corruption has touched nothing that it has not defiled. Its report certainly has tarred with the same brush almost all institutions in national life, including the universities and the judiciary. This, however, is not to suggest that the Santhanam Committee has exceeded its brief or irresponsibly set out to inspire a witch hunt. If the anatomy of corruption is to be studied at all, it is only just and proper that it should be done with surgical objectivity and thoroughness. That Mr. Santhanam and his colleagues have shown both virtues will be admitted even by those who may disapprove one or the other aspect of the Committee's analysis of the nature and dimensions of corruption or disagree with any of the specific measures proposed by it for dealing with the prevalence of this evil in State and society.

The report starts deceptively with a soothing soporific. Corruption, in one form or another, says the Committee, has always existed in India and elsewhere. Kautilya, it appears, had something to say about it in his Arthasastra. Coming to more recent times, the U.S. Senator, Paul H. Douglas, in his "Ethics of Government" has noted that corruption was rife in British public life till a hundred years ago and in U.S. till the beginning of this century. All may not agree that corruption has been banished from either country since then. There is, for instance, the current Bobby Baker scandal in Washington, an episode or, rather, a series of episodes into which many U.S. Senators are obviously unwilling or afraid to look too closely. In another part of the world, where the dictatorship of the proletariat was expected to abolish sin along with God, it has been found necessary to restore the death penalty and apply it extensively to what the Santhanam Committee has classified as "White collar offences", i.e., conduct or activities which damage the interests of the public or the social order.

On the lineage of corruption in our country, the Santhanam Committee has quite a few interesting observations to make. It rightly points out that corruption is not by any means the original sin of the Government or the people of our times. Leaving aside Kautilya and his Arthasastra, corruption was prevalent, in considerable measure, among revenue, police, excise and public works department officials even before the World War II. It might perhaps be added that the judiciary too was not wholly untainted. The Santhanam Committee favours the fashionable view that this corruption was a vice mostly of the lower grades of public servants. Actually, even in the case of the higher echelons of the British Government in India, reaching up to the very highest, there were certainly cases where personal fortunes saved at the time of retirement or at the time of departure for the home country far exceeded what could have been stored for the wintry day merely out of salaries.

The Santhanam Committee, however, is on firm grounds in suggesting that in those earlier days the smaller compass of state activities did set limits to the opportunities and capacity to corrupt or be corrupted. As the Committee points out, the situation changed both qualitatively and quantitatively during 1939-1945 when war expenditure involving hundreds of crores of rupees on supplies and contracts created unprecedented opportunities for the acquisition of wealth by dubious means. After independence a number of steps have certainly been taken from time to time for the prevention of corruption, while anti-corruption machinery, such as the special police establishment at the Centre, has been set up. Various factors,

however, have operated to nullify, in some measure, this anti-corruption drive. The Committee detailing these factors, lists the sudden expansion of the economic activities of the Government, leading to an armoury of regulations, controls, licences and permits, the quest for political power at different levels and a certain failure on the part of those in authority in government or public life to move against corrupt individuals where such individuals happen to be men of power and influence or could appeal for protection or patronage to those who held high positions in government or in the political hierarchy.

Dealing with corruption in the administration, which is the problem specially and specifically posed in its terms of reference, the Santhanam Committee has provided statistics showing an increase in complaints and vigilance cases in recent years but has also added the necessary proviso that this increase might, in part, be due to the growing effectiveness of the anti-corruption drive. The Committee, however, has not taken a complacent view at all of the need for a much more effective programme of preventing or punishing corruption among government servants and the more important measures recommended by it in this context include proposals that government servants should be required to submit periodically a statement of their assets and liabilities instead of, as at present, only immovable property statements which are held to have served no useful purpose, the rationalisation of the protection granted to Government servants under Article 311 and 314 of the Constitution since judicial interpretation of those safeguards have, in practice, been found to come in the way of disciplinary proceedings being effectively undertaken, and the taking of powers to retire compulsorily, where circumstances justify, any government servant who has completed 20 years of qualifying service or has attained 50 years of age. At least one of these recommendations, viz., that the Constitutional provisions should be amended, has already been questioned, but there is no doubt that considering the seriousness of corruption in the public services, the Government's disciplinary jurisdiction over its employees must be strengthened as much as is consistent with natural justice and the rule of law.

While it is dangerous, because it would be destructive of good government or even orderly administration, to condone or compromise with corruption in the services in any sense or to any extent, it is necessary to realise that corruption of this kind is as much a creature of the social environment as it is of the moral turpitude of individuals. From this point of view we have no hesitation in declaring that the Santhanam Committee has done a signal public service in putting on record the role and responsibility of the business community as well as politicians and political parties. In this connection, the report says: "Corruption can exist only if there is some one willing to corrupt and capable of corrupting. We regret to say that both this willingness and capacity to corrupt are found in a large measure in the industrial and commercial classes. The ranks of these classes have been swelled by the speculators and adventurers of the war period. To these, corruption is not only an easy method to secure large unearned profits but also the necessary means to enable them to be in a position to pursue their vocations or retain their position among their competitors.....It is they who maintain an army of liaison men and contact men, some of whom live luxuriously and spend ostentatiously. We are unable to believe that so much money is being spent only for the purpose of getting things done quickly. It is said that, as a large majority of high officials are incorruptible and are likely to react strongly against any direct attempt to subvert their integrity, the liaison and contact men make a careful study of the character, tastes and weaknesses of officials with whom they may have to deal and that these weaknesses are then exploited...."

It is not necessary to agree with every 'i' or 't' of this indictment to be able to appreciate the very important point which the Santhanam Committee has made. The corruptor certainly is as relevant a factor to the problem of corruption as the corrupted and it just will not do to wink at this truth. The Santhanam Committee is, therefore, fully justified in discussing adequate measures for disciplining the corruptor, actual or potential. It recommends that serious thought should be given as to how trade associations or their representatives could be associated with the granting of licences or allocation of scarce goods. Membership of a recognised trade organisation could be made a necessary condition of eligibility for obtaining a licence or a permit.

Secondly, no official should have any dealings with a person claiming to act on behalf of a business or an industrial house or an individual, unless he is properly accredited and is approved by the department concerned or any other appropriate authority. Companies and businessmen should be obliged to keep detailed accounts of the expenditure in their expense account. Whenever an income tax officer or any other official inspecting the books for income tax or other purposes makes a query for which a satisfactory expanation is not forthcoming, it should be his duty to refer the matter to the Chief Vigilance Office in the department concerned. If there is any legal difficulty for passing on such information, under the present law, it should be removed.

On the positive side, the Committee recognises that the necessity for the business community to employ "influence peddlers" and contact men should be reduced by the simplification and speeding up of administrative procedures, weeding out of unnecessary government controls and regulations, restriction of the scope for exercise of discretion at subordinate levels of the administration and possibility of giving special status and emoluments to categories of officials who have to exercise considerable discretion in matters relating to taxation, issue of valuable permits and licences or otherwise deal with matters which require a high degree of integrity.

Perhaps the most interesting as well as the most important part of the report is that its discussion of the problem of prevention of corruption in the context of relations between the business community and the politicians. It is surely to the credit of the Chairman of the Committee who is himself a Congress man of standing and has held important positions in government and public life under the aegis of the Congress party to have emphasized uncompromisingly the responsibility of the ruling party to the prevalence of a social milieu in which corruption has become an increasingly serious challenge not only to good government but to social stability.

It is more in sorrow than in anger that the Committee says: "We wish we could confidently and without reservation assert that, at the political level, Ministers, legislators, and party officials were free from this malady (i.e., corruption). The general impressions are unfair and exaggerated but the very fact that such impressions are there causes damage to the social fabric. That such impressions should have come into existence in so short a time after the people of this country had given themselves a Constitution of their own is all the more distressing if it is remembered that the struggle for freedom in India was fought on a particularly high moral plane and was led by Mahatma Gandhi who personified integrity. The people of India rightly expected that, when the government of the country passed into the hands of the disciples of the Father of the Nation, who were in their own individual capacities known for high character and ability, governments in India, at the Centre and the States, would set up and achieve a standard of integrity, second to none in the world, both in the political and administrative aspects. It is to be frankly admitted that this hope has not been realized in full measures."

In a short but what is perhaps the most significant chapter in the whole report, the Committee has discussed the requirements of a social climate which would discourage corruption rather than encourage it. The report says: "There is a widespread impression that failure of integrity is not uncommon among Ministers and that some Ministers, who held office during the last 16 years, have enriched themselves illegitimately, obtained good jobs for their sons and relations through nepotism and have reaped other advantages inconsistent with any notion of purity in public life. The general belief about failure of integrity amongst Ministers is as damaging as actual failure....We are convinced that ensuring absolute integrity on the part of the Ministers at the Centre and the States is an indispensable condition for the establishment of a tradition of purity in public services. Therefore, in the interest of the future of public life we consider that following steps should be taken..."

The recommendations made in this context include a code of conduct for Ministers including in it provisions relating to acquisition of property, acceptance of gifts and disclosure of assets and liabilities and secondly, the constitution of a national panel from which an ad hoc committee could, when the occasion arose, be nominated by the President to consider whether there is a prima facie case against Ministers about whom complaints of corrupt practices have been made. The Committee advises that among the circumstances in which a reference to the panel could be made may be a formal allegation by any 10 members of Parliament or a State Legislature in writing addressed to the Prime Minister or the Chief Minister, as the case may be, through the Speaker or Chairman concerned. It has also been suggested that allegations made in the Press or otherwise brought to the notice of the Prime Min-

Eastern Economist 20 Years Ago

APRIL 7, 1944

Next week, as foreshadowed in the budget speech by the Finance Member, the acquisition of the M. and S.M. and S.I. Railways will be put through. The purchase will absorb a sum of £6 millions which will be paid out of foreign balances and adjusted against Government's balances, (The Reserve Bank statement will reflect this payment only on 7th April.) The terms are interesting. The contractual payment to M. and S.M. Railway stock-holders is the guaranteed interest and share of surplus profits to the date of determination plus par for the capital stock of £5,000,000. The other offer is interest and surplus profits to March 21, plus the capital amount plus £275,000 for the loss of 21 months' interest and profit. In recent years, the amount earned for dividend has declined considerably and this offer is almost exactly the equivalent of recent earnings, so there is no reason to suppose that heart-burning or grievance exists. The terms will permit a payment of £110 per cent in April, with some further distribution whose amount will depend mainly on costs, including tax assessments. The shareholders are being asked to provide £5,200 for compensation for loss of office to the Directors and £11,800 for similar payments to the London staff. In considering the payment likely to be received by the shareholders, it should be remembered that for some years past they have received payment of 1 per cent tax free out of reserves. £1 million of S.I. Railway stocks are also to be repaid. Thus, apart from the annuities whose service is now covered and certain deben ures, the only Railway sterling block outstanding will be the £3 million on the Bengal-Nagpur Railway.

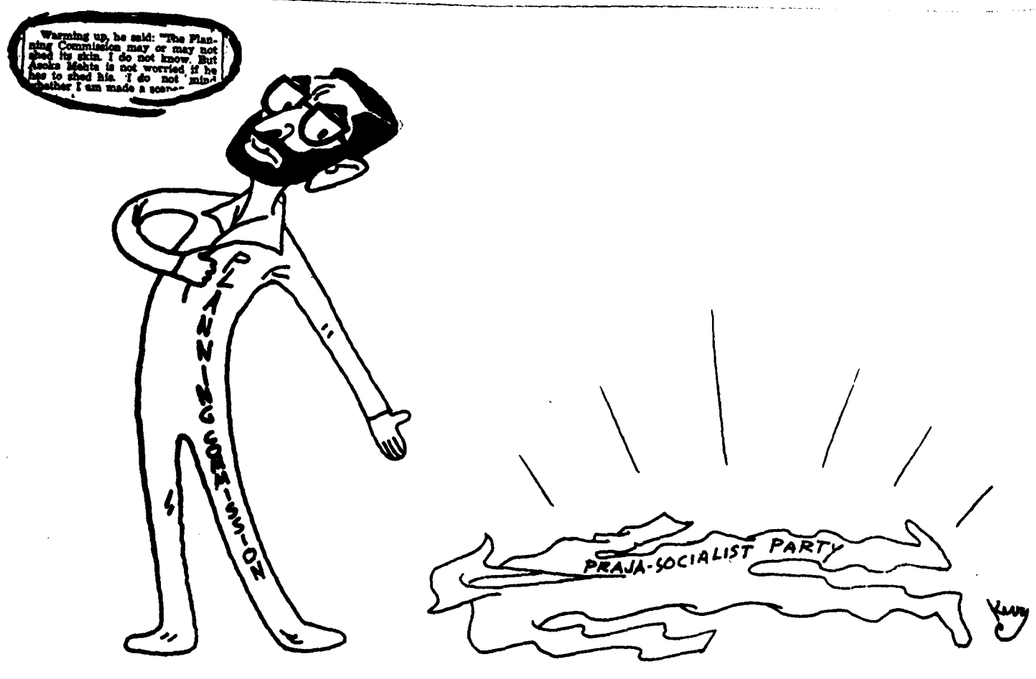
ister or Chief Ministers of States may also be referred to the proposed committee.

Other equally important proposals have been made for discouraging or disabling politicians from being corrupted by the business community or from corrupting the public services. Particularly noteworthy, but rather controversial, are the views expressed on the steps to be taken for ensuring the integrity of Members of Parliament and of Legislatures in the States. The Committee observes that it has been talked about that some Members use their good offices to obtain permits, licences or easier access to Ministers and officials for industrialists and business men. It takes note of the fact that some legislators are in the employment of private undertakings for legitimate work, but it suggests that in such cases the legislator concerned should declare his connections and refrain from approaching Ministers or officials in connection with the work of his employer or from participating in the discussion or voting on demands or proposals in which his firm or employer is interested. Other legislators, who are not such bona fide employees, should on no account undertake, for any valuable consideration or other personal advantage, to promote the interests of or obtain favours for any private party either in the Legislature or with Government. It is desirable that a code of conduct for legislators embodying these and other principles should be formally adopted in Parliament and Legislatures and sufficient sanctions provided for the enforcement of the code.

To the recurring debate on the propriety of corporate donations to political parties for election funds or other purposes, the Santhanam Committee contributes a firm opinion that there should be a total ban on all donations by corporate bodies to political parties and purposes. It also considers it essential that all political parties should keep a proper account of their receipts and expenditure and should publish annually an audited statement of such accounts giving details of all individual receipts. Failure to conform to such obligations, it is further recommended, should debar a political party from recognition by the Election Commission, Postal authorities and banks.

Somewhat curiously, the Santhanam Committee does not, however, express itself at any length on the extensive breach by politicians and political parties of the provisions of the Representation of the People's Act, particularly in the matter of the ceiling on election expenses. On the contrary, it declares rather naively that "elections cannot be fought without large funds," but it does not care to proceed to the next step of asking for reform in the election law which, as it stands at present, has resulted in many legislator or would-be legislator starting off on his law-making career with a deliberate and systematic transgression of one of the basic enactments of the Statute Book of the nation.

This, however, is a detail. By and large, the Santhanam Committee has done its work without fear or favour. It has held up the mirror to many Calibans, such as the public services, the business community, and political parties generally, and the ruling party in particular. The greatest virtue of its report is that it



has not hesitated to put the blame on the party in power for the capacity of the business community (and also its virtual necessity) to corrupt, on the one hand, and the willingness of the public services to be corrupted on the other. The Home Minister, Mr. G. L. Nanda, has been talking of a two-year time-table for eliminating corruption among government employees. We wonder whether he would come to fix any time-table for dealing with the larger aspects of corruption to which the Santhanam Committee has relentlessly drawn public attention. As it is, even in the more limited area of corruption among government employees, the Home Ministry is already being accused of being loud in talking but slow in acting. Following an interim recommendation of the Santhanam Committee, a Central Vigilance Commissioner has been appointed. But the necessary machinery through which he could function still remains to be organised. Mr. Nanda now faces a far sterner test. It should be interesting to know whether he or his colleagues in the Government intend to act on any of those recommendations of the Santhanam Committee which might uncomfortably nudge Congress sensitivity. The Home Minister, no doubt has promptly laid the Report of the Santhanam Committee on the Table of the two Houses of Parliament, but we have a shrewd suspicion that behind the scenes, the Congress party today finds itself in the position of Caliban raging at his face when he first saw it.

A Cloth Crisis Around the Corner?

THE TEMPTATION to tackle issues on a "notional" basis has lately been on the increase. At times, it is done with a view to raising more revenue for the Exchequer as, for instance, in the case of the proposed levy on "notional" capital gains in respect of bonus issues. At other times, presumably, it is resorted to out of sheer reluctance to face realities, as, for example, in regard to revision of cloth prices.

Many may not be aware that "notionally" cloth prices are governed by a voluntary price system which is over 40 months old and which is still being invoked to fix prices of new varieties of cloth under a miscalled ad hoc formula incorporated in that system. After the passage of nearly three and a half years, this ad hoc formula has been all but reduced to a mockery. In any case, what sense is there in pressing into service such an out-moded ad hoc formula in respect of an altogether new variety of cloth and proceeding to fix prices after working out what it would have cost to manufacture it in 1959 and adding to it another arbitrary percentage to arrive at a mutually (between the Textile Commissioner's office and the mills concerned) agreed price that could be charged to the consumer? More often than not, the agreed percentage addition to the price arrived at on the notional 1959 basis price has tended to be the average of two figures independently (and none the less arbitrarily) worked out by the Textile Commissioner's office, on the one hand, and the mill interests concerned, on the other. This is the most unsatisfactory and the least scientific formula that could be made to govern prices of products of an industry which is expected to step up our exports and augment our foreign exchange earnings. What is surprising is how the cotton mill industry has managed to put up with it for so long.

We are told that responsible sections of the industry have been thoroughly dissatisfied with the voluntary price system and that repeated representations have been made by them to the Government to do away with it. It is difficult to understand the Government's studied indifference in regard to this matter, although one can appreciate its reluctance to increase prices during a period of inflation for fear of consumer criticism. Surely, both the Government and the consumer must be aware that, by and large, prices ruling in the market today bear absolutely no relation either to basic prices (except that these are prominently printed) or to actual costs of production. Since the voluntary price system, to which the industry agreed in January, 1961, began, production costs have gone up sharply as a result of increases in wages, raw material prices and excise duties, among others. Conservative non-official estimates put the percentage rise in cloth production costs at over 15 per cent (What percentage rise the Tariff Commission, which went into this question, has arrived at is anybody's guess.)

Refusal to accept these facts has led to a serious erosion of the profit margins of mills, especially those which, for the most part, have continued to produce the older varieties. At the same time, the cloth market has been flooded with a plethora of new varieties, determination of the prices of which, as stated earlier, has been reduced to a huge farce. The interest of both the mill industry and the consumers of cloth demand that there must be an end to this senseless stalemate. Unless there is evidence of a refreshingly realistic reorientation in outlook on the question of cloth prices, and that soon enough, conditions in the cloth market may deteriorate to such an extent that the country may again become victim to a cloth crisis similar to that which followed the imposition of heavy excise duties some years ago by the present Finance Minister. The stock position with the mills today is by no means such as to warrant complacency on the part of the authorities. At 209,800 bales, the end-February, 1964 stocks are not only the lowest for the past twelve months but also lower than the end-February, 1963 stocks (301,000 bales). With no significant increase in production and with prospects of increased internal demand and potentialities (to be explored) of higher exports, the likely impact on cloth prices resulting from continued inade-

quate supplies is certainly something for any Government to feel concerned about. If the authorities are keen on preventing a runaway rise in cloth prices and stabilising these at a reasonable level, they have to bestir themselves from their self-imposed stupor and adopt prompt and realistic measures to augment production; and the first of these must be to scrap the 1961 Voluntary Price System.

More Gilt to Gilt-Edgeds

THE ANNOUNCEMENT of the first instalment of the Government of India's borrowing programme is in keeping with Government's latter-day thinking on "realistic" interest rates. Both the short-dated 4 per cent. 1970 loan and the long-dated 4½ per cent. 1959 loan are of course, only conversion loans floated mainly to adjust the outstandings against the 3½ per cent. 1964 National Plan loan due for repayment on April 15, (Rs. 158.17 crores) and the 3 per cent. 1964 loan due to be repaid on April 14, (Rs. 30.33 crores). But even this occasion has been appropriately awaited of by the authorities to offer relatively more attractive terms, which is but a part of the series of measures taken by the authorities to bring interest rates more in keeping with the real cost of capital to the economy. The process may be said to have begun in February itself, with the increase in the rate of interest the Railways are now called upon to pay to the general revenues. The next step was the credit squeeze announced by the Reserve Bank in the last week of March resulting in the stepping up of interest rates payable by scheduled banks. And now comes the third measure in the form of higher interest rates on the two conversion loans. The yield on the short-dated (4 per cent. 1970) loan, offered at a discount of one rupee, works out nearly to 4.2 per cent., which is much higher than the yield to be had from a loan of more or less similar duration. On the eve of the loan announcement, comparable 4 per cent. central loans as, for example, 4 per cent. 1969 and 4 per cent. 1972, were quoting at levels which gave a redemption yield of a little over 4.10 per cent. Similarly, the yield on the long-dated (4½ per cent. 1989) loan works out to 4.75 per cent. as against only 4½ per cent. on a more or less comparable central loan, namely the 4½ per cent. 1986 loan.

It is too early to say—the subscription lists will open only on April 15—what the response to the conversion loans would be like. However, considering that the bulk of the holdings of the two maturing loans is reportedly in the hands of the Reserve Bank, the results should be satisfactory. Inasmuch as acceptance of the conversion would bring in securities offering a better yield, not only the Reserve Bank but other institutional investors also may be expected to offer all their holdings for conversion. But market circles believe that neither the L. I. C. nor the scheduled and the exchange banks carry any sizable holdings of the maturing loans. Also, notwithstanding the higher yields, it is said, many scheduled banks may prefer to liquidate the holdings of their maturing loans for cash now, by reason of the continuing stringency in the money market and the still high inter-bank call money rate. Some of them may also want to wait for the second instalment of central loans which is expected to include a medium-dated loan as well. Really speaking banks have no choice but to augment their holdings of Government securities in order to be able to conform to the liquidity requirements by the target date, that is mid-September. In fact, there have been few offers of sale of securities, if any, lately, or even after the loan announcement, which doubtless explains the absence of a fall in Government securities prices as normally happens in the wake of such a loan announcement.

It may appear idle to speculate on the extent of cash repayments that the Government may be called upon to make in the third week of this month. All the same, one could hazard a guess on the basis of recent experience. The repayments may amount to some 15 to 20 per cent. or, say, Rs. 30 to 40 crores. Proceeding on this basis, the net borrowing arising from the first phase of the Government's borrowing programme for the current year would be around Rs. 150 crores, or roughly 50 per cent. of the target of Rs. 295 crores budgeted for by the Finance Minister.

We must compliment the authorities on having promptly given up their experiment of a combined Central and State borrowing programme which they tried last year. The opinion expressed in this journal that the experiment would lead to the State Governments' approaching the Centre for more and more accommodation even to carry on their day-to-day administration has proved prophetic. The Union Finance Minister has himself admitted in his budget speech that, both in terms of loans from the Centre and market borrowings, the States have been receiving more than what was contemplated. The only way to stop the growing extravagance of State Governments is to make them enter the market and raise their loans themselves.

Now that the Finance Minister has made it clear that State Governments have to float their own loans and raise their requirements separately, they must start planning their respective borrowing programmes. And, when they actually enter the market, they must be prepared to offer slightly higher rates of interest than the Centre. This is about all the attraction that they can offer, their financial position being a matter of the utmost concern, according to the Union Finance Minister himself. But precisely how much higher the rates should be would depend on the terms of the second instalment of central loans.

Highlights of the Week

MENACED MINORITY

PAKISTAN'S HOME Minister, Mr. Habibullah Khan, arrived in the Capital on Monday and he and his Indian counterpart, Mr. Gulzarilal Nanda, plan to have 10 sessions of discussions spread over five days. While it is naturally to be hoped that a meeting of this kind should help to draw the two countries closer, it would be only necessary realism to acknowledge the fact that the conference would be held to have succeeded brilliantly even if it assists simply in checking further deterioration in Indo-Pakistan relations. In his first public statement in this country, Pakistan's Home Minister has struck the right note by saying that the problem of minorities, which is the prime issue before the conference, is a "human rather than political" problem. So far as the people and the Government of India are concerned, they are, of course, wholly keen on discussing the issues involved on a human rather than a political plane, and now that the Pakistani delegate has stated that that would be the attitude of his Government as well, there is no real reason why the talks should not be effective in easing current tensions.

In view of the gravity of the issues involved, India's Home Minister, Mr. Nanda, has been carefully briefed by the Prime Minister and the Cabinet and while it is certainly being appreciated here, in Government circles as well as outside, that the conference should keep clear of recriminations or demands and counter demands, it is also strongly felt that it would have served its purpose only if it results in creating steps being taken immediately to end the flow of refugees from East Pakistan into India. So long as this forced immigration continues, the relations between the two countries are bound to deteriorate steadily. Only second in importance to the ending of this mass movement of Hindus and Christians from East Pakistan into India is the question of a fair sharing of the burden of rehabilitating refugees who are already here. While India certainly may not care to approach this question in a bargaining spirit, it is not unreasonable to expect Pakistan to appreciate the position that it should not fall on this country exclusively to finance the resettlement of people who are after all citizens of Pakistan but, nevertheless, have found it impossible to continue to live safely in that country. Once a programme is discussed and agreed upon for rehabilitating refugees who have arrived already in this country and stopping further exodus from East Pakistan, it should be possible to proceed with the larger question of ensuring conditions in either country which would enable the minority communities concerned to live in freedom, and particularly in freedom from fear.

On the Indian side, while it has certainly been the unfortunate case that organized violence had been perpetrated on Muslims at some places, it is to be recorded on the credit side that the Government has been both willing and able to quell violent outbreaks, if necessary by employing regular troops to restore law and order. In Pakistan's case, however, from the available reports it appears to be the case that the authorities concerned have not displayed similar determination or effort in dealing with outbreaks of communal violence or quickly ending organised harassment of Hindus and Christians. It should be possible to bring about a frank exchange of ideas across the table on this matter which is, indeed, central to the entire situation, without necessarily indulging in or inviting recrimination.

COMMUNISTS AT COLD WAR

THE MOSCOW-PEKING cold war dialogue is becoming more and more outspoken. On April 3, "Pravda" published the recent CPSU Central Committee decision to fight Chinese ideological perversions and the report made to the Committee by Mr. Mikhail Suslov on February 14. The Suslov report is of particular interest to this country since in it the Soviet position on Sino-Indian conflict has been stated, for the first time, in terms which virtually name China as aggressor. The report says:

"The Sino-Indian conflict arose over the position of frontier territories in the Himalayas which had not been disputed either by China or India in the course of many centuries. However, inasmuch as this problem arose, everything should have been done to settle it peacefully by negotiation. The Government of the USSR has repeatedly advocated such a settlement of this frontier dispute....

"Hostilities broke out in the region of the Himalayas. The pernicious consequences of this conflict have now manifested themselves fully. It has rendered a great service to imperialism and inflicted grave harm to the national liberation movement, the progressive forces of India and the entire front of anti-imperialist struggle. Utilising the Sino-Indian conflict for their own purposes, the imperialists and their supporters are seeking to undermine the trust of peoples of young national States in socialist countries, draw India into military blocs, and strengthen the positions of extreme reaction in the country."

The Suslov report significantly accuses the Government of the Chinese People's Republic of extending armed conflict on the Sino-Indian border when the Caribbean crisis was at its height. In other words, Moscow has gone on record that it endorses this country's accusation that China had planned and executed a large-scale invasion of this country in October-November, 1962. Similarly forthright is the assessment of the Suslov report on China's alliance with Pakistan against India. The relevant passage says:

"While allowing relations with India, which as everybody knows is not a member of military blocs, to deteriorate sharply, China's leadership at the same time actually leagued together with Pakistan, a member of the SEATO and CENTO, which are threatening the peace and security of the Asian peoples. It is a fact that having discarded their 'revolutionary phrase-mongering' the Chinese leaders have, in reality, adopted a line that can hardly be dovetailed with the principled position of the countries of the Socialist commonwealth with regard to imperialist blocs."

Denouncing Sino-Pakistan relations as opportunistic, Mr. Suslov twits Peking with showering compliments on the reactionary regime in Pakistan while flinging mud at socialist countries and trying to split "fraternal parties" around the world. That the "fraternal party" in India is presently in the throes of a dichotomy is, of course, not to be denied, and judging from the relish with which the pro-Peking faction in the Communist Party of India has seized upon the Dange letters to denounce the official leadership, it may not be far-fetched to assume that the Moscow-Peking cold war is now being fought well and truly on Indian soil. In fact, Peking's personal attacks on Mr. Khrushchev have been copied in the Indian context by Mr. Basavapunniah, Mr. Sundarayya and Mr. Ramamurti who lead the so-called "splitter" group in denouncing the Party Chairman, Mr. Dange, on the strength of the letters which he is alleged to have written in 1924 to the then Governor-General of India offering to collaborate with the British Government against the national freedom movement. Mr. Dange, who was in Moscow when the storm broke out, had on his return to this country contended that the letters were "forgeries", while two of his supporters in the

party, Mrs. Renu Chakravarti and Mr. Homi Daji, both MPs, claimed to have found "important discrepancies and inconsistencies in the documents raising serious doubts". The letters, which were with National Archives until they became hot stuff in the cold war within the "fraternal party", have now been removed to safe custody by the Home Ministry but are available for inspection by leaders of the warring factions. A demand is being made by pro-Peking group for a commission to be appointed by the party, comprising members of "undoubted integrity", to ascertain the authenticity of the letters. These and other controversies may be pressed to an issue at the meeting of the party Executive on April 9 and the National Council on April 10. The forthcoming meetings might quite possibly end up in formalizing the split in the Party, although a couple of prominent communists, more or less "non-aligned", are reportedly making an effort to avoid an open schism. The outlook is that internecine struggle for the control of the Party has now proceeded so far that it may not be found possible to avert a formal cleavage. From the nation's point of view, the formal identification and isolation of the pro-Peking faction within the Communist Party would be an obvious advantage to the country's security since it would considerably ease the public's and the Government's effort at dealing with treasonable or subversive activities which certain elements in the Communist Party are now free to carry on under cover of legitimate political functioning secured to political parties in a democratic community.

MURDER IN THE MOUNTAINS

ON SUNDAY, April 5, the Prime Minister of Bhutan was shot dead at a dak bungalow in Phuntsoling, a slopy, little township on the India-Bhutan border, and the assassin's bullets could possibly turn out to have shattered not merely and not just temporarily — the ancient calm of this Himalayan region. The killer is yet to be captured and Bhutan has asked for and obtained Indian police assistance in investigating the crime and tracking down the perpetrator. Should Jigme Dorji's killing turn out to be a crime politik, its implications and consequences may be matters of moment for relations between many States. The Chinese, who have consistently refused to acknowledge India's special status in Bhutan, should welcome political instability in the border State, however brought about. Fortunately, there should not be a vacuum in the political leadership of the State. Absolute power in Bhutan rests with the enlightened Maharaja, Wanchuk Dorji, who is the spiritual and temporal head and enjoys popular support. He is presently convalescing in Europe after a serious heart attack and may now plan to return sooner than he expected. The Prime Minister was the brother-in-law of the Maharaja and his office has so far been hereditary. But it is not known if Jigme Dorji's son would inherit the gadi. He is far too young and even during Jigme Dorji's absence from the State, the Prime Minister's brother, Cornell-educated, Lhendup Dorji, has been performing the duties of the office His sister, Miss Tashi Dorji, who steered Bhutan's membership of the Colombo Plan with India's help and co-operation, is another able figure in the political field. Some opposition to the present regime has been coming from the Bhutan State Congress which claims to represent about 20 per cent of the Napalese population centred in the eastern part of the State. Stationed in Gangtok, its Chief, D. B. Gurung, demands formation of a democratic government and establishment of panchayat raj. The State Congress has little hold on Bhutanis of Tibetan origin, who comprise about 70 per cent of the 650,000 population and are solidly behind the Maharaja.

Jigme Dorji was shrewd, strong and energetic but his policies were not always easy to appreciate in this country. His literal interpretation of the Indo-Bhutanese Treaty of 1949 which provides that Bhutan would be guided by India in foreign relations was not altogether welcome. His foreign tours also created a certain amount of misunderstanding. It was said that Bhutan was trying to get herself accepted as a separate State in the international field. Luckily, patient and skilful handling of an otherwise touchy situation reinforced by India's obvious respect for Bhutan's independent character has brought the two countries closer. As against this, the Chinese aggression, emphasized, more than ever before, the threat of assimilation from the North and the liquidation of Bhutan as a separate entity. Earlier, for the past few years, Bhutan had been conscious of the danger and had sealed all her 28 and odd trade routes to prevent vital supplies such as petrol, rice and wheat from being smuggled into Tibet. But the liquidation of Tibetan autonomy and the invasion of India exposed for good the expansionist nature of Communist China.

Even now Bhutan does not have any official treaty of mutual defence with India but she undoubtedly realizes the value of friendship and community of interest with the peaceful neighbour in the South and since 1961, Bhutan had started thinking in terms of economic development and invited India's participation. The outcome was the first five-year Plan for Bhutan, laying stress on road construction, improvement in agricultural production and expansion of educational facilities. The Government of India is financing the entire Plan costing about Rs. 18.5 crores. A new 600-mile highway is being built and later four motorable roads will link the interior of Bhutan with India and one of them will be connecting Bhutan and NEFA. No roads to the Tibetan border are planned. In the field of education, a three-fold increase in primary and secondary schools is expected to be made and nearly 700 Bhutanese students will be coming to India to receive training. Hindi will be the medium of instruction in secondary schools. Exchanges at cultural level are also planned. In all these constructive developments, the late Jigme Dorji played a positive role of leadership and the brutal murder of this statesman, taking place, incidentally, in the wake of a courtesy call paid by the Indian Political Officer on the fatal day, is naturally a matter of deep sorrow for the people and the Government of this country.

BY GRACE OF GOVT.

BROADCASTS BY Mr. Nehru and by Acharya Vinoba Bhave on April 5, marked the inauguration on the following day of the Khadi and Village Industries Commission's "Free Weaving Scheme" — a programme which, it is claimed, will rationalize Government subsidies to the khadi industry. The broadcasts, however, showed that politics and sentiments would continue to have precedence over reason where khadi was concerned. Thus, Mr. Nehru did not stop with expressing the hope that the scheme "will succeed in a big way," but he went on to argue that the purpose of developing village industries was to provide employment on a large scale which, he maintained, the expansion of organised industries would not be able to provide — a doubtful proposition economically, but a very useful one politically. After this, it was no surprise to find Acharya Vinoba Bhave thoroughly sentimental. According to him, khadi is the only means we have of preventing "the spirit of China" from capturing our villages. Acharya Bhave, again, was so impressed with the "free weaving scheme" that he expected it to establish what he called "Gram Raj" in this country within the next five years.

The project on which such high hopes are being pinned seems, however, to be more in the nature of an act of faith than a businesslike proposition which could reduce the chronic deficit in khadi financing. Under the new scheme, it is proposed that those who spin and offer khadi yarn are to be given in exchange khadi cloth without their having to pay any weaving charge. Where cotton is supplied to the spin-

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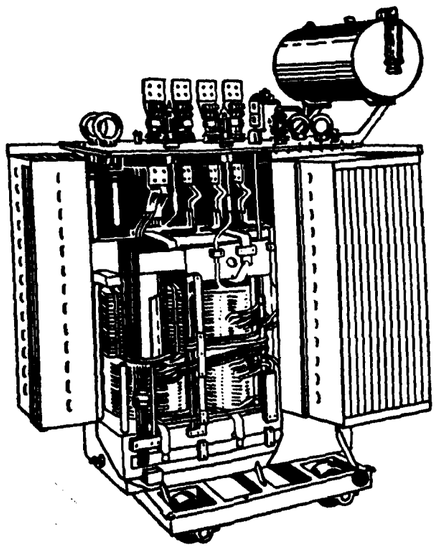
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FROM THE PRESS GALLERY

Indo-Pak Relations Major Worry

By Our Parliamentary Correspondent

NEW DELHI:

THE MAJOR worry of the Lok Sabha last week continued to be the inimical attitude of Pakistan towards India. The deteriorating Indo-Pakistan relations came up before the House several times. The other highlights of the proceedings were the expression of misgivings by several members over Kashmir Government's decision to release Sheikh Abdullah and voting of the demands for grants for the Union Ministries of Industry, Health, Irrigation and Power and the Department of Supply and Technical Development.

The deep concern and anguish with which both the Ruling Party and the Opposition view the maltreatment of minorities in East Pakistan was evident from the unanimous support received by a non-official resolution asking the Government of India to take effective measures to influence world opinion on this issue. From the Treasury Benches, the most powerful condemnation of the atrocities being committed on Hindus, Christians and Buddhists in East Bengal came from the Union Minister without Portfolio, Mr. Lal Bahadur Shastri, who indicated that the Government intended to send abroad some delegations to enlighten the world on the misdeeds of Pakistan. He castigated Pakistan for trying to foment trouble in India in order to create a false impression at the time of the U.N. Security Council's meeting on Kashmir. Detailing the steps the Government of India had taken with remarkable speed for improving the communal situation in Bihar, West Bengal and Orissa, he regretfully pointed out that the Pakistan Government had not done so but instead tried to worsen the position. The members who participated in the debate on the non-official resolution pleaded that there should be no restrictions on refugees coming from East Pakistan and all efforts should be made to resettle them expeditiously.

The recent violation of India's air space by a Pakistani aircraft raised a tempest in the House. The explanation put forth by the Minister for Defence Production, Mr. K. Raghuramiah, that the plane had strayed three or four miles into the Indian territory, created a deafening uproar. Even the intervention of the Prime Minister failed to pacify the Opposition members who called for effective measures to check the growing menace from Pakistan to our security.

The announcement of the Kashmir Government's decision to release Sheikh Abdullah got a cold reception from the House. Many an Opposition member feared that this might complicate the Kashmir problem further. The official spokesmen tried to justify the step in the interest of improving the political climate in the State. That this did not carry conviction even with the legislators belonging to the Ruling Party was evident from the fact that the wisdom of releasing Sheikh Abdullah was questioned by many at a meeting of the executive of the Congress Parliamentary Party just before the matter was raised in the House.

During the debate on the demands for grants for the Ministry of Industry, a Communist member assailed the "reorientation" of industrial policy in favour of the private sector. He contended that this had resulted in concentration of wealth in the hands of a few big business houses. Many members called for greater coordination between the various Ministries responsible for industrial growth and pleaded for simplification of licensing procedures. Some stressed the need for giving encouragement to the cooperative and small-scale industries. The affairs of the Khadi and Village Industries Commission, however, came in for vehement criticism; it was even suggested that a high-powered committee should be set up to go into the working of this Commission. The problems of regional development also figured prominently in the debate. So also the complications created by shortage of raw materials.

Replying to the debate, the Minister for Industry, Mr. Nityanand Kanungo, stoutly defended the industrial licensing policy and pointed out that although the target of 11 per cent increase per annum in industrial output fixed under the third Plan, could not be achieved, production was going up satisfactorily even in the face of many odds. There were no "myteries" about industrial licensing, he said. Some key industries had to be given priority in view of the fact that their development had not been upto expectations. He indicated that concerted steps would be taken soon to step up paper and cement production; these two industries were suffering from paucity of raw materials—bamboo and limestone. Mr. Kanungo justified the levy of excise duty on powerlooms, but hinted that some concession in this levy might be forthcoming in the near future. He expressed gratification over the development of the handloom sector and small-scale industries and denied that the latter were being given a step-motherly treatment.

During the debate on the demands for grants for the

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ner, a nominal payment, however, will be expected. It is also said that others who do not have any yarn to offer will, nevertheless, be able to buy khadi cloth at prices even lower those those ruling hitherto with the advantage of a government subsidy passed on to the buyers at the point of sale. We may be pardoned if we say that all this seems to us to be too fanciful and other worldly and our scepticism, we submit, is more than justified considering the extremely unbusinesslike manner in which the Khadi and Village Industries Commission has been handling public funds allotted to its programmes over the last 10 or 12 years. The total allocation under the three Plans has amounted to Rs. 191 crores and the actual disbursement up to March 1963 to Rs. 143 crores. As against this, it is claimed, these programmes have provided employment as in 1962-63 to about 2.5 million persons of whom nearly 1.8 million were employed in the khadi sector It is well-known that even this scale of employment, which is comparatively small in relation to the capital outlay taken with the value of the output, had been secured at a low level of wages which have been even lower than what is required for subsistence. While this highlights the economic unsoundness and inefficiency of the programmes, there has also been widespread and recurring criticism from responsible quarters, such as the Public Accounts Committee and the Estimates Committee of carelessness or worse in the handling of Government money given to the Commission. Significantly, the validity of the work which the Commission has been doing has been challenged not only by outside critics but also within the Commission itself. Thus, writing in the Tenth Anniversary Number of the "Khadi Gramodyog", Mr. D. P. Sahu, himself a Member of the Commission, remarked: "At present the khadi industry is neither self-sustaining nor does it have popular support. It is surviving because of the benevolence of the present Government". It is presumably the arugment of the Commission and its present Chairman, Mr. U. N. Dhebar, that the "free weaving scheme" now introduced will mend this state of affairs. But, as we have said, the way the scheme is structured is not such as to create confidence in its solvency.

Ministry of Irrigation and Power, members pleaded for expeditious settlement of river water disputes, provision of electricity to farmers at cheaper rates, and according of high priority for power and irrigation schemes (especially the minor irrigation schemes). It was also suggested that the Central Government should have an effective control over the State irrigation schemes and that the Central Water and Power Commission should have a separate wing to review the cost of important projects. One member pleaded that no water should be made available to Pakistan after the expiry of the Indus Canal Waters Treaty in 1970 in the interest of providing irrigation facilities to the peasantry here. Concern was expressed over the shortfalls in the achievement of power and irrigation targets and inadequacy of flood-control measures.

Replying to the debate, the Minister for Irrigation and Power, Dr. K. L. Rao, announced that the five regional electricity grids would be connected into a national grid during the fourth Plan period. By 1969, the irrigation potential would also be increased to 100 million acres. He assured the House that all efforts were being made to expedite use of water for irrigation purposes and contended that utilisation of the irrigation potential already created had now reached 82 per cent, a level which very few countries in the world could claim. He agreed that rural electrification was not receiving the necessary impetus, but hoped that the situation would improve in the next few years. Great emphasis was laid by Dr. Rao on completing the projects in hand rather than on going in for new ones to make up the shortfalls in the third Plan targets. About power tariffs for industries, Dr. Rao stated that the power rates should cover not only the high capital costs of power generation, but also have a margin for future development. Against this consideration, of course, there was the need to keep the rates low enough to encourage industrialisation. A Committee of Chief Ministers, he said, was considering these two aspects of the problem and would make its recommendations at an early date. With the installed capacity for power generation going up to 12.5 million KW. by the end of the third Plan period, most of the States, Dr. Rao hoped, would be able to meet their power requirements. Power scarcity, however, might continue in U.P., Punjab and Rajasthan. The Minister announced that steps were being taken to expedite the completion of the Rajasthan Canal Project.

Targets Exceeded

The discussion on the demands for grants for the Ministry of Health was notable for the plea made by several members for provision of medical facilities and water in rural areas. In her reply, Dr. Sushila Nayar hoped that by the end of the current Plan period, all the 5,000 development blocks would be covered by primary health centres. The Plan target for medical education, she said, had already been exceeded—the country now had 79 medical colleges against the target of only 75. She, however, admitted that there was shortage of qualified teaching staff. Listing the measures being taken for eradication of malaria and checking of cholera, Dr. Sushila Nayar disclosed that a new method of treating cholera had been developed and tried with success in Calcutta. She also revealed that a post-graduate medical institute would be set up at Hyderabad.

The Department of Supply and Technical Development came under fire for the long time it took to process orders and the not-so-satisfactory working of its offices in London and Washington. The former Minister in charge of this portfolio, Mr. Jaisukhlal Hathi, and the present Minister, Mr. Hajarnavis, however, assured the House that through administrative changes, the purchase procedures were being streamlined. Mr. Hathi also stated that apart from utilizing the spare capacity in the private sector to augment defence production, no new licences had been granted to the private sector for manufacturing armament components. The Technical Development Wing, he said, was helping in the planning of indigenous products. It had been geared to meet the defence needs.

Question Hour

Industrial Refinance Corporation: The Union Minister for Finance, Mr. T. T. Krishnamachari, disclosed in the Lok Sabha on April 2 that the Government was considering a proposal to make available to the Refinance Corporation for industry a second and supplementary line of credit upto Rs. 25 crores. The Corporation had received upto December 31, 1963, applications for loans to the tune of Rs. 63.81 crores. Loans had been sanctioned to the extent of Rs. 51.21 crores. The necessity of giving a fresh line of credit to the Corporation had arisen because of the fact that the entire amount of the first loan of Rs. 26 crores had been drawn and utilized. Upto December 31, 1963, the Corporation had disbursed loans totalling Rs. 28.17 crores. Some loans had not been availed of and these had thus lapsed. Loans still remaining to be disturbed amounted to Rs. 17.06 crores.

The Finance Minister also told the Lok Sabha on April 2 that the effective arrears of income-tax as on December 31, 1963, totalled Rs. 192.99 crores. There were 597 individuals or Hindu undivided families in the country having a net wealth of over Rs. 20 lakhs each. Of these, 125 persons had a net wealth above Rs. 50 lakhs each.

L.I.C. Premia: The Deputy Minister for Posts and Telegraphs, Mr. B. Bhagwati, informed the Lok Sabha on April 1 that the experiment of collecting life insurance premia through some post offices in the Rajasthan Circle had proved successful. It had been decided to extend the scheme to the other post offices in this Circle. The scheme was also likely to be extended to some post offices in Madras, Kerala, Andhra Pradesh and Mysore. The selection of post offices in these States would be made on the advice of the Life Insurance Corporation.

Diamond Mining: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, revealed in the Lok Sabha on April 3 that commercial exploitation of diamond mines by the National Mineral Development Corporation had not yet begun. The Corporation had spent upto February this year a sum of Rs. 9.27 lakhs on exploitation of these mines. The value of 18,000 carats of diamonds recovered during exploratory work was Rs. 6.47 lakhs, out of which Rs 3.63 lakhs were payable to the State Government as royalty.

The following other information was provided to the House by Mr. Subramaniam on April 3

Scooter Manufacture: There was no intention to select any particular scooter manufacturing unit in the country for expansion. All the units would be allowed to expand in due course to meet the expected increase in demand during the fourth Plan period.

Pact with Dasturco.: Messrs. Dastur & Company would be paid for their consultancy services for the Bokaro Plant approximately one-third of what was normally paid for these services in the United States. The terms and conditions for the consultancy arrangements with Dasturco were being negotiated. The firm was expected to deliver the goods. There was no proposal to withdraw any portion of the work entrusted to Dasturco and give it to foreign engineering firms.

Sugar Quota: The Minister of State for Food, Mr. A. M. Thomas, revealed in the Lok Sabha on March 31 that the Union Government had effected a reduction of 5 per cent in the monthly sugar quotas of various States in view of sugar production falling short of the 3.3 million target. He ruled out all possibilities of increasing sugar quotas in the near future and emphasised that the State Governments should regulate supplies judiciously.

OUR POPULATION PROBLEM—III

Death Control Without Birth Control

R. CHOPRA

NEXT TO avoiding a nuclear war and ensuring lasting peace, the population explosion is the gravest problem facing mankind. One may ask the question: why is it that the population problem for all its seriousness and urgency has received scant attention so far? Why is it that in spite of the fact that leading scientists, social workers and other leaders of the world have time and again warned about its seriousness, the powers that be have more or less neglected this problem? The present article will try to answer some of these questions.

In every society whether underdeveloped or highly developed, whether agricultural or industrialised, whether democratic or totalitarian, there is a strong consensus of opinion in favour of improving health, sanitation etc.; combating disease and pestilence and reducing the incidence of death. There is at present no such consensus of public opinion in favour of taking positive steps to reduce the birth rate, it is, however, essential for every country and much more so for the underdeveloped countries that "any society that practises death control must practise birth control".

There are many reasons, some apparent, others obscure, some straight forward and others complicated, why the deliberate control of the birth-rate and consequently the population control has not received adequate attention when compared to say, death control, health, social welfare, education etc. Some of the important reasons are:

(a) Marxism believes that labour is the principal asset of society and the ultimate source of all values. Communist countries, therefore, reject the idea of excess population and feel that the inefficiency of the capitalist system is to blame for the low standards of living and not dense population. It should be noted, however, that before China became Communist, the principal Communist country, namely, Soviet Russia, was a very sparsely populated country and population was no problem. Nevertheless even Communist countries practise birth control in varying degrees and methods, abortion for example being comparatively high in these countries. The history of population control in Red China makes interesting reading. According to newspaper reports, China has recently launched on its second campaign to limit its vast population. The first drive ended abruptly in 1958 when China's rulers proclaimed a need for more people, not fewer, to achieve the grandiose industrial goals of the Great Leap Forward. By 1961, however, the Great Leap Forward had ended in a disaster and about a year ago, the Chinese have again stepped up propaganda in favour of use of contraceptives, late marriages (30 years for men, 25 for women against legal marriageable ages of 20 and 18 years respectively), sterilisation and even abortion. Clinics dispensing birth control information to the public have sprung up in every city. Shop windows display a complete range of contraceptive devices. In fact, according to reports, the present campaign surpasses the last one in vigour and is being pursued by the Chinese with their characteristic single minded fanaticism. (If only we, in India, were as thorough in at least our Family Planning Campaign!).

(b) The Roman Catholic Church opposes many methods of birth control as a matter of moral principle. This has led to the widely prevalent but mistaken belief that it is opposed to family limitation at all times by any and all methods. Actually it is not so and there are many points of agreement as well as of disagreement about Family Planning between Catholics and non-Catholics. However, a public clarification of the Catholic Church's stand on this problem would be of great help in dispelling the wrong notions that people have.

(c) Concerted and massive action by advanced countries to help under-developed countries is not possible because of opposition by Communist countries and Catholics. This inhibits not only Non-Socialist, Non-Catholic countries from offering help, but the recipient countries also do not come forward asking for aid in combating this problem.

(d) Ignorance on the part of some of the leaders and prominent citizens of the seriousness of the problem particularly in the under-developed but densely populated countries. A surprisingly large number of them still consider a rapidly expanding population as an asset!

The above factors stand in the way of the adoption of population control methods at the national as well as the international level. At the individual level the factors which inhibit reduction of the growth of population, particularly in India, are:

(i) **High marriage rates and early marriages:** India is a land of universal marriage. This is not so everywhere. In Ireland, for example, about 10 to 15 per cent of the people remained single. Elsewhere though less than in Ireland, a significant percentage of mature people stay single as unmarried people are socially acceptable unlike in India. A decrease in the number of people marrying would result in a corresponding decline in the birth rate. But marriage practices are a part and parcel of the traditions and customs of a society and over a long period only can any noticeable change be possible.

Not so long ago, child marriage was widely practised in India. In 1930, the Sarda Act was passed raising the age at marriage of girls to 14 years. Yet the 1951 census revealed that 92 lakhs (9.2 million) marriages were performed by infringing the law. One person out of every 25 married persons in North India was so married, with Central India (1 in 27) and Eastern India (1 in 31) not far behind.

There is no doubt that the age at marriage is increasing, but even now an overwhelming number of women get married before reaching puberty or just after and practically every woman is married by twenty. This means that the whole of the reproductive period is available for child bearing. In Ireland, for example, the average age at marriage was 28 at one time with nearly one-fourth of the women marrying at the age of 45, which is normally considered to be the end of the reproductive period.

It is interesting to note that in 1800, the average number of children born to women in western Europe reaching 45 was about five. The current average is 2 to 3. In India the figure is 5.5 — 6.

Birth rate can be lowered by late marriage as well as by not marrying. An increase of five years in age at marriage in our country would result in a decline

of as much as 20 per cent in the birth rate. A 15 per cent decrease in the number of marriages can lead to a corresponding decrease in the birth rate.

(ii) Desire for children :

Till recently and in certain communities even now, a large number of children signified prosperity and good luck. It meant more hands for working (in an agricultural society); that the parents will be provided for in their old age or simply that more children meant better status. In many countries, especially in India, sons are considered very essential not only to carry forward the family name but also from the religious point of view.

Many other factors also tend to popularise large families, not the least important being the high mortality rate. Decline in the death-rate is not always quickly apparent, so considerable time is required to establish the fact that it is no longer necessary to have several children in order for some to survive.

(iii) Ignorance of the purposes, means and consequences of family planning :

Almost every survey on attitudes towards family planning, from the highly sophisticated areas in the USA to the rustic village in India, shows that a large proportion of people are in favour of limiting the family size — limiting the birth of children to the number wanted, when they are wanted. The single major reason for this attitude towards family planning is the concern for the economic welfare of the family — a better standard of living and a better chance in life for all children. But considering the size of of the populace to be educated in family planning there is hardly any propaganda at the appropriate scale on the subject. Most societies disapprove public communication or discussion about the subject as sex and reproduction are not considered appropriate topics of conversation.

(iv) A high percentage of illiterate population, especially women, make informational programmes difficult.

(v) Dispersal of the population into many small widely scattered villages (over 5 lakhs in India) complicate the problems of communication and supply.

(vi) **Lack of trained personnel :**

The necessary administrative leadership and technical competence to support a mass programme are often lacking in under-developed countries.

(vii) Per capita income being so low in under-developed countries, people just cannot afford to buy the conventional but costly contraceptives even when they have been motivated.

(viii) Finally, any worthwhile plan for mass education in family planning and free supply of contraceptives may be much too costly for the country.

In short, a programme for voluntary fertility control often faces an apparently insurmountable barrier of traditional behaviour in traditional societies, reinforced by social customs and cultural arrangements of long standing. These are formidable obstacles to the success of any effort to promote voluntary fertility control in the type of society that needs it most. The difficulties are altogether real and discouragingly numerous. **Only the importance of the task would appear to justify the necessary effort.**

(To be continued)

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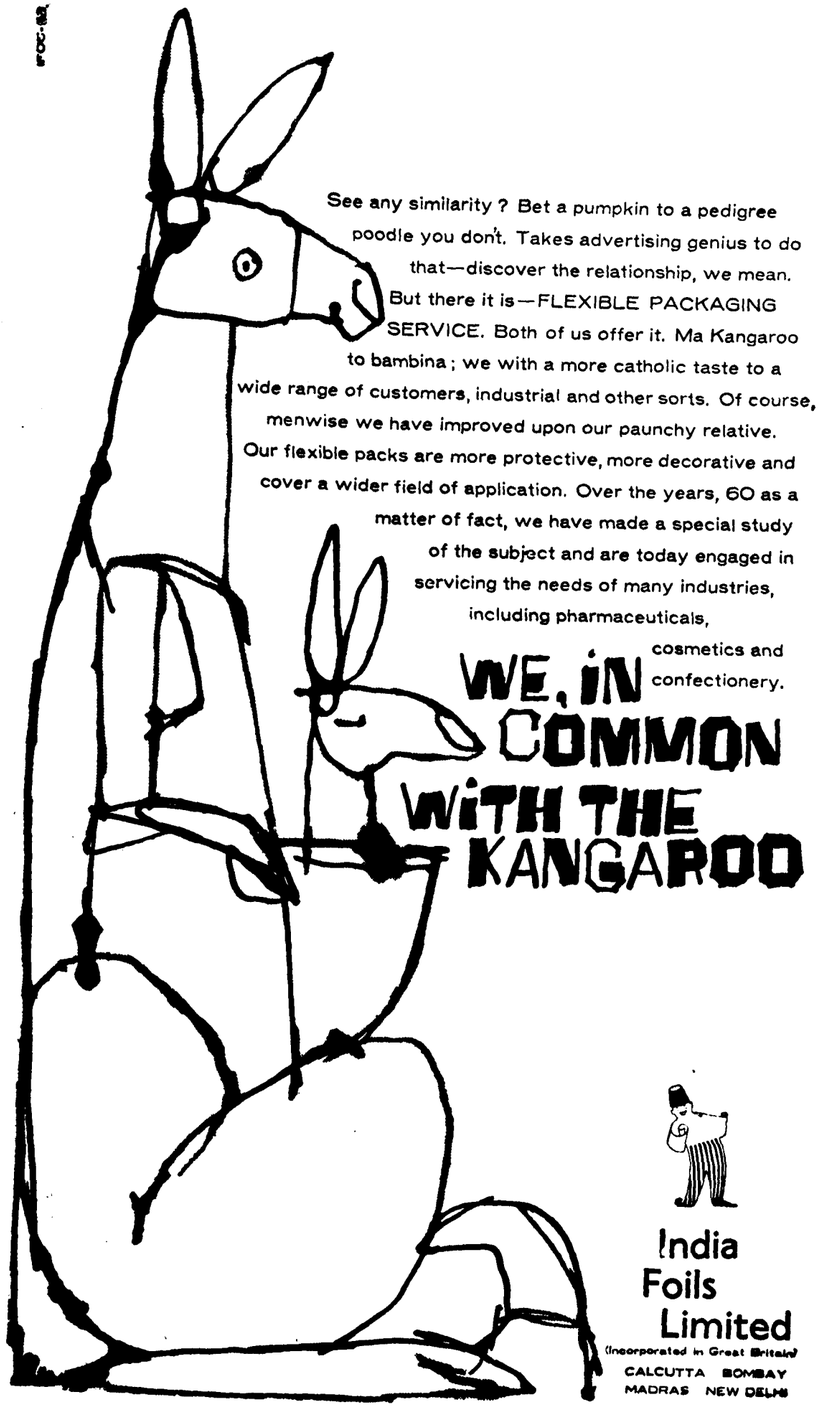
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WINDOW ON THE WORLD

Britain and the Common Market

From our Special Correspondent

PARIS :

STATISTICS, everyone knows, are capable of varying interpretations. A current example concerns Britain's trade with the Common Market. The Board of Trade in London has just published an analysis of Britain's foreign trade, in which it is pointed out that British exports increased satisfactorily last year but that in recent months some disturbing inequalities appeared. Exports to the other members of the European Free Trade Association rose 13 per cent in the last quarter of 1963, but exports to the Common Market, already disappointing in the previous quarter, declined 2 per cent. More British goods were sold in Norway, Sweden and Denmark, but less in France, West Germany and Italy; this trend is said to have persisted in the first few months of 1964. The official document concludes that the effects of tariff discrimination are beginning to make themselves felt: since the breakdown of the negotiations in Brussels for Britain's entry into the Common Market, UK exporters have preferred to work in markets that are easier of access, like EFTA and the Commonwealth, to the relative neglect of more protected markets like those of the Six.

It will be noted that the Board of Trade does not say baldly that tariffs are directly responsible for the supposed setback in the Common Market. Rather, it is business men who are taking the line of least resistance, whereas a more energetic effort in markets where there is said to be some tariff discrimination could still produce an improvement in sales. This fine distinction disappears in a 'Financial Times' comment on the report: "In short, there is no doubt that the Common Market is having repercussions on trade. The tariff discriminations that it entails make all the more urgent the quest for ways to diminish them through GATT." In other words, there is a sure decline in British sales to the Six; tariff discrimination is responsible, and the cure is tariff reduction in the Kennedy Round.

Favourable Growth

A rather different picture was painted by the French Premier speaking to the British Chamber of Commerce here recently. Trade between Britain and France, recalled M. Pompidou, increased in 1963 not only faster than France's trade with all other non-members of the Common Market but even faster than France's commerce with her five partners. Trade with the outside world increased 14 per cent last year, trade with the other five rose 17 per cent, but Franco-British trade rose 20 per cent. Moreover, this expansion was entirely in Britain's favour: French sales to Britain increased 12 per cent, but French purchases from Britain shot up 33 per cent. Franco-British commerce is at its highest level in 15 years and French exports cover only 75 per cent of French imports from Britain, leaving the latter a substantial trade surplus. Since M. Pompidou spoke, later figures, for the month of January 1964, have come out and they show a further expansion of this trade, but also a reversal in France's favour: for the first time in two years France had a monthly surplus with Britain. This was due to the record level of French sales in that month (£16 million) while Britain's sales on this side of the Channel remained high.

Thus to one party the figures prove that the Common Market has begun to damage Britain's foreign trade; to the other, they prove the contrary, at least in the case of one of the most important British markets on the Continent. In sorting out this confusion, one has to know what one is looking for and what one would regard as evidence. As to the first point: one is not looking for trade surpluses and deficits, but for the volume of two-way trade across the Channel and North Sea. No one ever said that the Common Market (or any other trade dispensation) would guarantee Britain a surplus in commerce with the Continent. Indeed, the traditional situation is just the contrary: the Continental countries have usually run a deficit with the overseas sterling area (because of imports of raw materials) which they have balanced by scoring a surplus in trade with Britain. That has been the normal state of affairs, and if Britain had been running a deficit lately with the Six (in fact, she has not) this could not be blamed on tariff discrimination.

What was forecast as the evil consequence of the Common Market was a contraction in trade and a diversion of normal traffic. There is no sign that this has happened. As to what evidence one would adduce for that: one cannot take trade returns over a brief period, such as are cited in London, because these are influenced by fluctuations in relative rates of inflation (among many other things). Italy and France, to mention only them among the Six, were suffering from an alarming inflation through most of last year, so an increase of British sales (such as M. Pampidou quotes triumphantly to support his thesis) would be natural, given the steadier prices in Britain. Since then, those two countries have had to take the inevitable steps to dampen demand, so a decline in British sales (such as the Board of Trade finds ominously significant) would be equally natural.

Broader Perspective

One must look to a longer period. If it is objected that one thereby misses the effects of the very latest tariff adjustments on the Continent (the last 10 per cent cut in internal duties and the second step toward a common external tariff), the only answer is that it is impossible to isolate such a factor in the complex short-term picture. The longer trend, on the contrary, indicates tendencies that have been at work through all the previous tariff adjustments and which are sufficiently striking to suggest that they will persist. Thus, British exporters' performance in France last year (a 27 per cent increase in sales to £194 million, against imports from France of only £154 million), for all that it was aided by the relative rise in French prices, appears to fit into the underlying trend. That trend is this: Britain's sales to the Common Market between 1958 and 1963 more than doubled, rising 105 per cent, while Britain's imports from the Six rose 50 per cent. In turn, that trend fits into a wider picture, the increasing importance of all West Europe as a British export market, as compared with the Commonwealth.

Back in 1953 West Europe took 27 per cent of Britain's exports, but last year it bought 37 per cent, thus outclassing the sterling area as a British customer. Throughout that period, the Common Market Six expanded their purchases much faster than the EFTA countries, despite the "tariff discrimination", and this contrast was never more marked than last year when discrimination was most notable: EFTA bought 7 per cent more from Britain, the Six 15 per cent more. The other side of the account (Britain's imports from the Continent) is just as important, because, as noted, the point is not respective surpluses and deficits but the total volume of trade. It emerges that the West European countries became more important suppliers to the British isles, but are still second to the sterling area, furnishing 50 per cent of British imports. Two facts are notable on this side of the register. The sterling area benefitted more from the increase in British imports than did EFTA, which has the advantage of fresh tariff discriminations. And the Common Market did just as well in the UK market as the members of EFTA, although the Six suffered from just the same disadvantages (EFTA's mutual

tariff preferences) as Britain complains of when she exports to the Common Market.

In short, on neither side of the trade returns can one find (when one takes a period long enough to iron out fluctuations due to temporary price differences) any evidence that conflicting tariff preferences have to date distorted European commerce. On the other hand, one sees a universal expansion of that trade, affecting the whole region, to the relative disadvantrge of Europe's trade with overseas countries. Concerning that latter comparison, one needs to recall that this is a relative disadvantage (the increase in Europe's imports and the deterioration of its trade balance with the rest of the world are notorious); and moreover that an intensification of intra-regional trade, a sort of involution of European commerce upon itself, has been going on since the decline of imperialism and is largely independent of local trade blocs.

In studying the effects of these trade blocs, one cannot stop at the global foreign trade returns which are quite superficial signs. One needs to look for other evidence, notably of increasing inter-dependence of the European economies. Here one finds that co-operation between Britain and the Continental countries is intensifying every month. The surprise is that this is nowhere more striking than between Britain and France. Closer integration within EFTA would be expected, for that is what tariff preferences are designed for. More intimate collaboration between Britain and the other Five of the Common Market would also be expected, because since the British fiasco this has been deliberately stimulated from both sides, in order to preserve the link across the Channel that General de Gaulle seemed anxious to sever. In reality, it emerges that integration, at the level of private business and of industrial co-operation, has progressed fastest between Britain and France. The Concord project is the merest symbol of a collaboration that one sees right down the roster to the food and clothing industries.

One does not conclude from all this that the trade blocs and their discriminatory preferences are quite without interest or effect. Though no such thing is apparent yet, they might come to have notable effects on trade patterns — but there is no reason whatsoever to expect that this will mean a decline in any one nation's exports to its neighbours, in absolute terms. Rather, one would conclude that the long-term intensification of West European trade and integration of West European industry both cut across the boundaries of the present six-nation Common Market, and suggest an inevitable eventual British admission to that association. But of course, not before Britain is ready to pay the price that she found excessive last year in Brussels.

"All Change Here—For Growth"

JOSSLEYN HENNESSY

LONDON:

TODAY, whether we are Conservatives, Socialists, Liberals, or even "Don't knows", we are all "growth men"; we contrast the U.K.'s post-war average growth rate of 2.7 per cent a year with the higher rates attained by Germany and other countries. We applaud Neddy's 4 per cent growth rate target and rejoice to know that we are currently exceeding it. Our enthusiasm for growth is justified, if for no other reason than that without growth our equal enthusiasm for annual increases in wages and salaries will be speedily chilled by bold blasts of inflation: our higher pay will be mopped up by higher prices.

There is, however, a fly in the growth ointment. Growth — the multiplication of wealth — means change and, whatever the reason may be, the way to popularity in this country is not to point to the wealth to be garnered from new techniques but vociferously to lead resistance to the abolition of the old.

An outstanding example of this mystique of growth schizophrenically cancelled out by a simultaneously held mystique of "No change here" is that popular imagination sees the "Beeching Report" essentially as a plan to close services and stations, oblivious to the Report's basic aim, which is to improve, expand, and develop the railways by concentrating on those services to passengers and freight which they can do best.

By yielding to roads, waterways, sea, and air what these are best equipped to do and endeavouring by competition to ascertain and capture from them traffic in which their costs are higher than those of the railways, the Beeching Plan will contribute to a re-allocation of men and resources of the greatest significance to Neddy's plans. Hitherto, far from contributing to the growth of the economy, the railways have been holding back the multiplication of wealth by imposing on the community the burden of a cumulative loss of £1,000 million to date. Who is responsible for this? The answer is — we men in the street and housewives in the home, who, under the illusion that the "government" pays for this vast waste of men and resources, have been indifferent to it. We do not realise that we ourselves pay for it in taxes, direct and indirect, and in retail prices higher than they need be. The margin for price reductions from increased efficiency must be substantial since transport accounts for over 20 per cent of the gross national product, i.e. for £4,600 million out of the total gross national product of £22,000 million.

It is, therefore, encouraging to be able to report that two of the biggest British industries — one nationalised, the other private enterprise — have shown that the adventurous pioneering attitude towards change, which made the U.K. the world's wealthiest country in the 19th century, is still alive. In 1963, British Railways signed long-term contracts for the bulk transport of oil with six leading companies — Petrofina, Gulf, Mobil, Esso, Shell-Mex and B.P., and Regent, and in January, 1964, they signed a long-term agreement with the Central Electricity Generating Board for the bulk transport of coal to a number of existing power stations, and to six new ones under construction.

The old method of loading coal from colliery sidings involved the shunting of empty wagons, their individual loading, and re-shunting for assembly in a train, the whole bemusing process being undertaken anew in reverse on arrival at the unloading terminal. The Beeching method, in place of sidings covering 250 acres, needs only four acres to lay out bunkers fed by conveyors from the pitheads. The train, a permanent unit, never uncoupled, passes under the bunkers, whose hoppers load five wagons simultaneously. At the terminal — power station, port, steel works, or depot — the train passes over conveyor-belt connected hoppers, capable of receiving the content of five wagons simultaneously. Work which required no fewer than 200,000 wagons under the old system can now be done by 10,000. Under the old system, British Railways locked up £200 million of capital at loading and unloading terminals in wagons being used for temporary storage. Under the new system this £200 million is released



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The contracts with the oil companies provide for British Railways to move a minimum and increasing volume of traffic in fast block freight trains. The companies supply their own tank wagons, fitted with continuous brakes for high speed working, and carrying loads of 27½ tons. British Railways arrange special services for each company, of three to four trains per week on some routes, with additional trains as required.

In short, these contracts reveal two major British industries co-operating with British railways to exploit those new techniques without which there can be no economic growth. To what extent will other industries follow the trial thus blazed?

One gets the impression that the disproportionate attention given to the proposed closures of services and stations in public discussion of the Beeching Report has led many industrialists to dismiss it as a negative, backward looking document, irrelevant to their own problems. They tend to think of the railways' possible contribution to their firms in terms of the old type of freight service, with its maze of slow and expensive local collections and marshalling yards and a rigid traditional pricing policy. But there are innumerable industries capable of exploiting the new technique of bulk loading and bulk terminal unloading, with its advantageous terms for long period bulk contracts. Haphazard, there comes to mind iron ore, pig iron, finished steel products, chemicals, fertilisers, building materials, processed stuffs, fish, grain, flour, beer, spirits, milk distribution, paint, varnish, edible fats, glucose, molasses, oils, and solvents.

India's railways are among the handful in the world that pay. But I take it that the Finance Minister would raise no objections if they paid even more. He might therefore urge them to study the revolutionary railway techniques that British Railways are developing. After all, a system which enables 10,000 wagons to do the work of 200,000 cannot be dismissed as unworthy of investigation.

Foreign Aid: A New Phase

By GUY SIMS FITCH

WASHINGTON:

IT HAS become increasingly evident that the effectiveness of foreign aid cannot be measured solely in dollars. Much more depends on a programme's standards and on the co-ordinated efforts and policies of donor and recipient to make a joint undertaking succeed.

In this light one can best judge the proposed $3,400 million foreign aid programme for fiscal 1965 which President Johnson sent to Congress recently. This sum is $1,100 million below the amount requested from Congress last year.

Admittedly, Mr. Johnson is stressing economy in government operations. But, as his emphasis on new programmes to improve the domestic US economy indicates, economizing is far different from retrenching. What the Administration has presented to Congress is not just a tightly drawn foreign aid proposal, but one that is realistically geared to meet projected requirements.

This is particularly noticeable on the economic side of the aid ledger. Mr. Johnson is requesting $2,400 million for economic assistance as against the actual current appropriation of $2,000 million. Military aid, on the other hand, would remain at the present level of $1,000 million. Thus, greater weight is being put on the economic aspects of US assistance, continuing the trend started by President Kennedy.

The new proposal also contains other noteworthy trends. One is the emphasis on development loans, which can be related to sound planning in developing countries and thus contribute to lasting long-term progress. Another is the concentration of assistance in the less-developed areas.

In the formulation of an Aid programme, practical experience dictates that certain assumptions must be made regarding the amounts of money that can be used effectively. Involved in the determination of the $2,400 million economic aid figure are several basic criteria. One is the ability of a developing country to use aid funds in terms of its economic capacities and its resources of manpower and materials. Another criterion is the readiness of countries to undertake the kind of development planning, self-help and internal reform which underlie the effective use of outside assistance. A third criterion is the extent to which other sources of financing, such as the World Bank and I.M.F., may be available. Also to be considered are other forms of US assistance such as export-import bank lending and food-for-peace shipments, which are not included in the annual aid request of the US Agency for International Development. These, too, are being maintained at the high levels of the past.

A Foreign Aid programme must take into account the rate and degree of progress in recipient nations. To the extent that economic assistance may have performed its essential task, and countries may have established strong and economically progressive societies, the United States is obviously in position to start ending its allocations of development aid. This is already true in Greece, Taiwan and Israel, for example, and it is perhaps the best indication that foreign aid succeeds where there is a combined will to make it work. There also are countries where progress permits the United States to change its assistance from the supporting category — large amounts of funds to help shore up economies carrying exceptionally heavy burdens — into the realm of long-term lending to advance sound economic development. Supporting assistance, based primarily on strategic factors, is confined today mainly to four countries — Republic of Viet-Nam, Laos, Republic of Korea and Jordan.

On the basis of all these judgments, about 90 per cent of the proposed fiscal 1965 economic assistance would go to about 20 countries, with the remainder going to about 50 others. Indeed, approximately two-thirds of the development lending would be concentrated in India, Pakistan, Turkey, Nigeria, Chile and Colombia. They are undertaking the kind of self-help and internal measures necessary to foster economic progress. Actually, when exmained on a per capita basis, the differences in aid allocations among the various recipient countries are not as great as the over-all figures might indicate. Moreover, President Johnson has, suggested that he may ask Congress at a later date for an additional foreign aid appropriation.

When it comes to development assistance, of course, the total flow of capital and technical resources — both public and private — merits consideration. It implies the need for developing countries to attract investments, domestic and foreign, and effectively use them. Recognising this, the President in his Aid message incorporated several proposals to stimulate the flow of private American investments to less-developed areas. Chief among these is a tax incentive which would cover new contributions in money or property to a productive enterprise in a developing country. It is expected that as many as 75 countries may qualify for this proposal.

LISTENING POSTS

TTK Talks to Yojana Bhavan

By Our Special Correspondent

NEW DELHI:

IN A letter addressed to the Deputy Chairman of the Planning Commission towards the end of last month, the Finance Minister, it is learnt, has emphasized the need for the Planning Commission freeing itself from involvement in executive responsibility or in the day-to-day decisions of the Government. Deploring the slurring of the distinction between planning and policy-making as a result of the Planning Commission having failed all these years to concentrate on increasing the efficiency of and specialization in techniques of planning, Mr. Krishnamachari has held the Planning Commission as well as the Central Ministries responsible for the present state of affairs. The purpose of this communication, however, is not fault-finding, but the constructive one of reorienting the Planning Commission's outlook and reorganizing its functions, so that the operational efficiency of that body may be improved. The issues raised in this communication are expected to be discussed at a meeting of the Planning Commission next week.

While the Ministries are blamed for involving the Commission in issues on which they themselves should take decisions and assume full responsibility, the Commission is criticised on the ground that it has been rather too ready to get involved in questions of government policy which are not germane to planning. Illustrating the tendency on the part of the Planning Commission to stray outside its field of responsibilities, the Finance Minister argues that it should not be the concern of the Planning Commission whether the Government should import wheat under the PL-480 programme or not, or whether contracts for the supply of plant and machinery for a project should be placed with this country or that. The Finance Minister has also expressed the view that policies affecting patent laws, trade marks, etc., should be the sole responsibility of the administrative Ministries. He also asks why the Planning Commission should concern itself with the implementation of the rural works programme, rural industrialisation, water supply or public co-operation in construction works. He feels that it is wrong for the Planning Commission to identify itself too closely with the implementation of projects as that would make it difficult for the Commission to undertake any independent evaluation of the progress of projects.

Realistic Estimate

Turning from the "don't"s to the "do"s, the Finance Minister suggests that in formulating the fourth Plan, every effort should be made to estimate realistically the cost of each project and then select projects with a view to maximising benefits after careful calculation of investment, both in terms of rupees and foreign exchange and the annual outlays which will be needed to keep the schemes going. The evaluation of projects and determination of priorities, in other words, should be done more critically than in the past.

The co-ordination of long-term and short-term planning should according to the Finance Minister, receive greater attention from the Planning Commission than hitherto. Perspective planning, he points out, should not become a mere academic exercise in projections nor an instrument for unduly inflating short-term Plan targets beyond the likely availability of physical or financial resources.

Dealing with the continuing failure in agriculture, Mr. T. T. Krishnamachari has argued that the Ministries concerned and the Planning Commission must share the blame for this since they have not succeeded, among themselves, in securing adequate specialization in the machinery for agricultural planning. Mr. Krishnamachari pointedly asks what particular contribution by way of specialized knowledge from the Centre has gone into intensification of work in the districts covered by the Package Programme. The Finance Minister finds similar weaknesses in planning with regard to the rational utilisation of energy or proper co-ordination of transport.

An issue which occupies a large part of the Finance Minister's communication to the Deputy Chairman of the Planning Commission is the disquieting financial positions of the States, with particular reference to the grant of Central assistance to State Governments. State debts to the Centre and the general public are mounting. Even the interest dues are not being actually paid but are being added to the principal and interest is again charged on the capital thus accumulating. Since the Centre is undertaking larger and larger repayment liabilities from year to year, it should be difficult for it to contemplate writing off the loans granted to State Governments. But, at the same time, the fact has to be faced that, as things are at present, it is extremely unlikely that these loans can be amortized from revenue surpluses of States or even the Centre.

Mr. Krishnamachari proceeds to argue that the only possible course is to capitalize loans by identifying them with particular projects or group of projects. The Planning Commission, he points out, has not been giving any thought to the problem of debt repayment and he urges that the Government and the Commission should think of a different strategy in regard to loan finance for projects of State Governments. In this context he remarks caustically on working groups of relatively low calibre, functioning without adequate information and technical knowledge and yet proposing various targets which are then accepted by the Planning Commission without proper study of the economic and financial costs or return that may be expected from the investment. The working groups, he says, tend to operate as pressure groups for obtaining additional funds for their special interests. He, therefore, urges on the Planning Commission that the major projects of the Centre as well as the States should be adequately evaluated before they are included in the Plan.

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The labour trouble which led to the shut down of Heavy Electricals, Bhopal, on March 30, is not the only factor which has been hampering production at this Rs. 100 crore national undertaking. The unsatisfactory working of the plant is also attributed to various managerial bottlenecks, such as lack of delegation of responsibility to the junior cadres of the staff; shortage of technical personnel to man even some key posts; failure to build an adequate commercial engineering organisation; unsatisfactory arrangements made for organisation of work on shop floors, maintenance and production of tools, and purchase, receipt and handling of stores, etc. Excess labour force and lax accounting system too are contributing to the slow development of the project.

According to the latest periodic report of the project's Technical Consultants, Associated Electrical Industries Ltd., the production at the Bhopal plant during the first nine months of the financial year 1963-64 was only about 70 per

cent of the target programme. The level of output achieved in the four principal lines of manufacture individually was as follows:

	% of 1963/4 target to 31-3-1963	% of present Shop Capacity
Transformers	65	32
Switchgear & Controlgear	80	50
Traction Motors	25	25
Capacitors	84	84

The working of the transformer department was particularly ungratifying. The target of production for this department had been originally fixed at 1469 MVA. It was later on reduced to 1200 MVA. Even this revised target was not being adhered to. The Consultants have deplored such programme changes part way through a year on the ground that they not only have a demoralising effect on the manufacturing personnel who tend to think that their failure to achieve original targets can always be covered up by revising the targets downwards, but also because this procedure can have very adverse effects on customers whose delivery dates are put back.

Important Suggestions

For improving the situation, the Consultants have made a number of suggestions. The most important among these is the setting up of a commercial engineering organisation for interpreting consumers' requirements to the factory and the factory's ability to the consumers. This organisation, the consultants opine, should be manned by senior staff having status to talk on equal terms with the senior personnel of the customer parties and the senior engineers and supervisors in the factory, and must act as the prime arbiter on the factory's production programmes.

Stressing the need for delegation of responsibility in the interest of efficient working of the factory, the Consultants say that the stages of responsibility should be:

(a) Government to lay down policy for the industry as a whole—to decide on rate and programme for development and allocation of overall expenditure budget for total cost and foreign exchange requirement. It must not insist on step-by-step approvals and 'justifications' within the agreed overall programme, and should be concerned only with the Board's periodical reports on the general progress of the project and never with details of operation either financial or relating to production.

(b) The Board of the company should evolve the policy for the operation and development of the company within the overall industrial policy laid down by Government and in accordance with the financial budget agreed to by Government. It should continually review the operations of the company on the basis of the accounts and reports submitted by the Managing Director/General Manager, and take such action as may be required through its Chairman.

(c) All executive authority in the factory should lie with the Managing Director/General Manager through whom the Chairman should act in carrying out the Board's policy in all matters concerning the factory.

The Managing Director/General Manager should have full authority and responsibility for implementing the policy laid down by the Board, including financial control of factory operations and development without the necessity for continual "reference back" for decisions on normal operations and details of development already agreed to in principle.

He should operate through a local Management Committee (of which he would be Chairman) consisting of:

(i) The Company's Chief Engineer,
(ii) The Works Manager,
(iii) The Commercial Manager,
(iv) The Comptroller (Finance Officer), and
(v) The Secretary,

each of whom should be executively responsible for the control and development of his function in the organization. The Managing Director/General Manager should exercise his authority only through the above executives.

If any senior management official or departmental head is not considered capable of exercising the authority and of accepting the responsibility appropriate to his position, he should be replaced forthwith. Unless this is done, failure to attain targets must be expected.

The Consultants regretfully point out that organisation of work on the shop floors, maintenance and production of tools, cost accounting, and purchase, receipt and handling of stores still leave much to be desired. The practice of each shift having its separate work programme and refusing to continue or complete the jobs left unfinished by the previous shift, although now largely eliminated in the assembly section, continues to prevail in the machine shops. This not only inflates the working capital requirements, but also leads to inordinate delays in the completion of work and unnecessary wastage of capacity. The maintenance department is inadequate to protect and service the vast amount of capital plant installed at Bhopal by competent preventive maintenance measures. Serious delays also continue to occur in the purchase and receipt of stores, especially the imported ones, because of persistence with the defective "progressing procedures". Most of the stores also continue to be deposited with the central depot instead of these being handled departmentally after receipt. With the transport system within the factory not being very efficient, movement of stores from the central depot often involves dislocation of work. The growing requirements of tools and jigs also are posing a big problem. The Consultants are of the view that procedures in respect of all these matters should be streamlined. A permanent tool room should now be set up, in about a year's time, with a full complement of the necessary equipment. The technical staff at various key positions, such as for supervising building programmes and looking after the technical services department, should be adequately strengthened.

Incentive Wages

Indiscipline amongst workers, the Consultants believe, can be reduced only through introduction of an incentive wages scheme and giving of powers to the supervisory staff of all grades to take summary action against offenders. They deplore that even such major obstacles to maintenance of reasonable discipline in the shops as "absenteeism, failure to work to instructions, idleness, including sleeping, and interference with safety arrangements" are classed as minor offences to be dealt with only by censure and limited fines and that too after a formal inquiry. The present "Standard Standing Orders" of the State Government, the Consultants opine, preclude supervisors from exercising their main function of supervising the labour force and need to be amended. The productivity of labour in some departments, the Consultants point out, is as low as 25 per cent of what it should be.

The Consultants regret that the finalisation of the incentive wages scheme is taking inordinately long time because the conciliation proceedings to which the recognized labour union and the management board are parties, are still pending before the State Labour Department. They have stressed the need for making every effort for concluding negotiations with the labour union and tightening the management's control over workers. The desirability of reducing the surplus labour force has also been impressed by the Consultants.

The Consultants have noted that the production planning organisation is being built up in a satisfactory manner, but

opine that the production progressing function needs to be tightened up and straightened.

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The Union Government is understood to have decided to reconsider its earlier decision to abrogate patents for drugs, medicines and foodstuffs. A ministerial committee, consisting of Mr. Asoke Sen, Mr. Humayun Kabir, Mr. M. C. Chagla, Dr. Sushila Nayar, Mr. Nityanand Kanungo and Mr. Manubhai Shah, has been set up to go into this question fully and to make proper recommendations.

The decision of the Union Government last year not to issue new patents for drugs, medicines and foodstuffs had provoked a country-wide agitation from pharmaceutical firms. Many foreign firms also had objected to the move through the embassies of their countries here.

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Although the scheme of Hindustan Insecticides Ltd., to manufacture annually 3,000 tonnes of BHC Technical at its Alwaye works has not been included in the third Plan, the Union Ministry of Petroleum and Chemicals is understood to have requested the Ministry of Finance to clear this project in view of the fact that the capacity licensed so far to the private sector in this line of production does not exceed 8,000 tonnes per annum, as against an estimated demand of 15,000 tonnes in 1965-66 and 25,000 tonnes in 1970-71.

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The Committee appointed by the Indian Drugs and Pharmaceuticals Ltd., to study the economics of its proposed Phytochemical Project, is understood to have recommended dropping of this scheme on two grounds; firstly, the price of tea waste, the main raw material for the manufacture of caffein, is considered too high to permit economic production of caffein; and secondly, with the expansion of the existing units in Calcutta and Kerala, the current demand for caffein would be met fully. The Committee has suggested that if future demand warrants it, the question of manufacturing synthetic caffein at the Synthetic Drugs Plant of IDPL may be taken up at the time when the expansion programme of the Synthetic Drugs Plant is considered.

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Two expansion programmes of Hindustan Antibiotics Ltd., Pimpri, are expected to fructify in the next two or three months. These are the doubling of the capacity of the Streptomycin plant to 80-90 tonnes per annum at an estimated cost of Rs. 60 lakhs (foreign exchange component Rs. 34 lakhs) and expansion of the Penicillin unit from 60 mmu to 84 mmu at an estimated cost of Rs. 25 lakhs (foreign exchange component Rs. 20 lakhs).

The scheme of the company to expand the production of Hamycin at its existing plant from 15 kgs. to 50 kgs. per annum has been approved by the Union Government. This expansion programme is expected to cost Rs. 30 lakhs, including Rs. 16 lakhs expenditure in foreign exchange. The foreign exchange component of the scheme is proposed to be met from the U.S.AID assistance programme.

Another scheme of Hindustan Antibiotics which has been approved by the Government is the manufacture of 50 tonnes of Vitamin C per annum at an estimated cost of Rs. 60 lakhs, including a foreign exchange component of Rs. 33 lakhs. The company has been asked to go ahead with this pilot project at an early date. The decision on large-scale manufacture of Vitamin C at Pimpri will be taken after the pilot project proves successful.

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Messrs. Cawnpore Chemical Works, Kanpur, have proposed expansion of their capacity to manufacture sulphuric acid from the present 15 tonnes per day to 25 tonnes per day. Messrs. Shambunath & Sons, Amritsar, have proposed to undertake the manufacture of sulphuric acid (battery grade) to the tune of 3,000 tonnes per annum and some quantities of BP grade sulphuric, hydrochloric and nitric acids. The proposals are stated to be under the consideration of the Union Government.

Hindustan Insecticides Ltd., has also proposed purchase and installation of two spent sulphuric acid purification plants at its Delhi and Alwaye works at an estimated cost of Rs. 3.96 lakhs each. The two schemes have been approved by the Government. The company has indicated that the setting up of the two plants will result in a daily saving of Rs. 2,424.

THE INDIAN BANK LIMITED. MADRAS

(Established in 1907)

Registered Office: "Indian Chamber Buildings", Esplanade, Madras-1

BALANCE SHEET (ABRIDGED) AS AT 31ST DECEMBER, 1963

As at 31st Dec., 1962	CAPITAL & LIABILITIES	As at 31st Dec., 1963	As at 31st Dec., 1962	PROPERTY & ASSETS	As at 31st Dec., 1963
Rs. nP.		Rs. nP.	Rs. nP.		Rs. nP.
1,00,00,000.00	AUTHORISED CAPITAL ..	1,00,00,000.00	4,58,89,981.47	Cash	4,61,91,765.64
88,39,795.00	Paid up Capital	88,46,215.00	59,11,104.58	Balances with other Banks ..	88,89,319.41
90,01,883.78	Reserve Fund & other Reserves ..	92,91,883.78	34,22,369.86	Money at Call and short notice	1,28,18,493.15
44,03,94,578.62	Deposits & other Accounts ..	49,88,26,272.04	14,61,07,879.85	Investments (At cost or Book Value)	14,40,41,646.11
3,53,56,998.77	Borrowings from other Banking Companies, Agents etc. ..	2,92,12,000.00	30,38,38,026.08	Advances	34,79,12,796.85
1,17,34,974.52	Bills Payable	1,33,08,772.92	3,17,15,182.44	Bills Receivable being Bills for Collection Per Contra	6,06,57,483.37
3,17,15,182.44	Bills for collection being Bills receivable Per Contra	6,06,57,483.37		Constituents' Liabilities for Acceptances, Endorsements and	
1,26,47,378.39	Other Liabilities	1,56,21,716.31	4,00,95,526.68	Other Obligations PER CONTRA	4,19,26,677.42
4,00,95,526.68	Acceptances, Endorsements & other Obligations PER CONTRA	4,19,26,677.42	18,46,618.99	Premises	18,96,833.71
8,29,787.37	PROFIT AND LOSS	10,41,942.43	13,49,492.68	Safes, Furniture, Fixtures etc.	14,71,860.06
			1,02,79,642.65	Other Assets, Including Silver ..	1,27,71,649.02
			1,60,280.29	Non-Banking Assets acquired in satisfaction of claims ..	1,54,438.53
59,06,16,105.57	TOTAL	67,87,32,963.22	59,06,16,105.57	TOTAL	67,87,32,963.27

G. S. SUNDARAM
Secretary

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Inaugurating the 31st annual session of the All-India Organisation of Industrial Employers here last week, the Union Minister for Labour and Employment, Mr. D. Sanjivayya, said that the labour policy must necessarily be an integral part of the national policy. He pointed out that what the Government's labour policy sought to achieve was not merely "the limited purpose of better relations", but also the broader one of securing social justice consistent with the needs of national development. Referring to the employers' concern over the current state of industrial relations, he reiterated his faith in the Code of Discipline and the Industrial Truce Resolution and added that nothing had happened so far to shake that faith.

In his presidential address, Mr. D. C. Kothari, said that the upward push to the price level came mainly from inadequate agricultural production. The general index of wholesale prices of all commodities rose from 126 in January, 1963, to over 138 at the end of February, 1964. The main increase had been in the index for food articles which had registered a rise of 17 points, as against only 3 points in the case of manufactures. The problem, therefore, was how to increase agricultural production.

Referring to industrial relations, Mr. Kothari said that the demand of workers for additional leave was not justified as the existing provisions were already over-generous. There were different festival holidays for 4 to 30 days, paid privilege leave for 14 days under the Factories' Act, sick leave for 56 days under the Employees' State Insurance Act, accident leave permissible under the Workmen's Compensation Act, etc. All these combined enabled an industrial worker to absent himself, on an average, for 120 to 150 days in a year. Mr. Kothari added that social security provisions in labour legislation were sought to be interpreted as the minimum, with the result that industrial courts and tribunals had taken a very liberal view of the demands of workers. Recently, the Industrial Court of Maharashtra had allowed an appeal filed by the Rashtriya Mill Mazdoor Sangh and had awarded additional privilege leave (with wages) for seven days and casual leave for five days. Mr. Kothari suggested that till the emergency lasted, all demands for holidays other than those prescribed in the relevant Acts should not be a subject matter either of dispute or of adjudication.

Referring to the employment position, Mr. Kothari pointed out that an important objective of planning was to create employment opportunities and to relieve, if not to remove altogether, unemployment in the country. But a review of the achievements of the last two Plans and the first two years of the current Plan indicated that this objective had proved out of reach. The backlog of 5.3 million unemployed at the beginning of the second Plan increased to 9 million in 1960-61, representing about 2 per cent of the country's total population. Besides this, new entrants in the labour market during the current Plan period were estimated at 17 million. These figures did not include those who were under-employed, which, according to the National Sample Survey, numbered about 18 million. The objective of the third Plan was to create 17 million jobs, i.e., to absorb the new entrants in the labour market and to avoid further deterioration in the situation. Mr. Kothari pointed out that the progress achieved so far had not been satisfactory. According to the mid-term appraisal of the Plan, on a rough estimate, the additional employment opportunities created in 1961-62 and 1962-63 had been of the order of only 2 million per year, as against the target of 3.4 million. He further pointed out that the situation should be more acute if account was taken of the high rate of population growth in the decade 1951-61, based on which the expected increase in the labour force during the current Plan would be 23.6 million, as against the original estimate of 17 million.

Mr. Kothari also referred to the problem of trained manpower and suggested that the future requirements of scientific and engineering personnel should be estimated in advance so that training facilities could be increased in time.

"Package" Programme Under Fire

From Our Correspondent

BOMBAY:

WHILE THE State of Maharashtra, on account of the predominant industrial concentration of Bombay, is bound to remain as the foremost among the industrially advanced areas of India, the change in approach to problems of planning and development emphasises the need for an agro-industrial base as the sure foundation for a rapid rate of development. In this regard, the Chief Minister Mr. V. P. Naik, is talking of a policy which is aimed at strengthening the agricultural base as also the rural industrial structure. Meanwhile, the Estimates Committee of the Maharashtra Assembly recently pointed out that the package programmes for the production of crops such as cotton, groundnut and paddy, the mainstay of agriculture, in the State, launched as pilot projects at various places, during the course of four to five years, had not made any appreciable progress. In fact, the one launched at Pachora for groundnut had proved to be a dismal failure. The reasons for the failure, as indicated in the Report, are a pointer to the immediate steps that are necessary to reorientate the policy in agriculture in the State to improve production levels and productivity. It has been found that programmes were undertaken hurriedly without proper preliminary arrangements such as procurement of the right type of seed, fertilisers, loaning programme and such other things. Difficulties were felt in the recruitment of the necessary trained staff for the operation of the package programme. If there is failure even in such pilot projects, the effect on the confidence of the peasantry is likely to be disastrous.

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The power deficit in the State of Gujarat has already been indicated in these columns. This problem was discussed in detail at a Seminar organised by the Conference of the Association of Electrical Undertakings of Western and Central India recently. It appears that there is a wide variation in official and non-official estimates of power loads and the measures that are necessary to meet the demand. According to Mr. K. N. Paulin, Resident General Manager of the Ahmedabad Electricity Co. Ltd., there would be a gap of 500 mw in 1971-72 and if the development process in the State is not to be affected steps should be taken even now to meet this deficit. A 500 mw thermal power station based on oil or gas was recommended by him. Besides, the problem of potential available in the nature of hydro-power was also discussed and the conclusion that emerges is that the advantages of thermal generation from the point of view of speed and economies in construction should be fully explored, as they seem to be increasingly attractive compared to the cost of development of hydel power schemes. It also appears that local fuels could be had at comparatively lower prices than coal which is now transported from outside the State.

Looking to the present power position, it is reported that the industrial development may be affected for want of ade-

quate power supply in spite of projections which are made for additional generating capacity, beyond that available from the sanctioned projects including the second stage of Dhuwaran. What is important in this connection is that the capacity planned should be executed with speed and efficiency to meet the growing demands of power. Mr. R. V. Desai, Technical member of the Gujarat Electricity Board, gave out the details on the power position as projected and observed that the generating stations should be planned in terms of mw rather than kw. The anticipated demand, according to him for 1970-71, would be 1050 mw and with the auxiliaries and the standby capacity, the total generating capacity at the end of 1970-71 would be 1380 mw. While revealing the plans that are on hand for meeting the above demand, he observed that wide variation between maximum and minimum demand is sought to be met by the installation of 200 mw gas turbines near Dhuwaran against the anticipated load of 1380 mw. The State would thus have a total generating capacity of 1500 mw by 1970-71. All these discussions highlight the need for a more precise technical assessment of the power generting capacity in the State as also the demand that may arise not only from the anticipated rate of industrial development but also from the pressures that may arise from factors such as the need for an accelerated rate of development in the whole State in future. In the light of details that are made available the suggestion is that there should be a complementary development of hydel and thermo stations with appropriate scales of priority to give the maximum benefit of power supply to the industrial development in the State. To wait for hydel development alone may perhaps involve a slower rate of development for the State.

Regional Board

In this connection, it is significant that the Western Regional Electricity Board has been set up for the States of Maharashtra, Gujarat and Madhya Pradesh. The Board will plan the generation and distribution of power in the region. With the headquarters in Bombay and with 8 members on the Board, it would function in an advisory capacity and devise integrated operation of the power systems of the adjoining States so that the most economic generation and transmission of power could be assured. The Board will also prepare a co-ordinated overhaul and maintenance schedule for the generating plants of the States and determine the periodical generation schedule to be followed by each constituent power system with a view to utilising the idle capacity to the maximum extent taking into account other relevant factors. It will also formulate the pricing policy for sale or exchange of power from one power system to another. While the functioning of the Board, which is the fifth in the line of regional power boards constituted in the country, will not in any manner affect the existing position in regard to generation and distribution of electricity in the respective areas of the participants, it should greatly help in co-ordinating the integrating power systems towards maximum efficiency in problems of cost and supply of power.

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There has been a surfeit of discussion, perhaps, on increasing productivity in industry. Still, the urgency of this problem has not been fully appreciated by our industries except by a few large concerns with enlightened management, as observed by Mr. G. L. Mehta, Chairman of the ICICI, while inaugurating the two-day Annual Convention of the Institute of Industrial Engineers (India) here. It is in this context, he said, that industrial engineering could help in developing a systemmatic and co-ordinated attitude to planning not only in small units but also in big ones, and help in creating an awareness that all planning had to be directed towards the optimum utilisation of resources. He admitted that some of the factors for our high cost structure and low productivity were beyond the scope of industrial engineering; at the same time, he said that development of our industries so far had not always been conditioned by economic and technical considerations, but influenced by political factors, reasons of prestige and regional pressures resulting in units of un-economic size located at unfavourable sites and using wasteful processes. Even so, industrial engineers could contribute effectively in reducing costs by laying out plans to the best advantage, improving material handling and material consumption, introducing wage incentives, setting up inventory control and producton pilanning methods.

Even in respect of cotton textiles, the oldest and traditionally export oriented industry, he observed, adequate steps had not been taken in applying the industrial engineering techniques. It was also the case with jute, where Pakistan had made rapid progress in recent years and was trying to dislodge India from her premier position in export market. He felt that the industrial engineering organisations now functioning were not adequate to meet our needs. Education and training facilities should be increased to provide larger number of suitable industrial engineers to man the various establishments. This is a very important problem and though the urgency of introducing industrial engineering is recognised, there does not appear to be a planned move to introduce the technique in the process of industrial planning.

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It was only recently in the second Plan period that the survey of the potential for mineral development in the State of Maharashtra has been taken up with seriousness. There are vast areas where prospects for minerals have been discovered. But these have never been assessed on the basis of a geological survey. A detailed prospecting and drilling in certain areas has now revealed the position approximately in regard to the availability of different minerals in the State. The information was placed before the Maharashtra Legislative Assembly by Mr. S. G. Barve, the Minister for Industries. Coal has been found near Umer, Kamptee and Bokara in Nagpur district and near Warora and Bandar in Chanda district. Bauxite reserves have been noticed near Udgiri and Dhangarwadi in Kolhapur district and Shivardhan and Murud talukas in Kolaba district. Lime stone is located near Rajur and Sindola in Yeotmal district, near Kinwat in Nanded district and near Miraj in Sangli district. Following reserves have also been proved to exist at the places indicated: Iron-ore: (i) 20.8 million tons in Redi and (ii) 0.43 million tons in Tirawada, and (iii) 0.57 million tons in Fuser. Coal: (i) 70 million tons in Umrer area, (ii) 300 million tons in Kamptee area and (iii) three million tons in Bokhara area. Bauxite: (i) 57 million tons in Udgiri area (ii) 1.5 million tons in Dhangarwadi area, and (iii) 1.61 million tons in Shivardhan and Murud talukas. Lime stone: (i) 32 million tons (flux grade) and 50 million tons dolomitic lime stone (flux grade) in Rajur area (ii) 37 million tons of cement grade near Sindola area (iii) 10.8 million tons near Kinwat area and (iv) 1.5 million tons near Miraj area.

Growth of Durgapur Complex

From our Correspondent

CALCUTTA :

DURGAPUR PROJECTS Ltd. — West Bengal Government's most important undertaking —in the course of its second annual report has claimed satisfactory progress for the various projects under its charge. The diverse industrial enterprises include a coke plant, a benzol recovery unit, a gas grid, a number of power generating units and a tar distillation plant. These industries are coal-based and their establishment not only marks the industrial progress of the State on modern, twentieth century lines, but the fulfilment of a dream cherished by the late Dr. Bidhan Chandra Roy who visualised a great industrial complex for the Durgapur area, while the barrage of the DVC across the river Damodar was in progress.

Durgapur Projects now supplies coke to the Tata steel works in Jamshedpur, railways, defence services, several foundries, chemical industries and ferro-manganese plants. As the market demand for the coke has increased more than the plant is equipped to supply, the authorities have planned for a doubling of the capacity within the third Plan period by installing 58 new ovens. During 1962-63, the year covered by the report, the coke plant operated to 95 per cent of its capacity. The plant also turns out chemical byproducts like benzol, toluene, xylene and others besides coal tar, but their production varied with the fluctuations in market demand. The tar distillation plant, however, worked only intermittently, largely because the minimum input of 70 tons of tar a day could not be available from the coke plant, but it is hoped that as soon as the latter's expansion programme is completed, the tar distillation plant will be working to full capacity towards the end of 1965. Also during 1962-63, the Calcutta-Durgapur gas supply scheme was completed and gas supply to the city of Calcutta commenced in July 1963. Since then about 5 million cubic feet of gas, having a heating value of approximately 550 BTU a cubic foot, is being transmitted daily in bulk to the Oriental Gas Company in Calcutta. The supply is expected to increase in the near future.

The Company's capital programme, according to the report, over the entire third five-year Plan, includes the following important projects: (a) expansion of electrical generating capacity of the power plant to 225 MW; (b) extension of the power transmission and distribution system in Durgapur area and construction of a new high tension line connecting Durgapur with Bandel; (c) doubling the capacity of the coke plant and (d) construction of a coal washery having a capacity of 300 tons per hour. All these projects are making satisfactory progress, it is claimed. Two units of the power generating plant of 30 MW each are already in operation, and a third unit with a capacity of 75 MW will be commissioned by the end of this month. The Planning Commission has already sanctioned a 150 MW capacity plant to be put up by Durgapur Projects. Meanwhile, a high tension 132 KV transmission line linking Durgapur with Bandel has already been completed and is currently in the process of energisation. With the completion of this transmission line, Durgapur Projects will assume wider control over the production and distribution of power. With its third power unit in commission, the project authorities will soon have more power than their commitments in the Durgapur area will require. According to one estimate, the industries in the region will consume about half the power produced by the Durgapur Projects Ltd. The balance in that case will have to be transmitted to Calcutta, via Bandel, through the line which has been constructed at the cost of Rs. 1 crore.

As more and more of the existing schemes mature, Durgapur Projects is being asked to take on new responsibilities. For example, a fertiliser and a chemical project, which the State Government has taken up, have been entrusted to this company, although work on these projects has not progressed much beyond the preliminary level. A considerable amount of civil engineering construction work is also being handled by the company on behalf of the State and Central Governments. As for the fourth Plan schemes, a large list has been drawn up already, but the ones receiving prior attention are (a) a plant to produce 100,000 tons of high-silicon pig iron per year for foundry use; (b) a plant to manufacture 60 to 100 tons of methanol per day, (c) and more power units. It is also proposed to plan for extension of gas supply to intermediate points between Durgapur and Calcutta and further expansion of gas grid northwards to Asansol, Chittaranjan, Kamardhubi and other towns.

It would be, however, interesting to take a look at the finances, since it has been a long and persistent public complaint that the Durgapur Projects industries are being set up in complete disregard of a proper relationship between costs and returns. The total investment in the industries under the company's charge so far is Rs. 34.37 crores, consisting of Rs. 15 crores of equity capital and Rs. 19.37 crores of loan capital. The accounts for the year 1962-63 show a return of Rs. 1.09 crores, which after providing depreciation amounting to Rs. 64.24 lakhs comes to Rs. 45.10 lakhs net. This amount represents a return of 3.04 per cent on the depreciated value amounting to Rs. 14.82 crores of the fixed assets in respect of the plants in commercial operation during the year under review. The directors state that unless all the schemes under the company's charge go into full production the financial picture will not improve. The operational results of the company should be judged as having been derived from the commercial operation of the (1) coke plant comprising two batteries of 29 ovens; (2) the power plant running on two generators of 30 MW each and (3) the tar distillation plant which worked for five months only. The results for 1963-64 are expected to be better, firstly because of the gas supply scheme, and secondly because of the third power generating set of 75 MW capacity which will be commissioned by the end of this month. Moreover, the tar distillation plant is likely to work for longer periods in the year.

★★

The engineering industries have welcomed the 17.5 million ton steel target for the fourth Plan, but they are not sure whether the target can be realized in practice considering that the third Plan target of 10.2 million tons of steel has no chance of materialising by the stipulated time. The non-availability of U.S. aid for Bokaro has meant a big setback for India's steel plans. Although this could be converted into a blessing by imaginative and resourceful Indian enterprise, there is no denying the fact that the absence of the quantities of steel and pig iron which were scheduled to be produced by the Bokaro plant, has made a big difference to the overall steel supply for the country. For the engineering industries in particular, this has meant a hopelessly inadequate supply of its essential and vital raw material, pig iron. However, the problem now is to make do with what is available and to fix a system of allocation which makes no discrimination between private sector and State projects, but ensures adequate raw material for those who fulfil essential national needs. Unfortunately, the engineering units in the private sector now feel unfairly discriminated against, and the spokesman to have voiced the feeling was Mr. Cecil Cargin, chairman of the Indian Engineering Association at this body's recent annual meeting. In the first place, an attempt is being made to include in the public sector projects which are better left to private enterprise in the present stage of the country's development, and secondly, having initiated now ventures, the public sector is managing to get only most of what is available but also in the most privileged way possible. The Association has already represented to the authorities on the need to accord a more fair treatment for the private sector enterprises, for they too serve the common good in their own way. In a rapidly industrialising economy, the role of the engineering industry is fundamental. In spite of the quick growth of the public sector, private enterprise in this field has an obvious lead. In such fields as structural fabrication, wagon-building and equipment manufacture, the private sector has a dominant place. In the circumstances, the sector is justified in demanding an assurance that the Government will consider its claim to fair and equal treatment with the public on scienti-

fic and rational principles, and not be guided by mere ideological considerations which produce more ministers and bureaucrats than wealth for the country. Mr. Cargin and Mr. J. R. Armstrong, chairman of the Engineering Association's western region, have also urged the Government to take urgent steps to relieve the acute scarcity of pig iron in the country, because of which a large proportion of the capacity in private engineering units is lying idle. It has been stressed that a smaller amount spent on their imports could save much bigger sums of money which are now being spent on importing engineering products, but the capacity and experience for manufacturing which exist in the country. If this capacity could be made to work, it is obvious that the economy stands to benefit proportionately more through importing some pig iron.

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The Assam Government has once again impressed on the Centre the need to develop railway communication in the north-eastern zone consisting of Assam, Nagaland, the N.E.F.A., Manipur and Tripura. The zone is land-locked and it is connected with the rest of India by a narrow 35-mile corridor through West Bengal. The more important thing at the moment is that the zone is flanked on both sides by the hostile territories of Pakistan and Tibet. As its immediate minimum requirement, the State Government has demanded the extension of the broad gauge line from Bonaigaon in Gauhati via Rangaiya, introduction of faster trains between Assam and the rest of India, and the connecting of the Pancharatna-Gauhati line with the proposed line for Garo hills near Dudnai. It also demands that Moranhat should be connected with Dibrugarh in Upper Assam, the supply line to Surma Valley, Mizo Hills and Tripura and Manipur States should be improved, and a new rail-cum-road, bridge should be constructed at Jogighopa. The Centre has recently sanctioned, on a very high priority basis, the construction of a broad guage line from Siliguri in West Bengal to Jagighopa. It is expected that this extension will be completed by the end of 1965-66. But this has fallen short of Assam's demand. The latter wanted the line to be extended from Bonaigaon to Gauhati via Rangiya using the Bramhaputra bridge; the extension in that case would have been some 96 miles — a length considerably more than what the Centre's project allows. However, with the Government of India's keener awareness to protect and develop this strategically important State, it is expected that most of Assam's demands would be met as early as practicable. For in this case, it is not the will but the resources that matter.

Fourth Plan: Setting the Sights

From Our Correspondent

MADRAS:

DURING HIS recent visit to Madras City, Mr. Asoka Mehta had a two-day conference with the Ministers and officials of the State Government and had a discussion with them regarding the problems confronting the State. He seemed to have been impressed with the progress made by the State in recent years in the development of its economy. Considerably larger efforts will be required if the tempo of development is to be maintained in the coming years. Apart from further encouragement to the promotion of industries and to the improvement of efficiency of agriculture a "crash programme" for propagating and helping to bring about family planning seems to have been advocated. As Madras State has made good progress in this direction in recent years, it is proposed to take advantage of the suggestion that Central assistance would be made available for this purpose.

As regards the fourth Plan of the Madras Government, its shape is dependent very much on the co-operation that would be forthcoming from the Kerala Government in regard to the sharing of the surplus waters of the west-flowing rivers and the willingness of the Mysore Government to construct the Hogenekal hydel scheme on the Cauvery river on a joint basis. The Chief Minister of Madras State, who is handling also the finance portfolio, indicated some time back that there could be no major irrigation or power schemes, based on water resources within the State, as the available potential had been very nearly exhausted. Indeed, it was even stated that there would have to be a much larger appropriation for completing minor irrigation works and that the State Government might possibly have to embark on industrial projects on its own.

Fortunately, the Kerala Government has been showing a helpful attitude and it is expected that, without the intervention of the Central Government or the formation of River Boards or other bodies, the Madras Government would be able to get reasonable quantities of water from Kerala in a manner which would not only benefit that State but also would irrigate the arid tracts in Ramanathapuram, Madurai and Coimbatore districts. The engineers of the Madras Government have already made some estimates and indicated to their counterparts in Kerala how the surplus waters of some rivers could be utilised for irrigation purposes in Madras State. The Kerala Government has naturally to proceed cautiously in this matter as it should satisfy the local population that the waters given to regions in Madras would be a waste otherwise and that the generation and availability of power would be on the same scale as if Kerala itself utilised these waters. This is something akin to the problems confronting the States of Maharashtra and Andhra Pradesh. It would naturally take some time to arrive at a satisfactory arrangement. But it is hoped that, with a helpful and understanding attitude on both sides, a satisfactory solution would be reached.

Immediately, it has been indicated that Coimbatore would get its requirements of drinking water from the Siruvani river which has its origin in Kerala. This problem has been under discussion for some time. In fact, it was even suggested that some quantity of water could be made available for irrigation purposes in the Coimbatore district. But this request has not been accepted and Kerala has shown its willingness so far only to supply the requirements of drinking water for Coimbatore City. The other question would be considered only after the irrigation needs of the river basin in Kerala had been fully satisfied.

In regard to the development of further capacity for generation of power, the Madras State Electricity Board will obviously have to do some hard thinking. There will no doubt be a number of hydel projects like the Kodaiyar scheme. But taking into account the spectacular progress made during the current Plan and the capability of the engineering staff of the Electricity Board, some ambitious plans have to be drawn up fairly early so that there could be continuity of progress. The Chairman of the Electricity Board has been already suggesting how some of the problems can be handled. It was indicated some time back that three thermal stations having a capacity of 100,000 kW each should be located in three different centres or there would be one mammoth unit located in the north of Madras so that the

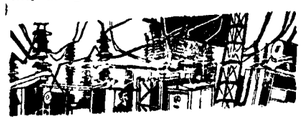
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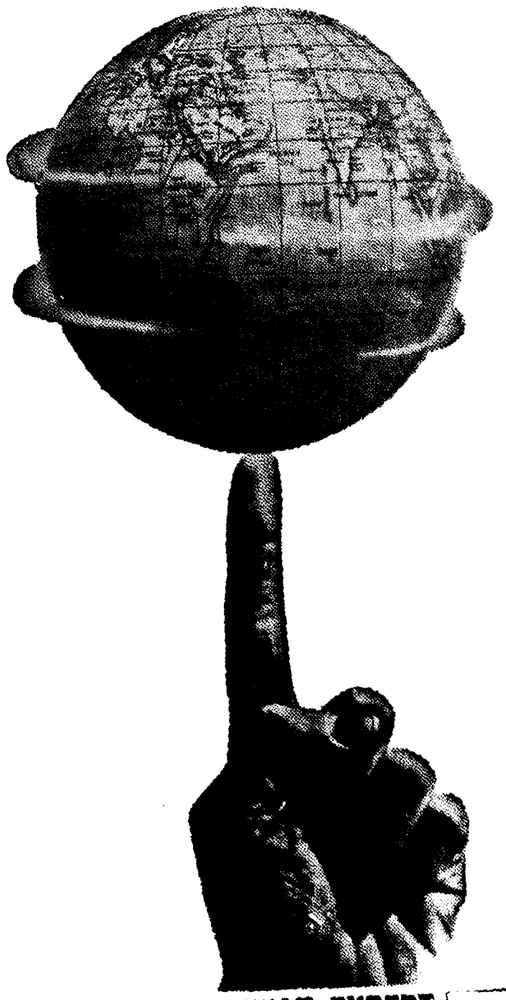
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power station could be run with coal 'imported' from the West Bengal and Bihar coal-fields. It was also felt that the Kalpakkam Atomic Power Station could be constructed by the Madras State Electricity Board under the supervision of the Atomic Energy Commission. But the State Electricity Board has naturally to think in terms of creating additional thermal capacity apart from the Neyveli and Kalpakkam Stations. It has also to exploit hydel resources in collaboration with neighbouring States and it is needless to say that the Hogenekal project can be constructed by the Madras Government even though the expenditure may be shared equally by the two States. Mysore will have its hands full as the Sharavathy project will have to be completed and the Kalinadi and other schemes have also to be taken up at an early date. The announcement by Dr. K. L. Rao that the Madras and Mysore Governments have agreed to share the expenditure on the Hogenekal project equally is to be welcomed. But in view of the peculiar problems involved an early decision should be taken. Mysore should not go about this scheme in a leisurely manner or be exercised over the location of the dam on a parochial basis.

The proposal to erect thermal stations based on coal is being resisted by the Planning Commission as there seems to be a feeling that another super station should be erected at Neyveli. This objective is no doubt laudable. But there would be need for additional capacity before the end of the fourth Plan and it may also take time for Neyveli to construct an entirely new thermal station because the expansion programme of the existing station in two stages will take several years to be completed. The problem should, therefore, be carefully examined and an early decision reached so that the construction of irrigation and power projects can be undertaken without delay and the good work done during the current Plan continued vigorously.

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The aluminium industry is very much in the news now, in this part of the country. While it is expected that the unit of Madras Aluminium having a capacity of 10,000 metric tons of ingots annually, might start production by the end of this year or early in 1965, there is the prospect of other new schemes being implemented at an early date. Somehow, the project for constructing a large-sized unit in Mysore has been unduly delayed. The Finance Minister indicated a few weeks back that a satisfactory agreement had been reached with the Maharashtra Government for the supply of bauxite in order to feed the smelter proposed to be erected in the west coast of Mysore using power from Sharavathi. Some progress is reported to have been made in recent weeks and it is likely that the State Government will form a separate company in collaboration with foreign interests and the public also will be afforded an opportunity to participate in the issued capital. At first, Reynolds of U.S.A. were very much in the picture. But negotiations with Bombay interests, who were having a licence, did not proceed satisfactorily and the U.S. interests would seem to be out of the scene at the present moment.

While no official indication has been given about who will be undertaking the project, the name of Indian Aluminium is being mentioned. This company has been making very good progress in recent years. So far as the South is concerned, there is great activity at Alupuram in Kerala. Under the last expansion programme, it was decided to erect an extrusion press and increase the capacity of the existing smelter to 10,850 metric tons annually from 5,000 metric tons. The extrusion press has been working since 1962 and there was a distinct improvement in output in the past year. It is expected that the first stage of the expansion programme of the smelter will be completed during the current year and the Kerala Government would supply the required power beginning from 1965, the commissioning of the Sabarigiri project being helpful for this purpose. In view of the anticipated improvement in the power situation and the large increase in consumption of virgin metal in this part of the country, Indian Aluminium has thought it necessary to expand further the capacity of the Alupuram smelter to 15,850 metric tons from 10,850 metric tons. The new smelter is expected to cost Rs. 1.38 crores. The required rupee expenditure will be met from internal resources while the needed foreign exchange will be available out of the Canadian dollar and Japanese yen credit. It has been agreed that the full quantity of 5,000 metric tons of metal would be made available to the producers of electrical conductors on the basis of Government allocations. At the same time, it has been considered advantageous to erect a rod mill with a capacity of 5,000 metric tons. Necessary arrangements for this project are being concluded. With the Mettur, Mysore and Alupuram smelters, this part of the country can, therefore, be expected to account for a significant proportion of the total indigenous production. The Mysore scheme, however, is still in its very early stages.

★★

The Madras Stock Market has been listless in the past few days. A quiter trend has been noticeable both in Bombay and Calcutta. The announcement of the terms of Central Government loans had a discouraging effect and till Wednesday last week, it was being freely speculated whether there would be an increase in the Bank Rate. There was actually acute nervousness in Bombay until it was known that the Bank Rate had remained unchanged. It may be argued that the existing Bank Rate is out of line with the prevailing lending rates of scheduled banks and the keen demand for available funds. The Reserve Bank also has been urging that the banking system should raise deposit rates. There were, therefore, fears in some quarters that the Bank Rate may be raised. In knowledgeable circles, however, it was emphasised that the Reserve Bank would not revise its lending rate until the borrowing programme of the Central and State Governments was out of the way. Since there are indications that the peak of the demand for funds has been passed, it is very unlikely that there will be an upward revision in the Bank Rate at least for some months. While latterly there has been a better feeling in evidence, it is felt that there would be no sizeable recovery in prices until the Finance Minister agreed to make significant changes in his tax proposals. Meantime, corporate news has been quite encouraging and both the Life Insurance Corporation and the Unit Trust of India are reported to have been making quietly purchases of Aluminium Industries, Mettur Chemicals, India Cements and other counters which offer a fairly high return on the basis of current market values. Otherwise, business passing has been extremely restricted and a fresh lead is awaited from Bombay.

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The moving finger writes

I DO not think that it was necessary for Mr. Nehru to go on the air to expound the new Khadi policy. That he did reflects no credit on those who are responsible for sparing him unnecessary work or physical strain. I see, however, the point of Mr. Morarji Desai's broadcast in defence of prohibition and it must be admitted that he did it rather well. Although he necessarily had to deal with the familiar objections to prohibition by labouring over much-trodden ground, the lack of novelty or originality in his arguments was more than made up by the courage of convictions that rang through his advocacy. Even at the level of a formal debate, it is obeviously not easy to make light of the telling point he made on the issue of illicit distillation. Prohibition may be good or bad, but I certainly endorse Mr. Desai's view that abolition of prohibition will not end or even reduce illicit distillation, since, so long as the liquor excise is high, illicit distillation will be profitable and will, therefore, continue to be pursued on an appreciable scale. As Mr. Desai pointed out, although there is prohibition only in one district in the Punjab, illicit distillation in that State is estimated to have gone up greatly since 1947. Incidentally, I am amused to find that while Mr. Desai marked the start of the prohibition week by broadcasting in favour of prohibition, Maharashtra's Chief Minister also went on the air on the same evening to pronounce prohibition a failure. Mr. Naik is entitled to his views as Mr. Desai is to his, but I do maintain that his broadcast, to say the least, was ill-timed in the context of an officially sponsored Prohibition Week.

★★

The Committee on the Prevention of Corruption submitted its final report to the Government on March 30, and its Chairman, Mr. K. Santhanam, left New Delhi for Madras by the morning plane on the following day. I think there is something symbolic in this literal shaking off of the dust of Delhi — but I must hasten to add that it is rather likely that the Capital will soon have further need of Mr. Santhanam. For the time being, however, there is a certain piquancy in the Congress High Command's omission to nominate him for a further term in Rajya Sabha. It can hardly be denied that he was one of the few members in either House who talked with knowledge and information on a variety of subjects of Constitutional or economic importance. And it is to be hoped that his absence from the Congress list was not occasioned by any distaste with which the Party leadership might have viewed his work on the Prevention of Corruption Committee in so far as it related to the responsibility of politicians generally, and the ruling party in particular, for the prevalence of corruption in State and society.

It is, no doubt, true that the Santhanam Committee has said harsh words on the commercial and industrial classes and charged them with playing a large role in the corruption of public servants, politicians and political parties. But is it not a fact that the business community has itself to blame in large measure for this unfavourable verdict? The Committee records with regret the refusal, for instance, of the Federation of Indian Chambers of Commerce and Industry to appear before it and help in its survey or inquiry. It is possible that the Federation has its own reasons. But to me there seems to be some inconsistency in the attitudes exhibited. It may be recalled that at the recent annual meeting of the Federation some of its leaders waxed eloquent on the need for creating and presenting to the public a good image of the business community and yet the Federation thought it fit not to avail itself of an invitation to a frank discussion with a body of the status of the Santhanam Committee on a matter so relevant to the people's estimation of business men as the issue of corruption. It is amazing that, despite the obvious and strong bond of the community of interests which must encourage and enable them to act together constructively, business men and their organisations fail at critical times to function positively and imaginatively in the defence even of their legitimate interests.

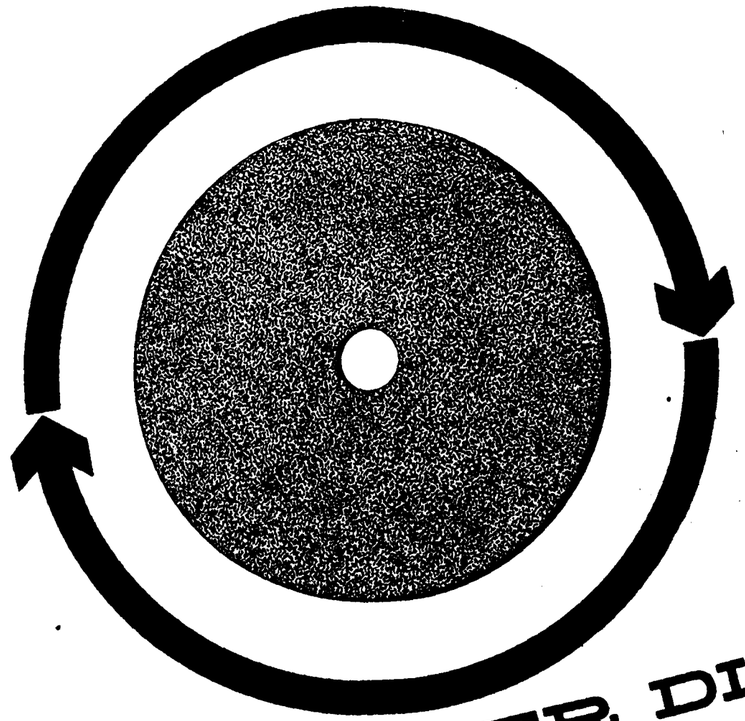
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I was rather surprised at Mr. Asoka Mehta's somewhat tart reaction recently in Madras to a reference by local journalists to an observation which Mr. T. T. Krishnamachari made some time ago about the need for the Planning Commission shedding its skin from time to time. It should have been obvious that Mr. Krishnamachari was only employing an expressive simile to drive home the point that the Planning Commission would lose its vigour it it did not draw on fresh minds for new ideas. This apart. I should have thought that the context in which the Finance Minister had hazarded "his serpentine" quip should have amused rather than annoyed the present Deputy Chairman of the Planning Commission whose induction into that body is itself in the nature of a stage in that "skinning" process of which Mr. Krishnamachari had spoken. I am aware, of course, that there is currently a discussion on the reorganisation of the Planning Commission and that this is delicate ground — and for the time being, at any rate, I do not desire to rush into controversies, actual or incipient. At the same time, with due respect to Mr. Asoka Mehta, I would certainly urge that the total size of the secretariat of the Planning Commission as well as the claims of some of its present members to continue indefinitely at their posts should be objectively gone into. This screening, I consider to be all the more necessary because of the reports I hear of attempts in Yojana Bhavan to create new posts all over the place.

★★

I see that the National Council of Applied Economic Research has elected Mr. Asoka Mehta as its Chairman in the place of the late V. T. Krishnamachari. There are, no doubt, a number of institutions or agencies doing, or claiming to do, economic research in this country and quite a few of them, of course, are in Delhi. In this difficult and distracting company, the National Council has been remarkably successful in developing a personality which could be respected and an organization which could be admired for its philosophy of looking for (and at) facts. It was, therefore, good to see evidence at its recent annual meeting of the regard and appreciation which the work of the National Council has come to command among people influential in government or business. The annual meeting was also remarkable for an interesting discussion on the many challenges which the nation faces in its pursuit of economic development. Particularly stimulating were the contributions of Mr. P. L. Tandon, Chairman of Hindustan Lever Limited, and Mr. A. R. Foster, who retired a few days ago from the Chairmanship of the Imperial Chemical Industries India (Private) Limited. Mr. Tandon laid provocative emphasis on the desirability in a developing economy of creating planned capacity ahead of demand rather than in the wake of it, while Mr. Foster spoke with practical good sense of the basic requirements of agricultural development.

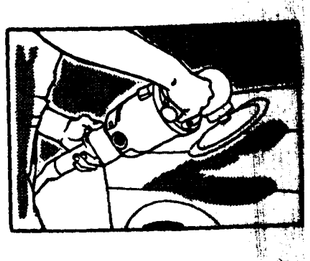
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Trade Winds

CANADIAN TRADE MISSION

MATTERS RELATING to the flow of private Canadian capital investments to India were reviewed at a recent meeting in New Delhi between the members of the visiting Vancouver Board of Trade Mission and the Government of India representatives including Mr. C. Subramaniam, Minister of Steel, Mines and Heavy Engineering, Mr. D. S. Joshi, Secretary, Ministry of International Trade, Mr. C. S. Jha, Commonwealth Secretary, Mr. B. N. Adarkar, Additional Secretary, Department of Economic Affairs and Mr. R. S. Bhatt, Executive Director, Indian Investment Centre. Mr. Joshi referred to the rapid rise in India's foreign trade which was now of the order of $4,000 million per annum—exports accounting for $1,600 million and imports $2,400 million. Mr. C. S. Jha said that Canada, with her surplus of technical know-how and the capacity to generate as well as raise capital, could play an important role in the economic growth of India. The Canadian Government's contribution, he added, had been very good but private investments were not on a big scale yet. Mr. B. N. Adarkar pointed out that India provided a fairly sheltered market and that the foreign investor was assured of a satisfactory return on his investment. The country also provided a good base for export industries. With plentiful supply of raw materials, a reasonable level of wages and a diversified economy, India, Mr. Adarkar said, offered a very good field for investment. Over and above all these, India enjoyed the important advantage of political stability in spite of occasional stresses and strains. Foreign private investment proposals were growing in number and about 300 cases were being approved every year involving about $80 million of private investments.

Dealing with the main points of Government's policy towards private foreign investments, Mr. Adarkar said that ever since independence no extra restrictions (which were not applicable to Indian investors) had been placed on foreign investors. Reasonable facilities had always been afforded for remittance of profits. Should a foreign investor decide to repatriate his capital, he had the freedom to do so. It had been laid down as part of the Industrial Policy Resolution that effective control should be in Indian hands, but here too the condition of majority participation by Indians was being relaxed in suitable cases where large foreign exchange resources and a high degree of technical skill were involved.

Explaining the role of Indian Investment Centre in promoting foreign capital investments and techniques on a joint venture basis, Mr. R. S. Bhatt pointed out that in the decade between 1951 and 1961 India's industrial output rose by 94 per cent. With this expansion, foreign private investments which totalled Rs. 256 crores in 1948, rose to Rs. 690 crores at the end of 1960 — an increase of 175 per cent. The major share was claimed by the U.K., the U.S.A., West Germany and Switzerland. In recent years, he said, investments in manufacturing industries had steadily increased and the Government had recently prepared a list of 22 key industries like Tool and Alloy Steel, Industrial Machinery, etc., in which foreign capital was most welcome. (The complete list was published in "Eastern Economist" dated January 17, 1964 — page 118).

Appreciating the policy explanations furnished by the Government of India officials, the leader of the Canadian Mission, Mr. William Anderson, said that Canada was collaborating in power development projects in India and that, among others, Canada could take part in the development of paper and pulp industries in India.

After the general discussion, the members of the Canadian delegation and the Government of India officials exchanged ideas on specific subjects such as Government's taxation proposals, double taxation avoidance agreements, the scope of Government control over industries, the position regarding technical personnel, trained labour, the banking system, etc.

Later in the week, the Canadian delegation also held discussions with the representatives of the Federation of Indian Chambers of Commerce and Industry. It was pointed out from Federation's side that the customs regulations in Canada under which anti-dumping duties were levied if the selling price in Canada happened to be lower than the domestic price prevailing in India, militated against exports of Indian products, particularly cotton textiles.

SUGAR MARKETING BOARD

The Government of India has decided to set up a sugar marketing board to regularise the internal distribution as well as the export of sugar. The Board will function as an autonomous organisation and will be registered as a public limited company. It will consist, among others, of the representatives of the Union Ministries of Food and Agriculture, Finance, Commerce and Industry, Community Development and Co-operation and the Reserve Bank. Representation is also likely to be given to the sugar industry.

The proposal for setting up the Board was mooted by the Union Ministry of Food and Agriculture in order to streamline the system of distribution of sugar and to promote exports. At present sugar quotas are allotted to the States by the Sugar Directorate in the Central Food Ministry. Exports are being handled by the export division of the Indian Sugar Mills Association. The Board might take over the entire production of the mills and store a part of it in its godowns with a view to ensuring the sale of sugar at a uniform price throughout the country.

LIC UNDERTAKES GENERAL INSURANCE

With its entry into the new financial year 1964-65, the Life Insurance Corporation of India has commenced transacting General Insurance Business, viz., Fire, Marine and Miscellaneous. Under the Miscellaneous Section, the Corporation will underwrite Motor Insurance, Personal Accident, Flight Coupons, Burglary, Fidelity Guarantees, Plate Glass, Third Party Life Insurance, Public Liability, Workmens' Compensation, Credit Guarantees, Contract Guarantees and Contractors' All Risks Insurance. The Corporation will also transact Engineering Insurance including Machinery erection, Machinery breakdown, Boilers and Pressure Vessel Explosion and Loss of Profits. The Corporation will transact business as a non-tariff insurer. To start with, however, it will follow the Tariff Rates. In due course the Corporation will evolve its own rating structure based on statistical data.

INDO-KUWAIT COLLABORATION

A joint communique on industrial and commercial co-operation between India and Kuwait was issued in Kuwait on March 30, by Mr. Manubhai Shah, India's Minister of International Trade and Mr. Jabir Al Ahmed Al Jabir, Kuwait's Minister for Finance and Industry. Since trade between India and Kuwait is transacted in free convertible currency, Kuwait and India can look forward to increasing the volume of trade between them in diverse fields; Kuwait, it appears, hopes to be able to export a range of petroleum products. In this context, India has expressed a desire to buy sulphur products in the proposed refinery in Kuwait. There was some discussion at the Kuwait talks of the scope of Indian entrepreneurs participating in the industrial development of Kuwait. The Kuwait, Minister of

Finance and Industry said that Indian participation would be welcome and that it could take the form of project surveys, supply of raw materials and components, provision of technical know-how and export of machinery in addition to cash investment, if necessary, for financing the projects. The two Ministers agreed that certain fields of industrial activity were worth close examination by competent technical experts and businessmen from India and Kuwait. The industries selected for close examination were: caustic soda, salt, soda ash, a modest plant for pig iron and casting (all grades of iron ore could be imported from India), structural works, synthetic rubber plant based on local gas and petroleum products, plastic and plastic products, wooden and steel furniture, dry dock, electrical goods such as heaters, air-conditioners, air-coolers, water coolers and geysers, telephone equipment (assembly), truck assembly, aluminium rolling mill (including industry for making utensils), rolling mill for non-ferrous metals, textile industry (based on import of cotton and yarn), rayon and art silk fabrics processing industry (based on imported rayon and silk fabrics), blending of tea, and shipping.

The two Ministers also discussed the possibilities of Kuwait's private financial participation in Indian industrial development. Mr. Manubhai Shah said that the Government of India had already given considerable thought to the question of development of Indian industries with an export potential and had drawn up a list of such industries. Efficient industrial units were already venturing in these fields and were now ready to embark upon the next stage of expansion. These industries broadly fall under the following 30 groups: Food products (fish canning, instant food, fruit and vegetable canning and food processing industries), ready-made garments, caustic soda and soda ash, hardened oil for industrial uses, starch from tapioca, synthetic fibres (including acetato acrylic and other fabrics), pesticides, sanitarywares, machine-made footwears, grinding wheels, linoleum, aluminium smelter of one lakh tonnes, pig iron and cast iron spun pipes, iron castings, jigs, tools and fixtures, twist drills, steel tubes and pipes, heavy electrical equipment, transport equipment, printing machinery, machine tools, electronic components, storage batteries, dry batteries, sugar machinery, cement machinery, railway equipment, transmission lines for electric power, hand tools, hotel industry, and fertiliser projects. According to the Kuwaiti authorities, there was scope for investment by Kuwaiti investment institutions and businessmen in these fields to the extent of $100 million initially. It was agreed at the meeting that the two Governments should encourage financiers and industrialists and investment institutions of the two countries to examine the possibility of industrial and financial co-operation for mutual benefit. The investment could be in the form of both share capital and credits.

It was also pointed out at the meeting that opportunities would be available in India to train young Kuwaiti engineers, technicians and qualified personnel in technical fields and new professions as mutually agreed upon between the two countries. The Kuwaiti Minister stated that his Government would also welcome Indian technicians being trained in Kuwait's oil and petro-chemical enterprises.

In order to achieve the various objectives discussed at the meeting, the representatives of the two Governments felt the need to constitute a joint commission, which would meet every six months alternately in Kuwait and New Delhi, to review the implementation of the joint proposals.

DYEING AND PRINTING

Inaugurating the factory of Faridabad Dyeing and Printing Mills, the Chief Minister of Punjab, Mr. Pratap Singh Kairon, suggested that if the industrial development in India was really to be given a fillip, business profits that were re-invested in industry within a period of five years, should be exempted from all taxes. Referring to industrial co-operatives, he said that such ventures had generally proved unsuccessful because the workers lacked the spirit of sacrifice and dedication and formed co-operatives only to avail of financial assistance from the Government and obtain permits and licences. Mr. Mohan Lal, the chief administrator of the Mills, disclosed in his report that technical collaboration was obtained from Messrs. Kovo of Czechoslovakia for the import of a most modern plant. The capacity of the plant per day of two shifts, after complete installation, will be: 45,000 yards of bleaching; 15,000 yards of dyeing; 35,000 yards of printing and 50,000 yards of finishing. The processing plant of the factory, the administrator said, would be one of the best equipped in Northern India and the first of its kind in the co-operative sector in the country.

SMALL-SCALE INDUSTRIES

The main problem facing the small-scale industries in India is the shortage of raw materials. Small units have often complained that they get only a small percentage of the controlled and scarce raw materials. As the capacities vis-a-vis raw material requirements of such units have never been assessed on a uniform basis the total requirements of the small-scale sector have not been known. In order to have an idea of the requirements of controlled and scarce raw materials by small-scale industries the Central Small Industries Organisation of the Union Ministry of Industry will now be assessing the capacities and requirements of small industrial units all over the country on a scientific basis. The assessment, it is hoped, will help in meeting adequately the requirements of small units by securing additional quantities of the necessary raw materials. The criterion for assessment was decided upon at a recent meeting of the State Directors of Industries and senior officers of the Central Small Industries Organisation.

U.S. TIN DISPOSALS

The United States would be putting 20,000 long tons of tin on the market during the year 1964-65 and would dispose of its surplus tin stocks of 1,27,000 tons in six to eight years. An announcement to this effect said that the quantity of 20,000 tons for the coming 12 months was consistent with the expected market requirements and shall be adequate to meet the estimated shortage in supplies. Regarding the plan for long-term liquidation of the entire U.S. surplus stocks of tin, the Government statement said that the plan was drawn up in a manner aimed at minimising market difficulties and taking into account the effect on investment of capital in exploration of the development of new supplies. The U.S. Government disclosed that it would continue to accept only such purchase offers as were reasonably in line with market prices and that it would limit or interrupt sales when prices weakened.

FOODGRAIN IMPORTS

India imported Rs. 183 crores worth of foodgrains last last — Rs. 42 crores more than in 1962. A total of 45.6 lakh tonnes was imported, of which 40.73 lakh tonnes was wheat and 4.83 lakh tonnes rice. Of the imported wheat, 38.98 lakh tonnes was received from the U.S.A. under the P.L. 480 Agreement, 0.19 lakh tonnes from Canada under the Colombo Plan and 1.56 lakh tonnes from Australia against commercial purchases. Of the rice imported, 3 lakh tonnes was from the U.S.A. under P.L. 480 Agreement, 1.73 lakh tonnes from Burma and 0.10 lakh tonnes from South Vietnam.

Company Affairs

INDIAN OVERSEAS BANK

Mr. M. Ct. Muthiah, Chairman, the Indian Overseas Bank Ltd., reviewed briefly the performance of the bank while addressing the shareholders at the annual general meeting held recently. There was an impressive increase of deposits and advances and gross income also improved appreciably. This accelerated expansion of the bank was also witnessed in terms of its sphere of influence as the bank opened many new branches during the year. Mr. Muthiah was of the opinion that the year was comparatively prosperous for all the banks; their profits were higher and in some cases they were able to raise their dividends. There was spectacular increase in scheduled bank deposits (excluding PL 480 and 665 deposits) from Rs. 1929 crores to Rs. 2211 crores. The demand deposits increased faster than time deposits — there was an increase of demand deposits by nearly Rs. 182 crores while time deposits rose by about Rs. 100 crores. This substantial accretion to deposit resources enabled banks to comportably meet the demand for credit which rose by Rs. 158 crores to Rs. 1,580 crores and to reduce their borrowing from the Central Banking Institution.

The Chairman expressed satisfaction over the helpful attitude adopted by the Government and the Reserve Bank. Following the Finance Minister's announcement in October last that the credit policy would be liberalised to stimulate economic growth, the Reserve Bank increased the quota for borrowing by scheduled banks from 100 to 150 per cent of their statutory reserves. Moreover the control of minimum margin of advances against shares of 40 per cent was withdrawn. Other positive factors in the credit policy, according to the Chairman, were the enlargement of the resources of the Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India, the establishment of the Unit Trust, the formation of an Agricultural Re-finance Corporation to encourage the financing of long term needs of agriculture and land mortgage banks and commercial banks. Mr. Muthiah pointed out that the clock had been put back to some extent by the announcement on March 11, by the Reserve Bank of India of new restrictions on borrowing by member banks. The occasion perhaps was provided by the increase in borrowings by member banks by as much as Rs. 45 crores in the week ending March 6. This gave, according to Mr. Muthiah, a mistaken impression that time has come to introduce selective credit control measures and to make credit available on a dearer basis.

The Chairman was pleased with the reported contention by the Finance Minister that the demand for nationalisation was being raised by a very small section and he did not think that the Government really bothered about it. Moreover the demand was being linked to such aims as combating inflation and affecting the redistribution of wealth which, according to the Finance Minister, were both completely "non-sequitur". Mr. Muthiah asserted that it was over and again conceded by the Government that the private sector had to play an important part in the development of our national economy. As private banks were only the extension of the private sector, the argument should hold good for the continued existence of these banks.

MADRAS RUBBER FACTORY

Mr. K. M. Cherian, Chairman, Madras Rubber Factory Ltd., told the shareholders that the balance sheet for the year ended September 30, 1963 was the first after the company started the production of tyres, even though it commenced only a few months prior to the closing of the accounting year. It has installed practically all machinery and now is in a position to produce tyres and tubes at the full installed capacity of the factory — 1000 tyres and tubes per day. The Chairman added, however, that the present installed capacity of all tyre factories in India appeared to be more than the present actual requirement and most of the tyre companies were finding it difficult to sell their full production. The Mansfield Tyres produced by Madras Rubber Factory in collaboration with the Mansfield Tyre and Rubber Co. of the United States have found acceptance in the Indian market and in spite of considerable competition they were able to sell their output. The company has also developed additional line of manufacture, namely tread rubber and camel back. These items are likely to be exported as substantial orders are being received from abroad.

LOAN FOR MUKAND IRON

Mukand Iron and Steel Works Ltd. has secured sterling loan of £600,000 from the Commonwealth Development Finance Co. Ltd., London. The loan will meet part of the foreign exchange requirement of the company's expansion scheme at Kalwe, Bombay. It has plans to melt steel and produce about 70,000 tons of wire rods annually at the new plant. A continuous casting unit, being the first of this kind in India, will be installed at Kalwe to make billets from liquid steel. The Kalwe plant is expected to go into production in 1965-66. Distington Engineering Co. Ltd., a subsidiary of the United Steel Company Ltd., are to build this plant in conjunction with their associates, Concast A.G. of Zurich.

INDIAN TOOL MANUFACTURERS

The directors of the Indian Tool Manufacturers Ltd., have decided to raise Rs. 25 lakhs by the issue of 25,000 (9.3 per cent) redeemable cumulative preference shares of Rs. 100 each. As many as 15,000 shares will be issued initially and 10,000 shares, ranking pari passu with the proposed initial issue, will be issued subsequently. Subject to the consent of the shareholders, these shares are proposed to be offered to the public. The authorised capital of the company will be raised by Rs. 25 lakhs. It had got permission from the Controller of Capital Issues to issue bonus shares of the value of Rs. 10 lakhs but the directors have decided to defer this issue.

BRADY ENGINEERING

The Brady Engineering Co. Ltd., has shown considerably better results for the year 1963. It earned a gross profit of Rs. 11.26 lakhs against Rs. 9.30 lakhs, following a rise in turnover to Rs. 38.95 lakhs from Rs. 29.92 lakhs last year. A sum of Rs. 1.29 lakhs has been provided for depreciation and Rs. 6.37 lakhs for taxation including surtax. An allocation of Rs. 2.27 lakhs have been made to the dividend reserve from which proposed dividend at the rate of 11.25 per cent amounting to Rs. 2.25 lakhs will be paid. The directors observe that owing to a sizable cut in import licences of load chains, pulley block production had to be curtailed.

PREMIER CABLE CO.

The Premier Cable Company Ltd., which will take up the manufacture of PVC insulated power cables, will enter the capital market towards the second half of this month for the issue of capital worth Rs. 70 lakhs divided into 23,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each and 480,000 equity shares of Rs. 10 each. It has entered into a technical collaboration agreement with M/s. VEB Kabelwerk Oberspree of German Democratic Republic, who are one of the leading manufacturers in Europe of Aluminium conductor cables, using FVC for insulation. The factory is to be located at Karukutty in Kerala State.

CAPITAL ISSUES

According to official information available, the Controller of Capital Issues during the last quarter of 1963 sanctioned

95 consents for raising capital amounting to Rs. 87.33 crores. 103 consents for an amount of Rs. 82.88 crores were given during the corresponding quarter in 1962. During the quarter under review 118 applications for a total of Rs. 86.30 crores were received as against 125 applications for Rs. 139.73 crores during the same quarter in 1962. In the third quarter of 1963 146 applications were received involving a total amount of Rs. 125.43 crores.

Of the 95 consents granted in the 4th quarter 1963 fourteen were given to Government companies for a total amount of Rs. 36.08 crores and eighty one to non-Government companies involving an amount of Rs. 51.25 crores.

The distribution of consents given to non-Government companies according to the type of security is given below:

Equity	Rs. 28.69 crores
Preference	„ 2.97 „
Debenture	„ 4.42 „
Bonus	„ 3.82 „
Loans etc.	„ 11.35 „
TOTAL	Rs. 51.25 crores

During the entire calendar year 1963, 475 applications were received for issuing capital amounting to Rs. 634.88 crores as against 506 applications involving an amount of Rs. 429.08 crores during 1962. 410 consents were issued by the Controller of Capital Issues in 1963 for an amount of Rs. 544.31 crores as against 447 consents for Rs. 381.49 crores in 1962.

Out of the 130 consents amounting to Rs. 126.90 crores granted to companies for issue of capital for the first time during 1963, 54 consents for a total amount of Rs. 62.76 crores involved foreign participation to the extent of Rs. 21.15 crores. During 1962, 65 consents for Rs. 52.55 crores involved foreign participation of Rs. 15.59 crores in initial issues.

New Issues

Seven companies have been authorised to raise fresh capital exceeding Rs. 106 lakhs. Of these, three companies are issuing bonus shares, two are issuing equities, and two are floating debentures and preference shares. Two companies involve foreign collaboration.

The consent of the Controller of Capital Issues is valid for 12 months in all cases.

The following are the details:

Hyderabad Asbestos Products Ltd., Hyderabad is to issue capital of Rs. 2,95,163 divided into 1,18,065 equity shares of Rs. 2.50 nP. each to be issued as bonus shares by capitalisation of the company's general reserves.

Khardah Company Ltd., Calcutta, is to issue bonus shares of Rs. 9 lakhs divided into 90,000 Equity shares of Rs. 10 each on capitalisation of its reserves to a like extent. The bonus issue will be made in the ratio of one bonus share for every six equity shares held.

The Eastern Manufacturing Company Ltd., Calcutta, dealing in jute goods, is to issue bonus shares of the value of Rs. 17 lakhs on capitalisation of its reserves. The bonus shares will be issued in the ratio of two bonus shares for every share held.

Kersons Manufacturing Company of India Private Ltd., Bombay, will be issuing additional capital of Rs. 12.50 lakhs in equity shares of Rs. 1000 each, to be issued for cash at par. Of this capital 600 equity shares will be subscribed to by Midland Manufacturing Company Ltd., UK and the balance 650 shares will be subscribed to by Indian directors/shareholders. The capital will be utilised in the manufacture of brass and bakelite electrical accessories, such as Switches, Ceiling roses, Sockets etc.

India Paper Pulp Company, Ltd., Calcutta, an existing company, will be issuing capital of Rs. 40,00,000 divided into four thousand 7 per cent debentures stock of Rs. 1000 each. The debentures will be offered to the public by prospectus. The money will be utilised for financing of Jute Sticks Pulp Plant and Paper plant.

The Saraswati Industrial Syndicate Ltd., Yamunanagar, Distt. Ambala (Punjab), having a paid up capital of Rs. 50,71,500 is to issue further capital of Rs. 4,700 divided into 47 equity shares of Rs. 100 each for cash at a premium of Rs. 140 per share to John Thompson Ltd., Ettingshall, Wolverhampton, England. This is in accordance with the terms of the scheme of arrangement of amalgamation of Indian Sugar and General Engineering Corporation Limited with the company which has already been approved by the Punjab High Court.

Graphite India Limited, Calcutta, is to issue further capital of Rs. 25 lakhs in 9.3 per cent redeemable cumulative preference shares of Rs. 100 each for cash at par. Out of this such number of shares as would qualify the scrip to be listed on the recognised Stock Exchanges shall be offered to the public by prospectus. The capital will be used to meet the revised capital requirements of the company.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 – during the week ending March 28, 1964. The list contains the names and addresses of the licensees, the items of manufacture and annual installed capacities.

IRON AND STEEL

Globe Motors Limited, 1/1, Jhandewala, New Delhi (Punjab) — (New Article) S.G. Malleable Iron Castings: Within the earlier licensed capacity of 1,200 tons of malleable iron castings.

COAL

Shri Phanindra Mohan Dutt, Bhootdoba Bunglow, P.O Kalipahari, Distt. Burdwan, (Tehsil-Barabani, Distt. Burdwan, West Bengal) — 40,000 tons per annum. Goenka Coal Co., P.O. Ukhra, Distt. Burdwan — capacity in 1964, 1,65,000 tonnes and 1965 1,88,000 tonnes. National Coal Development Corporation Ltd., "Darbhanga House", Ranchi – 1.5 million tonnes per annum. Smt. Sulekha Maitra, West Burrakar Colliery, P.O. Kumardhubi, Distt. Dhanbad (P.O. Kumardhubi Distt. Dhanbad, Bihar) — 25,000 tonnes per annum. Heliwal Coal Co., P.O. Nawagarh, District Dhanbad (Central Kessurgarha Colliery) — 19,500 tonnes per annum.

ELECTRICAL EQUIPMENT

Voltas Ltd., 19, Graham Road, Ballard Estate, Post Box No. 1198, Bombay-1 (Maharashtra) — Electric motor starters (8000 Nos.), Circuit breakers (600 Nos.), Circuit breakers above 11 kV up to 22 kV (300 Nos.), Switchboards and control panels (744 Nos.), Out-door Isolators (2000 Nos.), Measuring and recording instruments including protective relays (Rs. 30 lakhs by value), Current and Potential transformers up to 33 kV (2000 Nos.). Kirloskar Electric Co. Ltd., Post Box No. 1017, Bangalore-3 (Hubli, Dharwar, Mysore) — Electrical

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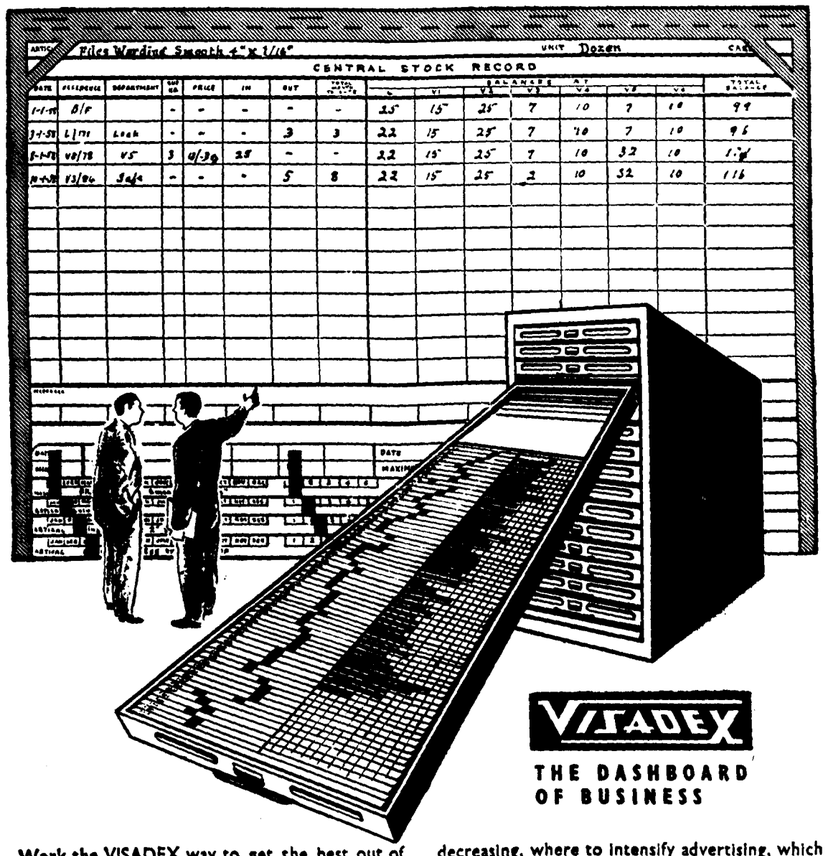
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AUTOMOBILES

Shri Sharad Chandra Kothari, Kothari Bhawan, Marwari Road, Bhopal (Madhya Pradesh) — Tipping wagons, mining wagons, asphalt boilers, industrial trolleys, elevating and barrel truck etc. (Shifting from Rajasthan to Madhya Pradesh).

PAPER MACHINERY

Eastern Paper Mills Limited, 2, Dakshindari Road, South Dumdum, Calcutta-48 (Calcutta, West Bengal) — (50 tonnes capacity completely automatic board mill machinery) 2 plants per annum, or (25 tonnes capacity completely automatic board mill machinery) 4 plants per annum, (10 tonnes capacity pulp and paper making plant) 4 plants per annum.

CONVEYING EQUIPMENT

Mukand Iron & Steel Works Limited, Kurla, Bombay (Kurla, Bombay, Maharashtra) — (Anual capacity): Sand Mills (Batch capacity up to 600 lbs.) 4 Nos, Ladles (2 tons to 10 tons capacity) 10 Nos., Shakeouts 4 Nos., Core Ovens 3 Nos., Jaw Crushers 10 Nos., Belt Conveyors, Shuttle-conveyors and Elevating conveyors of various types including continuous buckets elevators, vertical or inclined: Worth Rs. 2 lakhs per annum, Electric Overhead Travelling Cranes: 200 tonnes a year, Steel Structurals: 1800 tonnes a year, Melting Plants, Annealing Furnaces, Ovens and Foundry Moulding machines; Valued at Rs. 5,00,000 per annum.

PLASTIC MOULDED GOODS

Johnson & Johnson of India Ltd., No. 30, Forjett Street, Bombay-26 (Bombay, Maharashtra) — (Annual capacity): Huswitubes 60,000 dozens, Collapsible tubes for contraceptives etc. 60,000 dozens, Rigid tubes for Sutures 240,000 dozens, Disponable syringes 240,000 dozens, Adhesive Plaster container 120,000 dozens, disposable one shot injectable plastic tubes - 350,000 units, disposable plastic container for administration of transfusion - 30,000 sets per annum. Swastik Rubber Products Ltd., Swastik House, Behind Kirkee Railway Station, Poona-3 (Swastik Rubber Products Ltd., Kirkee, Maharashtra) — Water Proof Fabric by Coating & Sandwitching Molten Polythelene 300 tonnes per annum.

MISCELLANEOUS CHEMICALS

The National Rayon Corporation Ltd., Post Box No. 200, Ewart House, Bruce Street, Fort, Bombay-1 (Mohona, Near Kalyan, Maharashtra) — Hydrogen Gas (obtained as a bye-product in the manufacture of Caustic Soda) 1,00,000 Cu. metres per annum.

DRUGS AND PHARMACEUTICALS

Merck Sharp & Dohme of India Ltd., Dugal House, Backbay Reclamation, Bombay-1 (Maharashtra) — Multi-vitamin tablets 2,40,00,000 tablets p.a., Analgesic tablets 2,40,00,000 tablets p.a. Parke Davis (India) Ltd., Saki Naka, Bombay-70-AS. (Maharashtra) — FLADEC-ADC Drops with Fluoride 5,220 litres per annum. Dye's Medical Stores (Manufacturing) Private Ltd., 6/D, Lindsay Street, Calcutta-16 (West Bengal) — BESEROL TABLETS 45 lakhs per annum. Pfizer Private Limited ICICI Building, 163, Backbay Reclamation, Bombay-1 (Maharashtra) — Calcium Borogluconate injection (Plain) 15,600 litres per annum, Calcium Borogluconate Fortified injection 15,600 litres per annum. Glaxo Laboratories (India) Private Ltd., Dr. Annie Besant Road, Worli, Bombay-18 (Maharashtra) — B-Complex injections (Cytexin) 12,00 vials per annum, BETNOVATE Skin ointment 1,200 kgs. per annum, BETNOVATE/N Skin ointment 1,440 kgs. per annum. The Calcutta Chemical Co. Ltd., 35, Panditia Road, Calcutta-29 (West Bengal) — (Items of manufacture and Expansion envisaged): Cyclosac tablets 102 lakhs per annum (expansion) Chloropectidine forte tablets 60 lakh tablets per annum (expansion), Cyclosac (Liquid) 24,000 litres per annum (expansion). Atul Products Limited, Atul (W. Rly.) District Surat (Gujarat) — Ortho Toluene Sulfonamide 100 tons per annum, Para Toluene Sulfonyl Chloride 88 tons, per annum, Para Toluene Sulfornamde 70 tons per annum. Saccharine USP (soluble and insoluble) 25 tons per annum, Halazone 40 tons p.a., Chloramine 20 tons p.a. Standard Chemical & Pharmaceutical Cod., Atlas Mills, Reay Road, Bombay-10 (Maharashtra) — Ortho Toluene Sulphonamide 100 tons per annum. Roche Products Ltd., 28, Tardeo Road, Bombay-34—WB (Maharashtra) — Gantrisin Eye Drops 500 litres p.a., Protovit chewing tablets 2,000,000 tablets p.a., Becozym C. Tablets 3,000,000 tablets p.a.

COTTON TEXTILES

The Telangana Spinnng & Weaving Mills Ltd., "Gum Gates" Saifabad, Hyderabad-22 (Hyderabad, Andhra Pradesh) — 13,000 spindles for manufacture of cotton yarn. The Ajudhia Textile Mills Ltd., Azadpur, Delhi-6 (Uttar Pradesh) — 12,000 spindles for the manufacture of cotton yarn. Shri Amarsinghji Mills Ltd., VANKANER (Saurashtra) (Gujarat) — 12,204 spindles for the manufacture of cotton yarn. Baroda Vibhag, Co-operative Spinning Mills Ltd., Baroda (Baroda, Gujarat) — 25,000 spindles for the manufacture of cotton yarn. Surat Distt. Co-operative Spinning Mills Ltd., C/o Shri Darin Gujarat Co-operative Cotton Marketing Union Ltd., Lal Darwaya, Surat (Surat, Gujarat) — 25,000 spindles for the manufacture of cotton yarn. Narmada Cotton Growers Co-operative Spinning Mills Ltd., C/o Broach Distt. Co-operative Board Ltd., Navadera, Broach (Rajpita, Distt. Broach, Gujarat) — 25,000 spindles for the manufacture of cotton yarn. The Petlad Bulakhidas Mills Co. Ltd., Opp. Station, Petlad (Gujarat) — 100 automatic looms for the manufacture of cotton cloth. Shri Vasantrao Patil, Chief Promoter, The Bharat Co-operative Spinning Mills Ltd., 41, Shivajinagar, Sangli (Bharat Co-operative Spinning Mills Ltd., Sangli, Maharashtra) — 25,000 spindles for the manufacture of cotton yarn. South Punjab Electricity Corporation Ltd., Circular Road, Rohtak (Punjab) — 13,000 spindles for the manufacture of cotton yarn. Shri J. S. Patil, Chief Promotor, Jalgaon Co-operative Spinning Mills Ltd., C/o E.K. Central Co-operative Bank Ltd., Jalgaon (Jalgaon, Maharashtra) — 12,000 spindles for the manufacture of cotton yarn. Jupiter Mills No. 2, Carrol Road, Parel, Bombay-13 (Maharashtra) — 50 automatic looms for the manufacture of terry towelling cloth. Salem Roadways, 4B, Salai Road, Salem-1 (Hosur, Salem Distt., Madras State) — 12,000 spindles for the manufacture of cotton yarn.

INSULATORS

The Director, Government Porcelain Factory, Post Box No. 4, Science Institute Post, Bangalore-12 (Bangalore, Mysore) — Extra heavy duty disc insulators for 220 kv lines., Transformer bushings up to 220 kv., Switchgear and apparatus bushings up to 220 kv., Metallized bushings, Long Red Insulators for Railway Electrification 1,440 tonnes per annum.

CHANGE IN NAMES (Owners or Undertakings)

(During the week ending March 28, 1964)

(Information pertains to particular licences only)

From M/s. Batliboi & Co., Bombay to M/s. Batliboi & Co. (P) Limited, Bombay.

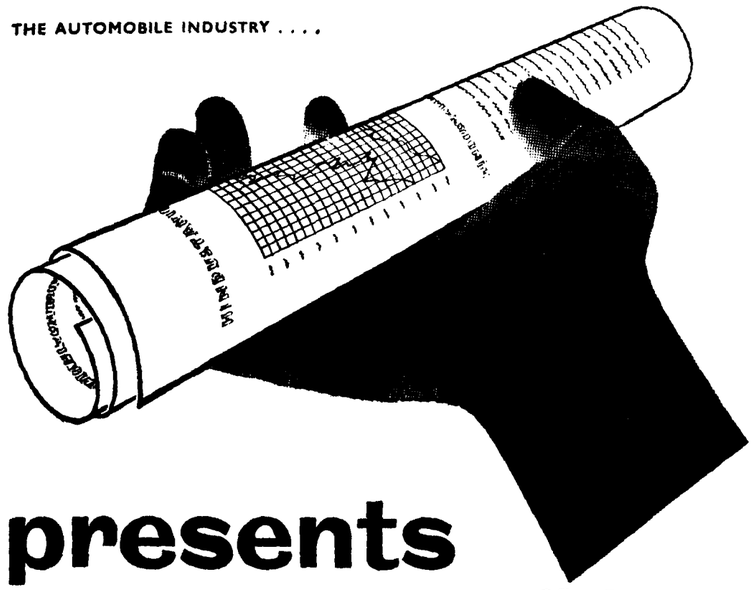
LICENCES REVOKED OR SURRENDERED

(During the week ended March 28, 1964)

(Information pertains to particular licences only)

M/s. P.J.B. Industries, Calcutta — Furnace Type Carbon Black. M/s. Bengal Immunity Co. Ltd., Calcutta — Salvizol tablets and Sarizol cream.

THE AUTOMOBILE INDUSTRY . . . .



presents some facts and figures

Among the owners and prospective purchasers of motor cars in India, there exist an imperfect knowledge and certain misconceptions about the Automobile Industry.

The opinion is often expressed that cars are not readily available and that their prices are too high. Remarks are often made that manufacturers' and dealers' profits are excessive, and that the quality is not up to foreign standard.

Delay in deliveries

The volume of production of the automobile industry is limited by the availability of foreign exchange for the import of materials and components that are not yet manufactured in India. Consequently, the supply of cars cannot keep pace with the demand.

Price structure

The biggest item in the price structure of a car is made up of direct and indirect taxes and this represents at least one third of the "on-the-road" price of a car.

The smallest item is the manufacturer's profit, which is controlled by the Government and yields only a minimum return on the manufacturer's investment.

Components

The automobile industry is not a self-contained industry. It depends, for a large number of the indigenous components of a car, on ancillary industries —some of them recently created—whose productivity and quality have not yet reached the desired standard and whose production costs are high.

Quality

The Indian Automobile Industry, and particularly the ancillary industries, are still young and cannot be expected to have reached, in the short time of their development, the high standards attained by their foreign counterparts which have been in existence for 60 years. The responsibility for improving the quality falls both on the vehicle manufacturers and on the ancillary suppliers.

ISSUED BY HINDUSTAN MOTORS LTD., CALCUTTA.

ASP HM-70

COMPANY NOTICES

JAYA SHREE TEXTILES & INDUSTRIES Limited.

Regd. Office—Rishra, Dt. Hooghly (W. Bengal)

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held at the Registered Office of the Company at Rishra, Dist. Hooghly (West Bengal) on Thursday, the 14th May, 1964, at 3-30 P.M. to transact the following business:

1. To receive and consider the Audited Profit & Loss Account of the Company for the year ended 31st December, 1963, the Balance Sheet as on that date and Reports of the Directors and Auditors of the Company.

2. To declare Dividend.

3. To appoint Directors in place of Shri M. P. Birla and Shri B. K. Birla who retire by rotation and being eligible offer themselves for re-appointment.

4. To appoint Auditors and to fix their remuneration.

5. As special business to consider and if thought fit, to pass with or without modification the following resolutions:

As Ordinary Resolution:

(i) "RESOLVED that the Company do hereby approve of and consent to the appointment of the following concerns as selling agents of the Company for sale of products manufactured by the Company for the areas and periods as detailed hereafter on terms and conditions as embodied in the respective agreements entered or to be entered into between the Company and the agents as per drafts placed before the meeting:

S. No.	Name:	Territory:	Period:
1.	M/s. Mithalal Fatehlal	Udaipur division of Rajasthan	For 5 years from 1st September, 1963
2.	M/s. Tansukhdas Sukhdeodas	Bikaner division of Rajasthan	-do- "

As Special Resolutions:

(i) "RESOLVED that the existing Article 55 of the Articles of Association of the Company be deleted and the following Article 55 be substituted:

'55 — A fee of Rs. 2/- or such smaller fee as the Directors from time to time determine shall be payable in respect of each transmission of shares. The Directors may decline to register transfer until the transmission fee has been paid'."

(ii) "RESOLVED that the Company doth hereby renew its consent to the payment of commission @ 1% of the net profits of the Company to all the Directors together to be divided equally amongst them for a further period of 5 years commencing from the financial year 1964 of the Company."

(iii) "RESOLVED that the Company do hereby approve of the contracts entered into or to be entered into from time to time with M/s. India Refractories Ltd. for the purchase of Refractories and various other relative raw materials upon terms as stated in the draft contract placed before the meeting which provides inter alia that:

(a) materials to be purchased, sold or supplied shall be as dealt in by or available with the seller and required by the buyer from time to time.

(b) rates or prices to be charged shall be as ruling with the seller or supplier at the date of requirement or as shall be currently in force or be otherwise reasonable.

(c) payment shall be as specified in acceptance, provided that the payment for any material supplied or sold by the company shall be made to the company within one month from the date of such supply or sale.

(d) the contract may be terminated at any time by either party giving to the other one month's notice in writing."

(iv) "RESOLVED that subject to the approval of the Central Government M/s. Birla Brothers Private Ltd. be and are hereby re-appointed the Secretaries & Treasurers of the Company for a period of 10 years with effect from 1st January 1965 upon terms as to remuneration and otherwise and subject to the conditions contained in the draft agreement placed before the meeting and initialled by the Chairman for the purpose of identification subject to such modifications as may be required by the Central Government in granting the approval as aforesaid and agreed to by the Directors of the Company and M/s. Birla Brothers Private Ltd."

The Register of members and share transfer books of the Company will remain closed from 30th April to 14th May, 1964, both days inclusive.

By order of the Board:

for JAYA SHREE TEXTILES & INDUSTRIES LTD.

D. C. GHATAK
Secretary — Company Law.

Rishra, the 31st March, 1964.

NOTES:—1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

2. The dividend if declared in the meeting will be payable to those shareholders whose names would appear in the Company's Register as on 14th May, 1964, or to their order or to their Bankers. The Dividend Warrant will be sent to the shareholders at their registered addresses directly in due course.

The Explanatory statements in respect of ordinary resolution and Special Resolution Nos. (i) to (iv) of the special business have been forwarded to the members of the Company.

The Soorah Jute Mills Company Limited

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company, at 15, India Exchange Place, Calcutta, on Wednesday, the 27th May, 1964, at 2-30 P.M. for the following purposes:—

1. To receive and consider the Report of the Directors and to pass the audited accounts of the Company for the year ended 31st December, 1963.

2. To declare Dividends on Preference and Ordinary Shares.

3. To elect Directors in place of Shri B. Murarka and Shri T. C. Saboo, who retire by rotation, but being eligible, offer themselves for re-election.

4. To appoint Auditors and to fix their remuneration.

5. As special business to consider and, if thought fit, to pass, with or without modification, the following Resolutions:—

(i) As Ordinary Resolution—

"RESOLVED that Shri Murlidhar Loyalka, a Director of the Company who retires under Article 140 of the Company's Articles of Association be and is hereby re-appointed a Director of the Company."

(ii) As Ordinary Resolution—

"RESOLVED that subject to the approval of the Central Government and the terms of such approval, Messrs. Hindusthan Investment Corporation Ltd., be and are hereby re-appointed the Managing Agents of the Company as and from 15th August, 1965, when their present term expires for the period at the remuneration and upon terms and conditions set forth in the draft Agreement placed before the Meeting and initialled for the purpose of identification by the Chairman of the Board and that the Directors of the Company be and are hereby authorised to enter into an Agreement with Messrs. Hindusthan Investment Corporation Ltd., in terms of the said draft subject to any modifications thereof as may be agreed upon between the Directors and Messrs. Hindusthan Investment Corporation Ltd., for the purpose of complying with any modifications required or conditions imposed by the Central Government in granting their consent as aforesaid."

The Register of Members and Share Transfer Books of the Company will remain closed from the 13th May, 1964 to the 27th May, 1964, both days inclusive.

By Order of the Board,
FOR HINDUSTHAN INVESTMENT
CORPORATION LTD.
R. K. Chhaochharia,
Managing Director,
Managing Agents

Regd. Office:
15, India Exchange Place,
Calcutta-1.
Dated, the 6th April, 1964.

N.B. (i) The Directors have recommended the following dividends for the year subject to deduction of tax under the I.T. Act, 1961:

On Preference Share @ 10% per annum and
On Ordinary Shares @ Rs. 2/- per share.

If dividend on shares as recommended by the Directors are approved at the Meeting, THE DIVIDEND WILL BE PAYABLE TO THE REGISTERED SHAREHOLDERS whose names are on the Company's Register on the 27th May, 1964 or to their order or to their Bankers. No application need be sent for dividends, as relative dividend warrants posted to such shareholders.

(ii) A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

(iii) AN EXPLANATORY STATEMENT IN RESPECT OF THE ABOVE ITEMS OF SPECIAL BUSINESS IS BEING FORWARDED TO THE MEMBERS OF THE COMPANY ALONG WITH THE CONVENING NOTICE OF THE MEETING.

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.

Notice is hereby given that the Board of Directors of the Company at their meeting held on 27th March, 1964, have declared the dividend on Redeemable Cumulative Preference Shares Series 'A' and 'B' for the year ended 31st March, 1964, @ Rs. 8.57 per share subject to deduction of tax under Section 194 of the Income Tax Act, 1961.

The Dividends will be paid from 4th May, 1964, to those shareholders whose names appear on the Register of Redeemable Cumulative Preference Shares, Series 'A' and 'B' on the 2nd May, 1964.

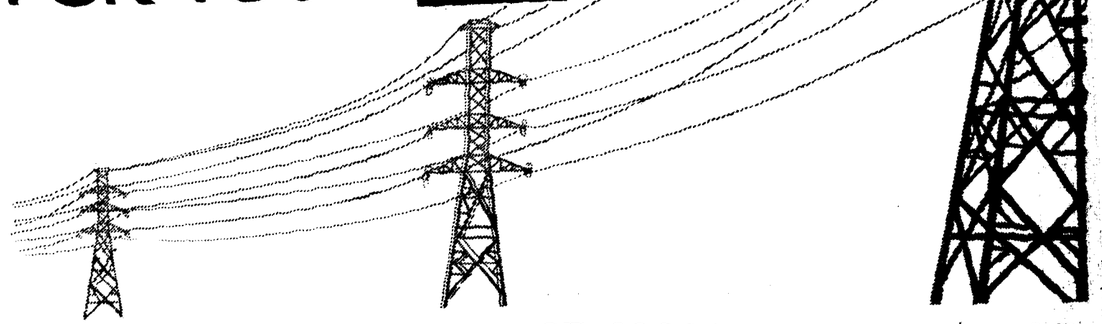
Register of Members and Share Transfer Books of the Redeemable Cumulative Preference Shares Series 'A' and 'B' of the Company will be closed for this purpose from 18th April, 1964, to 2nd May, 1964, both days inclusive.

By order of the Board,
B. N. PURANMALKA.
Secretary.

Regd. Office:
Birlagram, Nagda.
30-3-1964.

ATTENTION INDUSTRIALISTS!

HERE'S ELECTRIC POWER FOR YOUR NEW INDUSTRIES



AND EVERYTHING ELSE YOU CAN ASK FOR

Your new industry needs a lot of electric power. The U.P. State Electricity Board is proud of its ability to keep pace with industry's growing demand.

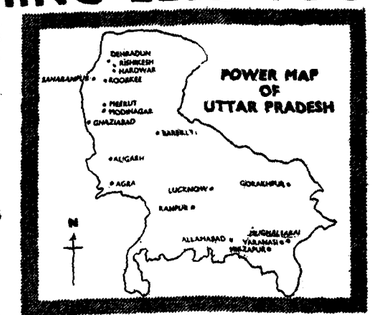
The following are some of the major power projects in U.P.'s Third Five Year plan :

Rihand Hydro-electric Project	2,50,000 KW Completed 1962
Harduaganj, Stage I	60,000 KW Completed May '62
Harduaganj, Stage II	30,000 KW Completed Mar.'64
Matatila Hydro-electric Scheme	30,000 KW Scheduled Dec. '64
Yamuna Hydro-electeic Scheme, Stage I	86,000 KW Scheduled June '65
Kanpur Thermal Expansion	64,000 KW Scheduled Aug. '65
Obra Thermal	2,50,000 KW Starting Oct. '65
Yamuna Hydro-electric Scheme, Stage II	2,00,000 KW Scheduled Dec. '69

A trunk grid of 2,20,000 volts is being constructed to interconnect all the power stations and lines of 1,32,000 and 66,000 volts will branch off from this trunk grid for taking constant electric power to the following important industrial centres :-

Ghaziabad-Modinagar-Meerut - Connected by rail and road with the whole of India. Home of the well known Modi Group of industries - can also be the home of your industry. Industrial sites are offered by the U.P. Industrial Corporation, Kanpur.

Aligarh - Only 16 miles from the Harduaganj Thermal Power Station - assured of ample and constant supply of electric power. 84 miles from Delhi.



Dehra Dun - Home of the Yamuna Hydro-electric Schemes, Stages I, II, III and IV. Unlimited forest produce and limestone of high purity at hand.

Saharanpur-Roorkee-Hardwar-Rishikesh - offer big scope for industries, particularly those ancillary to the Antibiotics Factory at Rishikesh and the Heavy Electricals Factory at Hardwar. Close to rich extensive forests.

Bareilly - Home of the Synthetic Rubber industry, Camphor industry, Turpentine and Rosin industry and the Match industry and developing rapidly as a major industrial centre.

Agra - Main tourist attraction in India and growing industrial centre - conveniently connected with the whole country by rail (both broad gauge and metre gauge), road and air.

Kanpur - Already the most important industrial centres in Northern India. Seat of many technical training institutions. Connected with the whole country by rail, road and air.

Lucknow - Seat of the U.P. Government and a growing industrial centre. Industrial area developed by the U.P. Industrial Corporation, Kanpur. Served by rail, road and air.

Allahabad and Naini - Quick movement of goods between Calcutta and Allahabad assured by electric traction. Land, water and power available in plenty.

Varanasi-Mughalsarai Area - Another industrial area which is growing rapidly. Conveniently connected by rail, road and air with the rest of the country.

Mirzapur District - Home of three major power stations - Rihand, Obra Thermal and Obra Hydel. Rich in limestone deposits and producing large quantities of aluminium and caustic soda. Coal available from nearby Singrauli Coalfields.

Gorakhpur - A large Fertiliser Factory being set up here by the Government of India - also seat of the Madan Mohan Malviya Engineering College and the Government Technical Institute. Important centre of sugar production.

This advertisement is issued for the information of industrialists throughout the country by the

U.P. STATE ELECTRICITY BOARD

COUNCIL HOUSE, LUCKNOW

who will be happy to answer enquiries and furnish any further information which may be required.

RECORDS AND STATISTICS

Heavy Industries: Encouraging Performance

THE YEAR 1963 witnessed an all-round increase in production in almost all branches of industrial machinery. Vigorous steps are being taken to put up additional capacity in machine building and other heavy engineering equipment. The Department of Heavy Engineering is processing in consultation with the Finance Ministry and the Planning Commission the recommendations of 10 Working Groups, which undertook studies in respect of various machine building industries in order to recommend production targets for the fourth and fifth five-year Plans. The Working Groups dealt with electrical power equipment, transport equipment, steel and metallurgical industries' equipment, mining and drilling equipment, machine tools, fertilizers and chemical equipment, industrial machinery, textile machinery, structurals and engineering industries.

During 1963 sugar mill machinery worth about Rs. 6.5 crores was produced. The capacity established is considered adequate for some time and can produce 14 new standard sugar mills and an equivalent of nine more by way of expansion and replacements. Fifteen complete sugar plants manufactured indigenously have already gone into production and five more are under completion.

The production of textile machinery amounted to Rs. 18 crores in 1963 and may go up to Rs. 26 crores by 1965-66. In order to keep the special problems of the textile machinery industry under constant review, a Development Council for Textile Machinery is being set up.

There are 72 firms licensed for the manufacture of chemical and pharmaceutical machinery and output in 1963 was about Rs. 5.4 crores. Sufficient progress has been made in the manufacture of complete plants for producing sulphuric acid, super phosphates, caustic soda etc. The entire range of tea processing machinery is being produced in the country and the quality is considered to be very good.

Adequate Capacity

Capacity established for cement machinery is also considered adequate for some years to come. Seven manufacturers, who have technical collaboration arrangements with reputed foreign firms, are capable of producing complete cement plants and will be able to supply 8 to 10 plants of 600 tons daily capacity by 1965-66.

Four units have been licensed for the manufacture and installation of complete coal washery plants in collaboration with British and American firms. The estimated demand for such equipment is of the order of about Rs. 5 crores per year. The four firms will be able to meet the demand at the rate of 4 to 5 complete washeries per year. For coal mining machinery, there are eight units in the private sector.

In the field of paper machinery, against a target of about Rs. 7 crores to be reached by 1965-66, the capacity already licensed is much more — about Rs. 24 crores. Some of the 22 firms licensed have gone into production and work on others is progressing. The industry produced equipment worth Rs. 1.2 crores in 1963.

Ten more firms have been licensed for the production of printing machinery and the total approved capacity at present is Rs. 5.6 crores.

For the manufacture of boilers and boiler mountings, there are now 16 licensed units, of which 10 are in production. Output in 1963 was Rs. 2.39 crores, about 10 per cent more than in 1962.

In the field of machine tools, the Hindustan Machine Tools Factories I and II at Bangalore produced 1486 machines valued at over Rs. 6 crores during April-December, 1963 as against 1120 machines valued at Rs. 4 crores in the corresponding period of the previous year. During 1963, HMT factory III at Pinjore (Punjab), designed and built entirely by Indian personnel without any foreign collaboration or assistance, was commissioned. This factory is expected to reach its annual production target of 1000 machine tools, worth Rs. 5 crores, by 1966-67. HMT IV being set up at Kalamassery in Kerala is expected to go into production by the end of this year and HMT V at Hyderabad by the end of 1965.

The total number of units producing machine tools is 65, with an installed capacity of about Rs. 19 crores. A few other units licensed recently are expected to go into production this year.

Satisfactory Progress

The production of commercial vehicles, jeeps and cars during 1963 was 27,521; 8,104; and 15,711 respectively as against the previous year's figures of 25,971; 7,597; and 23,326. There was a fall in the output of cars because of a cut in the foreign exchange allotment. Efforts are being made to achieve 90 per cent indigenous content in the manufacture of motor vehicles this year. Satisfactory progress has been made in the automobile ancillaries sector and production increased from Rs. 16 crores in 1962 to Rs. 25 crores in 1963. Capacity has been established for almost all the ancillary items. Production of motor cycles, scooters, three-wheelers and mopeds in 1963 totalled 26,572 as against 25,002 in 1962. The output is likely to go up this year as two new manufacturers licensed for mopeds will start production soon.

The number of diesel engines produced in 1963 was about 55,000 as against 42,645 in 1962. Production has started for the first time of new types of multi-cylinder diesel engines. It is expected that by 1965-66, the country's entire requirements of diesel engines for all applications will be met by the indigenous industry.

As for Railway wagons, the estimated requirements at the end of the third Plan period are 33,500 per year. Fifteen units are now in production. During the first ten months of 1963, the Private Sector units produced 20,000 wagons while the Railway workshops turned out 5,000.

A re-phasing of the Heavy Structurals Project and the Heavy Plate and Vessels Project at Wardha has become necessary due to non-availability of British credit. It is now proposed to take up implementation of the Heavy Structurals Works in the first instance and this would include marginal items of plate and vessel works. Steps are under way to locate necessary foreign exchange resources.

YOUR ATTENTION PLEASE

Please address all your correspondence at our following address to ensure prompt action:

The Manager,
EASTERN ECONOMIST,
UCO Bank Bldg., Parliament St.,
P.O. Box 34,
New Delhi-1.

MACHINERY PRODUCTION IN 1963

(Figures for 1962 are given in brackets)

Item and Accounting Unit	No. of Units	Estimated Production
Industrial Machinery		
Sugar Mill Machinery (Rs. crores)	16 (15)	6.50 (6.43)
Boilers (industrial) (Rs. crores)	8 (6)	2.80 (2.62)
Tea Processing Machinery (Rs. crores)	10 (7)	1.72 (1.65)
Chemical and Pharmaceutical Machinery & Solvent Extraction plants	52 (48)	5.35 (4.58)
Cement Mill Machinery (Rs. crores)	5 (5)	0.70 (0.71)
Coal Mining Machinery and Coal Washery	7 (6)	0.38 (0.36)
Dairy Machinery (Rs. crores)	4 (3)	0.41 (0.33)
Paper and Pulp Machinery (Rs. crores)	14 (13)	1.20 (0.86)
Printing Machinery (Rs. Crores)	4	0.05
Conveyors (Rs. crores)	22 (22)	1.50 (0.85)
Reduction gears (Rs. crores)	3 (2)	0.85 (0.32)
Ceramic Machinery (Rs. crores)	2 (3)	0.06 (0.09)
Metallurgical Machinery (Rs. crores)	4 (3)	0.11 (0.10)
Rice, Dal and Flour Mill Machinery (Rs. crores)	22 (22)	0.35 (0.34)
Oil Mill Machinery (Rs. crores)	22 (24)	0.32 (..)
Drilling Equipment (Rs. crores)	3 (3)	0.74 (0.52)
Machinery Unclassified (Rs. crores)	16 (23)	0.58 (0.50)
Electrical and other Engineering Industries		
Rolling Stock (Numbers)	15 (15)	18,808 (18,085)
Wire Ropes (Tonnes)	6 (3)	7133 (3678)
Steel Structurals (Tonnes)	121 (121)	2,33,290 (1,77,582)
Steel Pipes and Tubes ('000 tonnes)	13 (8)	209.3 (155.5)
Lifts (Numbers)	3 (4)	294 (283)
Bright Bars ('000 tonnes)	5 (9)	17.9 (11.0)
Steel Castings ('000 tonnes)	17 (17)	49.4 (43.5)
Steel Forgings (M.T.)	39 (38)	54,100 (55,000)
Gas Cylinders (Rs. crores)	2 (2)	0.34 (0.33)
Electric Motor ('000 H.P./'000 Nos.)	27 (27)	1141/172 (986/157)
Power Transformers ('000KVA/'000 Nos.)	19 (19)	2600/14 (2307/14)
Motor Starters ('000 Nos.)	15 (12)	168 (137)
Machine Tools, Small Tools and Hand Tools		
Machine Tools:		
(i) Complete (Rs. crores)		14.96 (10.40)
(ii) Portable Tools and gas welding and cutting equipment (Rs. crores)		1.51 (1.08)
(iii) Accessories (Rs. crores)		0.41 (0.33)
Grinding Wheels ('000 Kgs.)	7 (7)	2790 (2289)
Coated Abrasives ('000 reams)	5 (5)	182 (186)
Small Tools/Hand Tools		
Twist Drills ('000 Nos.)	6 (4)	4695 (3785)
Steel Files (Tons)	6 (6)	658 (601)
Reamers ('000 Numbers)	9 (8)	100 (97)
Threading tools (Tapes, Dies and Chasters) ('000 Numbers)	8 (7)	1257 (924)
Milling Cutters ('000 Numbers)	11 (9)	192 (146)
Bandsaw Blades ('000 R. Metres)	4 (3)	487 (203)
Hacksaw Blades (Hds. [100S])	4 (4)	2,01,837 (1,74,930)
Tungsten Carbide (sintered) (Kgs.)	4 (3)	19,523 (7,384)
Lathe tools (Tool Bits) (Tons)	8 (6)	53,717 (51,284)
Diamond Drills Bits (Numbers)	4 (3)	16,076 (12,698)
Automobiles and ancillaries		
Automobiles (Numbers)	7 (7)	52,286 (57,724)
Scooters (Numbers)	3 (3)	15,412 (14,318)
Motor Cycles (Numbers)	2 (2)	9,456 (8,790)
Three Wheelers (Numbers)	3 (3)	1701 (1426)
Mopeds (Numbers)	1 (1)	3 (468)
Tractors (Numbers)	3 (3)	1399 (1627)

MACHINERY PRODUCTION IN 1963 — (Contd.)

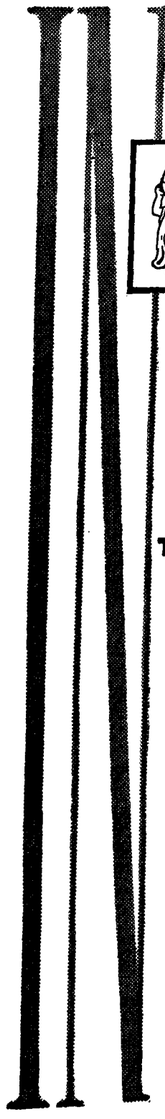
(Figures for 1962 are given in brackets)

Item and Accounting Unit	No. of Units	Estimated Production
Diesel Engines (Vehicular type) (Numbers)	2	9034
	(2)	(7,615)
Diesel Engines (Stationary) (Numbers)	26	54,946
	(26)	(42,645)
Petrol/Kerosene Engines (Numbers)	1	1986
	(1)	(736)
Power Driven Pumps (Numbers)	58	149,459
	(58)	(130,114)
Petrol Dispensing Pumps (Numbers)	..	2043
		(1548)
Locomotives (Numbers)	1	57
	(1)	(66)
Locomotive Spares		
Injectors (Numbers)	1	..
	(1)	
Cones (Numbers)	1	..
	(1)	
Thermic Syphones (Numbers)	1	335
	(1)	(337)
Plunger & Spindles (Numbers)	1	..
	(1)	(..)
Gliders (Numbers)	2	27
	(2)	(69)
Road Rollers (Numbers)	3	839
	(3)	(636)
Fans & Blowers (Numbers)	7	2,705
	(7)	(2,177)
Trailers (Numbers)	12	3,389
	(12)	(2.030)
Fuel Injection Equipment		
Pumps (Numbers)	2	146,346
	(2)	(91,087)
Nozzle Holders ('000 Nos.)	2	254
	(2)	(208)
Nozzles ('000 Nos.)	2	727
	(2)	(526)
Elements pumps ('000 Nos.)	2	807
	(2)	(650)
Elements Filters ('000 Nos.)	2	161
	(2)	(194)
Delivery Valves ('000 Nos.)	2	681
	(2)	(697)
Filter Oil & Air ('000 Nos.)	3	56
	(3)	(52)
Thin Walled bearings ('000 Nos.)	3	1544
	(2)	(641)
Radiators ('000 Nos.)	6	51
	(5)	(59)
Dynamos ('000 Nos.)	3	30
	(2)	(18)
Electric Horns ('000 Nos.)	6	106
	(6)	(126)
Gaskets (Mil. Nos.)	3	16.7
	(1)	(11.5)

Item and Accounting Unit	No. of Units	Estimated Production
Valves ('000 Nos.)	3	1102
	(3)	(207)
Wheels ('000 Nos.)	3	361
	(3)	(204)
Oil Seals (Mil. Nos.)	4	2.0
	(4)	(1.5)
Piston Rings (Mil. Nos.)	2	9.5
	(2)	(8.6)
Piston ('000 Nos.)	3	793
	(3)	(682)
Shock Absorbers ('000 Nos.)	5	278
	(5)	(267)
Brake Linings (Tonnes)	3	846
	(2)	(704)
Clutch Facings ('000 Nos.)	2	396
	(1)	(197)
Clutch Assembly (Numbers)	1	81,969
	(1)	(56,727)
Brake Assembly ('000 Nos.)	1	246
	(1)	(126)
Spark Plugs ('000 Nos.)	2	1757
	(2)	(1081)
Starter Motors ('000 Nos.)	2	51.2
	(2)	(12.5)
Gudgeon Pins ('000 Nos.)	1	463.7
	(1)	(421.1)
Cylinder Liners ('000 Nos.)	4	157.3
	(2)	(139.8)
Tractor Driven Agriculture Implements (Numbers)	3	6400
	(3)	(4247)
Sheep Foot Rollers (Numbers)	3	128
	(3)	(126)
Fire Fighting Equipment ('000 Nos.)	6	95.5
	(6)	(77.8)
Earth moving equipment		
Shovels (Numbers)	2	40
	(2)	(30)
Bull dozer attachment (Numbers)	2	25
	(2)	(5)
Scraper attachments (Numbers)	2	29
	(2)	(11)
Dumpers (Numbers)	1	4
	(1)	(2)
Mobile Cranes (Numbers)	1	33
	(1)	(23)
Industrial Trucks (Numbers)	1	107
	(1)	(82)

Note: Figures for 1963 are based on actuals for the first nine months and estimated production for October, November, and December.

Source: Annual Report of the Ministry of Steel, Mines and Heavy Engineering.



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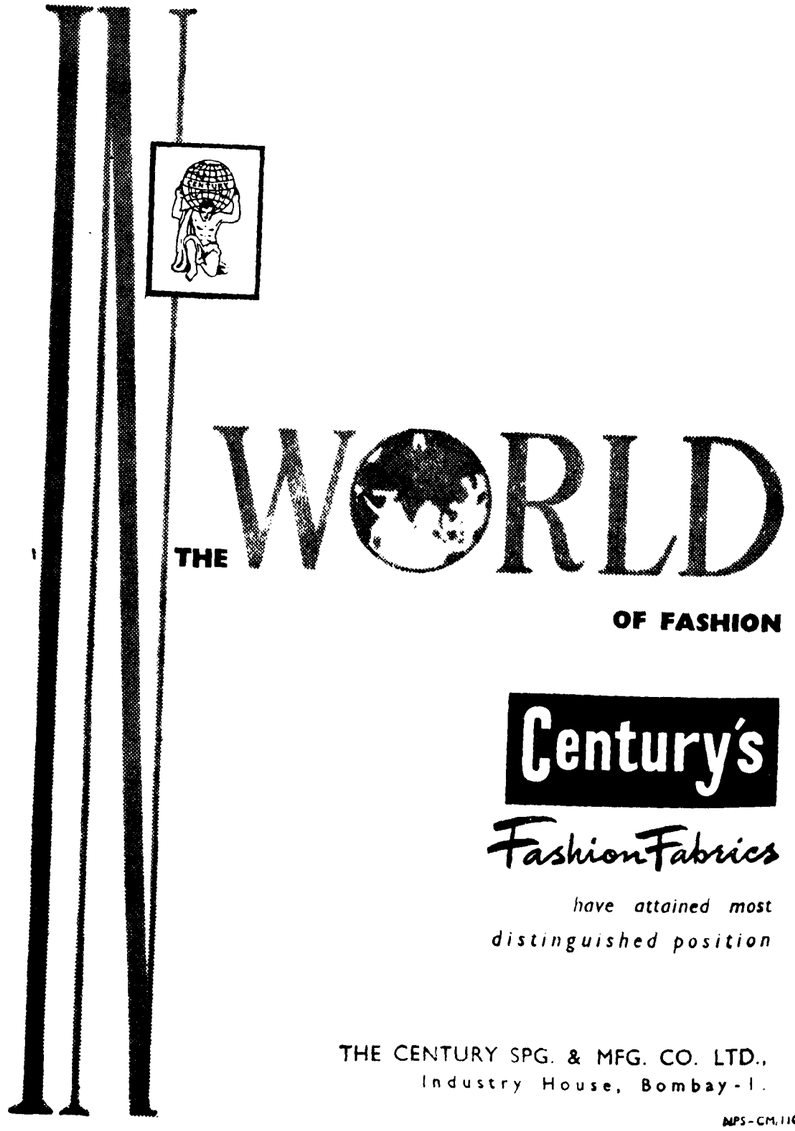
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The Elusive Dollar

A CONSTELLATION of American industrial leaders, some 40 in number, is now across the Indian skies and is surveying the business landscape below. The visit of the American group has in some quarters been described, predictably, as a "dollar invasion of India" and has been deliberately misinterpreted as part of a sinister design which the Finance Minister of India is supposed to have worked out for throwing the door of the Indian economy wide open to American monopoly capitalism. Engaging as this conceit may be, it is, however, rather remote from the truth. The visiting Americans are, of course, business men come here to do business or rather to explore business opportunities and estimate business possibilities. We may, no doubt, readily agree that they are coming here because they expect to be able to make a profit on their investment and enterprise here. We may even concede that they hope that these profits which they expect to make will be attractive. We hope, for our country's sake, that in both respects they will have no reason to be disappointed after they have seen and talked and listened in the course of their stay in the Capital and at other places which they may visit. Not very long ago the Deputy Chairman of the Planning Commission, Mr. Asoka Mehta, was telling us that "profit" should not be regarded as a dirty word, as reasonable profits were the wherewithal of economic progress — a view which the Soviet Premier, Mr. Khrushchev, has been propagating enthusiastically for some time now for the benefit of his country men. We may, therefore, readily grant that the American industrial leaders are here to see whether they can make more money for themselves by putting more money into our industries. We may even concede that it is perhaps possible to see here a possible dollar invasion. Only, we do hope that this invasion will actually take place, for the Indian economy is certainly in need of the fertilizing flow of foreign capital and know-how — and the Americans are undoubtedly the people most able and perhaps most willing as well to provide more of it. The pity is that, as it is, India's share of U.S. capital has been too low relative to the needs and prospects of her economy as well as to the investments of U.S. money in other countries of the world.

According to a survey made by the U.S. Department of Commerce, the global total of U.S. direct foreign investments in 1962 was of the order of $37 billion and out of all that vast amount, U.S. money invested in India amounted to only $196 million. The Indian share was not even significant in relation to the Asian sub-total of $2,495 million. A comparison of India with individual countries shows that in Asia, the Philippines with $374 million of U.S. foreign investments was the most favoured and was followed by Japan with $369 million, while Indonesia, despite all its political confusion and economic disorganisation, could still account for $160 million. Comparing India with some of the Latin American countries, we find that Venezuela, Brazil, Mexico, Chile, Argentina, Panama, Peru and Columbia, all have substantially larger American investments than this country. The difference will be striking even after allowance is made for the fact that oil investments accounted substantially for the larger figures in the case of some of the Latin American countries, notably Venezuela, Brazil and Columbia. Another point which may be made here is that, apart from comparisons relating to the absolute sizes, the relative increases in U.S. foreign investments in various countries have also been not greatly to the advantage of this country. Thus, while the world total of U.S. foreign investments has gone up by some $8 billion from 1959 to 1962, the increase in India was only about $62 million. In comparison, Japan had received $160 million more and Brazil $260 million more. The position, therefore, is that compared to the vast stream of U.S. capital which has gone into other national econo-

mies all over the world, that part of it which has managed to ooze into India has been no more than a trickle.

This is one side of the picture, an aspect of American foreign investments considered in their global context. The other side is that, so far as India's own rather meagre economy is concerned, even the relatively small amounts of U.S. capital which have been finding their way into this country have been able to play a large role in our industrialization and economic development. Thus, between 1948 and 1960 U.S. foreign business investments in this country have gone up from Rs 11.2 crores to Rs. 112.7 crores. During the same period the size of British capital invested in India has risen from Rs. 206 crores to Rs. 446.4 crores. Switzerland, West Germany and Japan are three other foreign countries which could be mentioned in this list. But their aggregate investments in this country in 1960 were less than Rs. 20 crores and while it is true that West German and Japanese investments in this country seem to be in a phase of steady growth, it is evident that for many many years to come the United Kingdom and the United States would continue to be responsible for the bulk of foreign investments here. Of the two, the United Kingdom, for historical reasons, has been the leader in the business. But it is now likely that the rate of growth of U.S. capital investments in this country will rise in relation to the rate of growth of British capital investment. This trend is already evident in the manufacturing industries where American capital which was only Rs. 10.8 crores in 1955, had gone up to Rs. 61.2 crores by 1960. This is to be compared with the corresponding increase in British investments from Rs 100.9 crores to Rs. 129.2 crores. Since the manufacturing sector is the one likely to expand fastest during the next phase of India's industrialization, U.S. foreign capital and know-how, which in recent years have been showing more and more interest in the new industries which are being set up or which are being contemplated, are likely to find much scope for rapid growth. It is the business of the group of American industrial leaders in this country to study the actual conditions under which this growth will take place and also consider the possible conditions under which this growth could take place at a faster rate than might otherwise be the case. More specifically, they are here to study the economic factors bearing on the investment climate and pin-point specific investment opportunities under the third and fourth Plan targets in important industries.

It would be wrong to think that the visiting group represents only American Big Business. It is true that the second largest company in the United States has sent one of its senior executives, a Director and Vice-President, but the list of visitors taken as a whole is certainly not over-weighted in favour of the U.S. industrial giants. On the contrary only 12 out of the 39 corporations participating in this visit come within the "Fortune" survey of the 500 largest U.S. industrial corporations. The point is that the composition of the visiting group has had less to do with the bigness or otherwise of the businesses represented in it than with the consideration that the group should, for obvious reasons, be representative of companies which are engaged in the manufacture of goods on the priority list of the Government of India under the third Plan. Consequently, the visitors include producers of tool and alloy steels, industrial equipment, machinery and equipment for heavy industries, fertilizers petro-chemicals, cement, machine tools and agricultural and transport equipment.

Their presence here at the present time is an impressive vote of confidence in the political and economic future of this country. It is also an encouraging assertion that the U.S. business regards the Indian economy as an attractive investment proposition which needs and deserves to be more fully explored than it has been hitherto. India, so far, has been depending considerably on foreign government assistance for its development programmes. While it will continue to be the case that such foreign aid is essential, it is also to be realistically recognised that this country cannot reasonably expect that the aid will continue indefinitely or without reductions, revisions or other uncertainties. This is because both the political and the economic climate in the aid-giving countries is being perceptibly influenced by critical attitudes. The Clay Committee Report in the United States and subsequent developments in the U.S. Congress which form the background of the U.S. President's recent decision to cut down and if possible, stabilize foreign aid programmes at levels which would accord with conservative views in Congress are events which cannot be ignored in any rational assessment of the outlook for foreign aid. While the U.S. approach is certainly of special significance in view of that country's role as a principal and the most generous provider of aid, attitudes elsewhere, as in Britain and West Germany, are also of great relevance. In Britain the tendency is to stress the limited capacity of that country in the field of foreign aid, while in West Germany the emphasis is being increasingly laid on the point that developing countries should learn to enlist more and more foreign capital investments so that they may be able to make do with less and less inter-governmental aid. This is an argument which is being heard increasingly in the United States as well and the net result of it all is that while foreign aid may continue for some time to come, it has now definitely entered its waning phase. Consequently, countries such as ours which have a need of large amounts of external resources for rapid or diversified industrialisation must work with heightened imagination and redoubled energy for attracting foreign capital and foreign private investments. Whether this position is

This issue of "Eastern Economist" carries a number of special articles and other features, including statistical information relating or relevant to the visit of a group of American industrial leaders who are currently in the country discussing economic conditions and studying investment prospects.

formally acknowledged or not, it is evident that the Government of India has rightly concluded that time should not be lost in working out a long-term strategy for stepping up the flow of foreign private capital into this country. While it is an exaggeration to say that the Finance Minister has thrown the door wide open to foreign capital — not that he should not have done so — it seems certainly to be the case that the door has been moved slightly ajar. This, at any rate, is the reading f recent trends in the Government's economic policies which seem to have been finding favour with business nd financial circles abroad and indeed one of the im-plications of the present visit of the American business eaders is that they may be persuaded to think that the economic climate in this country is now coursing in the right direction.

Here it is interesting to note that the Central Government's budget proposals have made a more favourable impression abroad than at home. Indeed, foreign commentary on the budget seems to be determined to look at the budget in the most favourable light possible. Thus the surtax proposals is being appreciated on the ground that the lowering of the rate and the broadening of the base could mean that the normal firm with a debt-equity ratio of approximately 2 : 1 will not have to worry about the surtax. Again, regarding the new 7.5 per cent tax on distributed profits, the point is emphasized that the tax will come into effect only after a firm has paid dividends of 10 per cent or less for five years and that it will apply to distributions greater than 10 per cent in any year. According to one of the assessments, the full effect of tax rate on the earnings of foreign investments, if all earnings are remitted and no surtax is due, would stand reduced as a result of the budget proposals from 62.5 per cent for favoured industries to 56.8 per cent and from 67.5 per cent or more for other industries to 65.3 per cent. Budget features which have attracted specially favourable notice are the cut in the tax rate on earnings from technical assistance rendered by a foreign firm from 63 per cent to 50 per cent and liberalizing the terms of the special tax exemption up to three years available for foreign technicians. The verdict is that, by and large, the budget proposals, to the extent that they bear specially on foreign investments in this country, have changed the investment climate for the better. But at the same time, many foreign commentators have also taken note of the fact that domestic stock exchanges and domestic business judgment generally have not reacted similarly favourably to other proposals in the budget, particularly increases in personal taxation such as the estate duty. It may be assumed that during their stay in this country, the visiting American business leaders are availing themselves of opportunities for a full discussion with both government officials and business men here on the various aspects of the budget and also on the general direction of the Government's fiscal policy.

Meanwhile, there is certainly little reason to doubt that many of the Government of India's recent actions elsewhere in the economic sphere have been wholly welcomed in the United States and elsewhere. Business men abroad, like business men in this country, have also been taking kindly to the Finance Minister's various pronouncements from time to time regarding the need for stimulating the economy and clearing the obstacles in the way of industrial expansion. The abolition of price controls on 16 commodities last December and the freeing of new ventures and expansions up to Rs. 25 lakhs from industrial licensing and capital issues control and a certain readiness on the part of the Government to consider the participation of private investors, including foreign investors in industries such as oil refineries or petro-chemicals, have been enthusiastically commented upon abroad and it has been particularly noticed with approbation that some of the consumer goods industries, such as gramophone records, groundnut butter and motion picture projection equipment have been opened for foreign collaboration agreements. In this context, a good deal of enthusiasm has been generated abroad by the Government of India's more liberal decisions in recent times in respect of equity allowed for know-how. Similarly, Indian official attitudes towards patent fees and royalty payments are considered to have greatly improved.

Foreign business circles have also been impressed with the report of the Swaminathan Committee for simplifying licensing and related procedures for new industries or industrial expansions and the decisions of the Government of India to accept and act on most of those recommendations. As one commentator puts it, in India there is always the age-old problem of time tables which are never kept and budgets which are always exceeded. Proceeding, he says: "After travelling the tortuous route to Indian investment approval, most foreign firms still find themselves facing frustrating delays and unforeseen costs before they can bring their projects to the production stage. A recent survey covering one-third of the major projects completed in 1959-62 shows that in terms of time, only 26 per cent of the companies reached the production stage on schedule and only 15 per cent made it in terms of cost. On the average, they missed their targets by eight months and 24 per cent of planned expenditures".

While it may not be claimed that the Government of India have moved so purposefully or fast in the past few months that complaints of this kind must be held to have become anachronistic, foreign observers themselves are noticing improvements in administrative attitudes and functioning where procedures relating to industrial expansions are concerned. The Government seems to realise that it is in the national interest to cut out time and cost as much as possible where industrial progress is concerned. There is also the awareness that, thanks to the Cooley Fund loans and the US Export-Import Bank credits, the collaboration of American capital and know-how with Indian business has been vastly promoted. Lately there have been indi-

cations that the Government itself has started thinking in terms of a positive policy of seeking foreign collaboration for projects which are wholly in the public sector or with which Indian private business may be associated. Here again is a fruitful direction of exploration for the visiting American business leaders. We are sure that as a result of their visit and their discussions in our country, they will return to theirs with the reasonable conviction that the Government of India and the business community here will do everything possible separately and jointly to maintain an economic climate in which foreign capital and know-how could associate itself with Indian capital and know-how for the further and full exploitation of the vast potential of growth that undoubtedly exists in the Indian economic and social order. Various studies, at home and abroad, have shown that so far as profitability is concerned the American investor, or the foreign investor generally, has had no cause for complaint with regard to returns on his investments in this country. But this is only one part of a larger attraction. American business is traditionally motivated towards mass markets, and thanks to its political stability and its long-term economic planning, this country of 460 million people, whose standards of living are rising under the stimulus of a democratic order of society, surely presents one of the richest prizes which American business or any other business could look forward to anywhere in the world. To the American business men this promise of a vast mass market of the future has always been the greatest attraction which India has held out and the strength of this attraction has never been greater than it is now.

Hopeful in Geneva

AGREEMENT ON world trade is perhaps even less easy to achieve among nations than agreement on world peace — and it might well become impossible to agree on anything at all when 1,500 individuals representing among themselves 123 countries, assemble for discussion, as they have done at the United Nations Conference on Trade and Development (UNTAD) in session at Geneva since March 23. The meetings of UNTAD will go on for some three months and from our own country at least two extremely articulate delegates have gone. It is, therefore, possible that, as *The Economist* (London) predicts, UNTAD will turn out to be a talking shop. It does not, however, necessarily follow that the Geneva marathon might, as *The Economist* fears, also end up as the most frustrating international conference to be held since the War on any economic subject. This is because the developing countries which have gone to Geneva to press for more trade with the industrially advanced countries are under no illusion about the complexity of the project. For them the mere fact that a conference has been convened to discuss how and to what extent the trade policies of developed economies should be liberalized for the benefit of developing economies is victory enough.

They are aware, moreover, that some of the issues, such as an extensive recasting of GATT or the setting up to a new organisation for world trade, on which the industrially advanced countries may have their own ideas, are not by any means highly relevant to their own specific problems or claims. From their point of view, what would really matter is agreement, on broad trade or tariff programmes which would enable the developing economies to secure better prices for their primary products from and larger markets for their manuactured products in the industrially advanced countries. Considered in these terms the Geneva confererence is unlikely to fail totally in the sense that response from developed countries cannot obviously be zero, just as it is unlikely to succeed wholly in the sense that whatever is asked by or on behalf of th developing countries is agreed to. As a matter of fac even when allowance is made for the propagandist ele ment in the gesture, the Soviet declaration on April 7 before a committee of the conference that it will abolisl all tariffs on imports from underdeveloped countrie from the beginning of 1965, has already given a limited but practical, turn to the proceedings. It is true, o course, that an offer of the kind which the Soviet Unior has made in the context of the State-controlled international trade which the Soviet Union is conducting may be more striking in appearance than it is significant in substance. But all the same, it is obvious that the Soviet announcement could be like a ripple in a pool in its ramifications.

The Soviet Union, in fact, has given spectacularly specific expression to more careful and cautious general propositions to be found in, say, the speech which Mr. Edward Heath made for Britain at the conference. Among the 10 key points which the British delegate recommended for world attention were included the removal of duties on all tropical products and on primary products imported from developing countries, the reduction of tariffs on semi-processed and processed products imported from the developing countries and the ending of internal taxes and revenue duties applying specifically to products wholly or mainly produced in the developing countries. The virtue of the Soviet proposal lies in the immediacy of the action which the Soviet Government has pledged itself to take without waiting for the conference to work out formulae. But it is surely interesting that while Mr. Heath also mentioned among his 10 points the abolition of quantitative restrictions adversely affecting the trade of the developing countries, the Soviet Union has so far shown no recognition of the fact that the kind of barter deals and bilateral trade agreements in which it believes are essentially in the nature of a quantitative control of trade.

Taken in their entirety, the Heath proposals seem to justify his claim that they "offer the greatest hope of practical progress." Actually there had been general agreement among the countries participating in GATT discussions last May on such points as that there should not be any new barriers on the trade of the less-developed countries in products which are of particular interest to them and that there should be a general movement towards the removal of quantitative restrictions and the removal or reduction of import duties as well as internal taxes and revenue duties again on products which are of significance, actually or potentially, to the export trade of developing countries. What now remains, and where UNTAD could help, is to organise institutional arrangements for formulating, programming and securing the implementation of means and measures which could concretize that agreement.

An important point made by Mr. Heath in this connection — and this is the seventh in his series of 10 — is that apart from the removal of import duties on products of special interest to the export trade of developing countries, the developed countries should further agree to expand tariff preferences to developing countries over an even wider area of the trade between the two groups. Such expansion and the arrangements of tariff preferences, however, are not to be allowed to impede the general reduction of tariffs among developed countries on which, as Mr. Heath rightly emphasizes, the continued expansion of international trade so largely depends. He, therefore, recommends that the preferences should be created not by raising tariffs against other countries but by lowering or abolishing tariffs for developing countries.

Proceeding to the exchange of preferences among the developing countries themselves, Mr. Heath has rightly viewed it in the context of the building up of regional co-operation which, as he suggests, need not be confined to formal economic units but could be flexible in co-ordinating policies and programmes in economic planning, the exploration and use of natural resources and development of industry and communications. He has also suggested that much could be done in this direction by the various regional economic commissions whose efforts the developed countries could assist in a constructive manner. We consider the Heath proposals important because they ought to correct the impression created, no doubt unintentionally, but certainly unfortunately, by an earlier speech by the US Under Secretary of State, Mr. George W. Ball, who seemed to have chosen the wrong place and the wrong time for saying the right things.

Although we do not fully share the view that the US delegate chose to adopt a far too detached and rather professorial attitude in his application to the specific purposes of the conference, there were certainly passages in his speech before the conference on March 25, which could be taken to suggest that the US Government was not too keen on providing leadership or initiative to a bold new programme for the benefit of developing countries. It is, no doubt, true that Mr. Ball did mention trade and tariff concessions and preferences to developing countries without any condition as to reciprocity. But his declaration that developed countries could help developing countries best through domestic policies of full employment and a larger rate of economic growth, however true in itself, appeared to by-pass the essential problem before UNTAD which is that one of the incidental results of world economic progress seems to be that the gap in wealth and welfare between countries which are already economically advanced and countries which are relatively backward is widening. Again, the US delegate's advice to developing countries that they must learn to sell their manufactures on a competitive basis and be able to compete not merely with other exporting countries but also with the domestic industries of the importing countries could, in the circumstances in which it was given, sound as if it were a carefully prepared defence against anticipated demands at UNTAD that developed countries should take upon themselves large and positive responsibilities for the promotion of the trade of developing countries. The American approach, to world trade sets a premium on efficiency and competitiveness and this is as it should be in any matter of business. But the problem which Mr. Ball did not seem to have fully considered is how a developing country can acquire those virtues of efficiency and competitiveness in the short period when overhead (and labour) costs are heavy and when they also urgently need a favourable trade balance. If production in developing countries could compete effectively in world markets here and now, there need have been no UNTAD. The problem at Geneva surely is how to ensure that, over a reasonable period, the developing countries are treated on a special and preferential basis so that they may be enabled, in due course, to pay their way through international trade.

One of the major issues raised on the agenda of UNTAD has already become a matter of lively debate, thanks principally to the report of Dr. Raul Prebisch, Secretary-General of this conference — a report which has rightly come to be regarded as one of the basic documents for discussion. Pointing out that more than 60 per cent of the labour forces of most underdeveloped countries are still engaged in agriculture and other forms of primary production, Dr. Prebisch says that the purchasing power of the developing countries cannot be protected in world markets unless special steps are taken to maintain the international prices of primary commodities at levels higher than those which would prevail in the absence of international regulation. This forthright declaration has had a mixed reception. While both the American and the British delegations have subscribed in principle to the expansion of commodity agreements to products other than wheat, tea, sugar and coffee which have already been thus covered, and

Mr. Ball particularly has specifically supported negotiations for such agreements on a commodity-by-commodity basis, Dr. Prebisch's suggestion that the prices should be supported deliberately at levels higher than those which would prevail in the absence of commodity agreements has been received with reservations.

The American attitude seems to be to emphasize stability of markets rather than a higher level of prices as the legitimate purpose of internationally promoted commodity agreements. Mr. Edward Heath has also pointed out that while prices should be stabilized at equitable and remunerative levels, the first essential is to secure the maximum effective demand for commodities by broadening and facilitating their access to markets. Mr. Heath as well as other speakers at the conference also pointed to the possibility of over-production in the producing countries or substitution polices in the receiving countries in the event of prices being artificially bolstered. Mr. Heath would, therefore, emphasize rather the desirability of commodity agreements aiming at providing floor prices which have the virtue of preventing the export earnings of developing countries from falling to levels which could absorb their economic development, without running the risk of retarding the development of new markets or the growth of consumption. Incidentally, the leader of the Indian delegation, Mr. Manubhai Shah, has asked for international commodity agreements on a wide range of items, but it is possible that the general response might be more limited than he expects and that Mr. Ball's formula of a "commodity-by-commodity basis" may be preferred for exploration. Meanwhile proposals for commodity agreements had been mooted from time to time for various agricultural products as well as for cocoa, cotton, rubber, lead, zinc, copper and textiles.

An opportunity for an interesting intellectual exercise has been provided by the suggestion made in Dr. Prebisch's report that an as alternative or as a supplement to a series of commodity agreements there could be a scheme for "compensatory finance" under which the developed countries could jointly provide additional foreign exchange resources to developing countries to compensate the latter for any deterioration in terms of trade due to fall in the prices of primary products. The French seem to have somewhat different ideas. The Baumgartner-Pisani plan thus favours a system of price support to imports of primary products by richer countries on the same lines as the latter adopt for stabilising internal agricultural prices. International commodity agreements between interested countries could fix import prices at levels near to internal (USA and EEC) prices. This will raise import prices and reduce the gap between national and international prices. The margin or "prelevement" thus derived will be gathered at the point of import and returned to the exporting country's government which could then utilize the funds for development. Several exporting countries could jointly administer the "prelevement" fund on a regional basis also.

Two advantages are claimed for the French scheme. Since the "prelevement" will be returned to the government of the exporting country and not the individual exporters, the temptation to over-production will be eliminated, the assumption, of course, being that the government of the exporting country for its part will accept the obligation not to boost production deliberately in excess of effective world demand. Secondly, the scheme would provide the developing countries with substantial revenue in foreign exchange which could be ploughed into the development programmes of those countries. Reactions of industrially advanced countries to these and similar suggestions will certainly stimulate debate in Geneva. Meanwhile, Mr. Heath, on behalf of the United Kingdom, has been politely, but reservedly, receptive to the Prebisch proposal for "compensatory finance". He has suggested that it should be possible to ensure that the general foreign aid programmes of developed countries provide for the special needs of developing countries resulting from deterioration in terms of trade.

UNTAD's interest in new schemes and new institutions is thus evident. Equally evident is the interest shown by some of the participants in destroying at least one of the existing institutions, to wit, GATT. The Soviet Union and other Communist countries have made no secret of their desire to see GATT ended. Rather predictably, the reaction of the Western countries has been to stand by GATT, although Mr. Heath has guardedly conceded the desirability of GATT evolving into a more effective instrument for dealing with trade problems of the developing countries. Mr. Manubhai Shah, on behalf of the Indian delegation, has also had his say. While allowing that the UNTAD should "strengthen and extract the maximum work from existing organisations, such as GATT", he has demanded radical changes in the constitution of GATT and specifically suggested that it should widen its membership by including the East European countries. This, however, raises the question whether wholly state trading Communist economies, for their part, have any use for the discipline and processes of GATT. It is perhaps easier to support Mr. Shah's other argument that the World Trade Conference should convert itself into a continuing permanent body under the UN with its own independent and full-time secretariat, but a decision could usefully be taken on this matter only after some progress has been made during the current Geneva talks in the direction of agreement on such specific steps as could be taken early to enlarge the trading opportunities available to developing economies. The immediate task, in other words, is not to set up (or quarrel over proposals for) new international organisations but to agree on early national action of a concrete character at least in a few limited areas along the lines of the Soviet declaration that it would not tax exports from the developing countries from the beginning of next year.

Highlights of the Week

STRICTLY ON BUSINESS

FORTY AMERICAN business men headed by Mr. Franklin D. Roosevelt Jr., U.S. Under-Secretary of Commerce, arrived in New Delhi on Sunday, April 12, to confer with government and business leaders. Mr. Jack Behrman, U.S. Assistant Secretary of Commerce for International Business, accompanies the group, which has for its Chairman, Mr. J. R. Galloway, Vice-President of the Union Carbide Corporation. The visit is sponsored by the Business Council for International Understanding, a non-profit organisation representing 36 major U.S. companies with international interests. The visiting group itself comprises senior executives of 27 U.S. corporations many of which are already participating in Indian industry. The purpose of the visitors is to determine how foreign private investment can help India's economic growth and the theme of the visit is "Investing in India". In the week following their arrival, the American business men have been having a very busy schedule of meetings sponsored by the Indian Investment Centre. They have met the Minister of Finance and key officials of the Finance Ministry as well as Secretaries of other economic Ministries and Departments and have had discussions with, Mr. C. Subramaniam, the Minister for Steel, Mines and Heavy Engineering and Mr. Asoka Mehta, Deputy Chairman of the Planning Commission. The group has also conferred with the Federation of Indian Chambers of Commerce and Industry and also with another group of Indian industrialists at a get-together which was presided over by the President of the Associated Chambers of Commerce.

The broad aim of these discussions has been for the American business leaders to get acquainted with the general investment climate in this country as well as with the more or less specific intentions of Government and Indian business regarding the starting of new industrial ventures in which American private capital and know-how might find scope for participation. The visitors have apparently been seeking official clarification on those aspects of industrial policy, fiscal measures or administrative procedures which might bear upon American investments in or collaborations with Indian industry. Since these discussions have not been open to the Press, it is not proper to speculate in detail on their details, but it can be stated that the general effect of these conferences has been, in the first place, to acquaint the visitors with the incentives and facilities which are open to foreign investors in this country and secondly, to persuade them that both Government and business here would willingly co-operate in further measures for promoting greater foreign interest in India's industrialisation.

The visitors for their part have been far from slow in reciprocating the interest shown in their mission. Mr. Roosevelt Jr., for instance, addressing a well-attended press conference on April 13, responded enthusiastically in the affirmative when asked if he thought that there was a favourable climate for American investment in India; Mr. Roosevelt's actual words were: "Very definitely, yes." He said that this favourable climate had been brought about by recognition by the Indian Government of the need for rather large injections of private investment to speed up expansion and development. According to him, the development needs of India far exceeded the possibilities of strictly government-to-government aid and there is a large role for private investment, private management and private technical know-how to perform in the development and growth of India. As to the immediate objective of the American business men's visit, Mr. Roosevelt explained that the delegation hoped to get a clearer understanding of the Government of India's policy concerning foreign private investment. "We will explore jointly", he added, "the steps which would be taken to facilitate the flow of investment capital". The American group will also examine more closely specific proposals of the Government of India for American collaboration. In this connection, it is interesting to note that the group has already discussed with panels of government officials on particular industrial programmes, such as those for fertilizers, petro-chemicals or engineering goods.

Although the visit of the American business leaders has been arranged on the initiative of U.S. business, the significance which the U.S. Government attaches to it is evident from the active and positive association of the U.S. Embassy here with the organisation and progress of the visit. Apart from Ambassador Chester Bowles himself, who has taken a prominent part in promoting this visit, senior officials of the U.S. Embassy, such as Minister-Director C. Tyler Wood of the U.S. Agency for International Development, Mr. Leonard Weiss, Counsellor for Economic Affairs, and Mr. James S. Lanigan, Counsellor for Commercial Affairs, have been working hard both in preparing the ground for the visit and by giving briefings to the visitors after they had arrived. The interest shown particularly by Ambassador Bowles and Mr. Lanigan was gracefully acknowledged by Mr. Roosevelt Jr. in the remarks prefacing a speech which he delivered following a dinner on April 13, in honour of the visitors, given by Mr. Chester Bowles at the Roosevelt House, official residence of the U.S. Ambassador.

The composition of the visiting American group and the industrial interests of its constituents are as follows:

Company	Representative(s)	Industry
Abbey Etna Machine Co. Perrysburg, Ohio.	Nelson D. Abbey, Jr. President.	Steel Tubes.
Allied Chemical Corp., 40, Rector Street, New York, N.Y.	William Winfield, President, Int'l Div. David A. Climan, Director, Foreign Finance.	Fertilizer.
American Cement Corp., Packard Building, Philadelphia, Pa.	Robert Wolfe, Vice-Chairman.	Cement.
Arwood Corporation, 321 W. 44th Street, New York. N.Y.	Rawson Wood, Chairman.	Investment castings.
Bechtel Corporation, 220, Bush Street, San Francisco, Calif.	R. M. Dorman, Vice-President, Asia.	Heavy Engineering and equipment.
Beloit Corporation, Beloit, Wisconsin.	Harry C. Moore, President. H. E. Tower, Treasurer.	Pulp & paper making equipment.

Company	Representative(s)	Industry
Brown & Sharpe Mfg. Co., Providence, R.I.	Charles M. Evans, Director Foreign Marketing. (Local Representative to be named)	Machine Tools.
Deere & Co., 1325, Third Avenue, Moline, Ohio.	Frank McGuire, Vice-President	Agricultural equipment.
Dow Chemical Co., Midland, Mich.	Elmer Stilbert, Vice-President, Int'l. Robert Forsythe, Far Eastern Manager.	Petrochemicals.
Farrel Corporation, 25, Main Street, Ansonia, Conn.	Franklin R. Hoadley Jr., Manager, Int'l. Operations. R. M. Mueller, Chairman, Australian Subsidiary.	Heavy machine tools.
Ferro Corporation, 4150, East 56th Street, Cleveland, Ohio.	H. T. Marks, President.	Industrial finishes.
Firestone Tire & Rubber Co., Akron, Ohio,	Elton H. Schulenberg, Executive Vice-President, Finance.	Rubber products.
Goodrich-Gulf Chemicals, 1717, East 9th Street, Cleveland, Ohio.	D. L. Mathews, President.	Petrochemicals.
International General Electric Corp. 159, Madison Avenue, New York, N.Y.	George Doughman, Vice-President & Manager-Producer Goods	Electrical equipment.
International Minerals & Chemical Corp., Old Orchard Road, Skokie, Illinois.	Charles S. Dennison, Vice-President, Overseas Development.	Fertilizer.
International Telephone and Telegraph Corp., 320, Park Avenue, New York, N.Y.	John G. Copelin, Vice-President, for Banking Relations, (Mrs. Copelin).	Communications.
Kaiser Industries Corp. Oakland, Calif.	Leonard Schwartz, Assistant to President.	Engineering.
Koppers Co. Inc., 430, 7th Avenue, Pittsburgh, Pa.	George W. Naylor, Vice-President, Int'l. (Mrs. Naylor). Paul M. Mueller, Manager, Asian Operations.	Engineering & Steel Mill equipment.
Mack Trucks Worldwide Ltd., 350, Fifth Avenue, New York, N.Y.	Carl Giese, President. A. F. Kellerman	Transport equipment.
Mobil Chemical Co., 150, East, 42nd Street, New York, N.Y.	C. Coleman Fisher, General Manager, Int'l. Agricultural Chemical Dept. H. A. Hilgendorf, Area Development Specialist.	Fertilizer.
National Forge Co., Irvine, Pa.	Alfredo Rau, General Manager, Int'l. Operations.	Forgings.
Standard Oil of California, San Francisco, Calif.	T. G. Hughes. President of California Chemical Co.	Fertilizer.
Standard Oil Co. (New Jersey), 15W. 51st Street, New York, N.Y.	Willem Holst, Director and Vice-President, Esso Standard Eastern. James E. Lewis. Clayton B. Thomas	Oil Processing.
Union Carbide Corp., 270, Park Avenue, New York, N.Y.	J. R. Galloway, Vice-President, Int'l. (South-East Asia). D. P. Natia, Director, Union Carbide, (India).	Batteries and Petrochemicals.
Van Camp Sea Food Co., 840, Van Camp Street, Long Beach, Calif.	Gilbert Van Camp, Jr. President. Harold F. Carey, Assistant to President	Food Processing.
Westinghouse Int'l. Pittsburgh, Pa.	Jose de Cubas, President, Int'l.	Electrical equipment.
Wyman-Gordon Co., Worcester, Mass	Sacket R. Duryee, Vice-President and Treasurer. J. P. Kaszarek, Managing Director, (India)	Forgings.

FIVE WISE MEN

THE GOVERNMENT of India have announced the appointment of a Commission of Enquiry into monopolies and concentration of economic power in India. Constituted under the Commissions of Enquiry Act, 1952, it is headed by Mr. K. C. Das Gupta, Judge of the Supreme Court of India. The Commission is expected to submit its report to Government by October 31, 1965.

The members of the Commission are: Mr. G. R. Rajagopaul, at present Officer on Special Duty, Ministry of Law; Mr. K. R. P. Aiyangar, at present Chairman of the Tariff Commission; Mr. R. C. Dutt, Chairman of the Company Law Board, and Dr. I. G. Patel, formerly Chief Economic Adviser to the Government of India. Mr. Dutt and Dr. Patel will be part-time members. Mr. V. Satyamurti, at present Deputy Secretary, Company Law Division, Ministry of Finance, is Secretary of the Commission.

The Terms of Reference to the Commission are:

(a) to enquire into the extent and effect of concentration of economic power in private hands and the prevalence of monopolistic and restrictive practices in important sectors of economic activity other than agriculture with special reference to —

  (i) the factors responsible for such concentration and monopolistic and restrictive practices;

  (ii) their social and economic consequences, and the extent to which they might work to the common detriment; and

(b) to suggest such legislative and other measures that might be considered necessary in the light of such enquiry, including, in practicular, any new legislation to protect essential public interests and the procedure and agency for the enforcement of such legislation.

The Commission may also report on any other matter bearing on any aspect of national economy or functioning of the private sector and financial institutions that it may deem necessary to look into in connection with the foregoing terms of reference.

A Gazette of India Extraordinary says that the Commission has been appointed in order to secure that the development of the economy in the crucial years ahead is in keeping with the Directive Principles of State Policy contained in Article 39 of the Constitution of India. Under the Article, the State is required to direct its policy towards securing that the ownership and control of the material resources of the community are so distributed as best to subserve the common good and that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

A copy of the Gazette of India Extraordinary Notification was laid on the Table of Lok Sabha by the Finance Minister on April 16.

SHEIKH AT LARGE

THIS HAS been a week of endless talking all round and if there is any method in all this madness, only God — and Sheikh Abdullah — may know about it. The latter's conduct, indeed, has been a plague on his friends and a problem for all others. On April 8, the conspiracy case against Sheikh Abdullah and 13 others was withdrawn by the State Government and the 14 were declared free men. The town of Jammu gave the discharged accused a most generous welcome and on the following day, Sheikh Abdullah responded by starting on the first instalment of his various statements which are making many wonder whether the Government of India has acted wisely in releasing him or whether he is using wisely the freedom which has come to him. At a Press conference at Jammu on April 9, Sheikh Abdullah started no doubt well with a promise to himself as much as to anybody else that he would make no categorical statement about the future of Kashmir until he had had time to consult his friends and people, "especially my dearest comrade and colleague, Mr. Nehru". Perhaps he might have kept that promise had he come to the Capital promptly in response to the Prime Minister's invitation. But for reasons best known to him or perhaps to his advisers, Sheikh Abdullah decided that he would not meet Mr. Nehru until after Id. In any case, later on that very day, he addressed a public meeting at which he certainly did think aloud about the future of Kashmir, graciously allowing that, if it was considered that a plebiscite might cause difficulties, other avenues, including what he described as "genuinely free and fair elections", could be explored for determining the wishes of the Kashmiri people.

Advice and Dissent

There came two more speeches on April 10, and by that time it had become apparent that Sheikh Abdullah was fast making up his mind that only what was good for Sheikh Abdullah would be good for Kashmir. Declaring that he would not be deterred by kicks nor won over by kisses, Sheikh Abdullah lost no time in setting himself up as the grand arbitrator who, no doubt, would condescend to hear what India or Pakistan or even perhaps the people of Kashmir might have to say but whose final verdict would, nevertheless, be determined by what he himself thought to be to the good of India and Pakistan and the people of Kashmir. It was, indeed, amusing — this hurry with which Sheikh Abdullah, paying lip service to the right of the Kashmiri people for self-determination, set out to assert that there was no Kashmiri who mattered, barring himself. Bakshi Ghulam Mohammed was denounced in anger and the present Premier, Mr. G. M. Sadiq, was dismissed with contempt. And then he proceeded to inform the flustered people of Jammu and Kashmir that he would welcome an opportunity to discuss the Kashmir question with President Ayub Khan of Pakistan, the reference here being to the Pakistan Foreign Minister's public statement a few days earlier that he or President Ayub would be happy to confer with Sheikh Abdullah.

It was evident that New Delhi could not continue to ignore all this indefinitely, especially as Sheikh Abdullah had embarked on a triumphal tour of the State for the purpose of reviving his political position and building up public support for his plans. Thus it was that when Mr. Lal Bahadur came to intervene in the debate on the demands for the External Affairs Ministry in the Lok Sabha on April 11, it was almost inevitable that he should enter a firm caveat against Sheikh Abdullah arrogating to himself "freedom of preaching of some kind of independence or getting out of the Union". Recalling an earlier observation of the Prime Minister that the Government was taking a "calculated risk" in deciding to release Sheikh Abdullah, Mr. Lal Bahadur reassuringly stated that "the Government is strong enough to deal with any situation" and also reiterated that the Government stood wholly firm on the point that the accession of Kashmir to India was irrevocable. Significantly, Mr. Lal Bahadur addressed a piece of long-distance advice to Sheikh Abdullah that the latter had better exercise care while speaking on "important matters"; Sheikh Abdullah would have full liberty to indulge in normal

political activity, but he had not been given, nor would be given, a licence to propagate independence for Kashmir.

The Prime Minister in his references to this matter in the Lok Sabha on Monday, April 13, was more circumspect in the sense that, while describing Sheikh Abdullah's reported statements as "unfortunate", refused to be drawn into a discussion of them at the present time since he hoped to meet Sheikh Abdullah soon for discussions. There was, however, little hesitation or reservation on Mr. Nehru's part when it came to the question of dealing with doubts or speculation about any possible change in India's stand on Kashmir. The Prime Minister declared categorically that the Indian stand on Kashmir, as stated by Mr. M. C. Chagla recently before the Security Council, continued to hold good.

Meanwhile, Sheikh Abdullah had not lost time in retorting to Mr. Lal Bahadur's suggestion that the least said was soonest mended. Taking this advice to be an attempt to silence him by threats, Sheikh Abdullah, addressing a public meeting at Bhadarwah, on his way from Jammu to the Kashmir Valley, dared those who would not have him declare his convictions or principles to rearrest him, but he nevertheless thought it prudent to maintain that he had never pleaded for the independence of Kashmir and that Mr. Lal Bahadur was not right in attributing such views to him. His own explanation was that his speeches had not been correctly reported But he did no fail to emphasize at the same time that he could not be shaken in his view that the Kashmir dispute should be settled to the satisfaction of India, Pakistan and Kashmir in accordance with Kashmir's wishes. Sheikh Abdullah, in other words, continued to maintain that he had not accepted, and was not going to accept, Kashmir's accession to India as a closed question. Significantly, his comrade in the conspiracy case, Mirza Afzal Beg, was busy annotating all the time. India, he said, had gone back on what he described as its solemn pledge of a plebiscite. It is on this note, viz., that the Government of India has betrayed the people of Kashmir, that Sheikh Abdullah and his advisers seem to be planning to conduct their re-entry into the politics of the Valley.

MORE TALK SOON

IT SHOULD be tempting to conclude that the Nanda-Habibullah talks which ended on April 11, had failed, but it would be wrong to do so. Let Pakistan's Home Minister speak. At Rawalpindi on April 14, Mr. Habibullah Khan said that a large measure of agreement had been reached on the issue of restoring communal harmony and establishing security and confidence in the minds of minorities. This, in his opinion, was a substantial achievement for both sides. Listing the steps that the two Governments had agreed to in this regard, Pakistan's Home Minister mentioned that both Governments had undertaken to restore communal harmony and establish a climate which would instil security and confidence in the minds of minorities. The two Governments have also made a firm commitment to take stern measures to prevent recurrence of communal riots. While these are certainly substantial achievements, the fact cannot be ignored that the recent talks have failed to settle two of the most controversial issues, one of which related to the eviction from Assam of persons claimed by India to be infiltators from Pakistan, but described by the Government of Pakistan as Muslims of Indian nationality. The second un-resolved dispute was the extent to which facilities were to be granted for the migration of minorities.

On the eviction question Pakistan demanded that a tripartite tribunal, of an "international" character, should be set up to examine the evidence in individual cases of evictions ordered by the Indian Government. The Indian Home Minister, Mr. Nanda, expressed his inability to accept this demand on the ground that no international tribunal could be allowed to sit in judgment on Indian Law and judicial processes in the determination of Indian citizenship. He, however, suggested that opportunities might be given to Pakistan to satisfy itself that the procedures followed in this country were legitimate and fair. As regards facilities for migration, India has pleaded that those who wanted to cross over into India from East Pakistan as a result of the communal tension, should be given facilities to do so, including permission to carry with them their liquid assets. The Government of India on its part, would, it was said, be willing to extend similar facilities to those wanting to move in the opposite direction. The Pakistani reaction has been that such an arrangement would amount to a programme for exchange of populations and could, therefore, not be contemplated. These and other matters relating to communal harmony in the subcontinent and the security of minority communities are to be discussed further at another ministerial level meeting between the two countries. It has been agreed that this round of talks will be held in Pakistan and it is expected that it will take place early in May.

Nehru Looks Ahead

The Nanda-Habibullah talks seem to have made a profound impression on the Prime Minister's mind. In his reply to the debate in the Lok Sabha on the E A. Ministry's demands for grants, the Prime Minister took time off from a contemplation of the present distempers, to look ahead into the future of both India and Pakistan. He spoke movingly of the inevitability in the long run of India and Pakistan learning to live together as good neighbours. In a touching passage he said that he would have liked to say that India and Pakistan should come together even "constitutionally", but then he did not wish to cause any annoyance to the authorities in Pakistan. But keen as Mr. Nehru's awareness of the urgency and importance of Indo-Pakistan amity was, he was in no mood to make light of the depth of the dissonance which is keeping the two countries apart. Hope struggling with frustration, he said at one point that perhaps a new generation would be needed, particularly in Pakistan, before the conflict between the two countries was resolved, well and truly. According to him, an explanation of this conflict must be sought in the hatred and fear complex that were bedevilling Indo-Pakistani relations. Kashmir, he allowed, was an element in the dispute. But the Kashmir issue, he maintained, would have been solved long ago, but for Western help to Pakistan in keeping the dispute alive.

YOUR ATTENTION PLEASE

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New Delhi-1.

FROM THE PRESS GALLERY

Foreign Policy Assailed

By Our Parliamentary Correspondent

NEW DELHI:

WITH THE Opposition assailing the foreign policy of the Union Government, the debate on the budget demands for the Ministry of External Affairs obviously stood out as the highlight of the last week's proceedings in the Lok Sabha. In all, demands for grants for four Union Ministries — External Affairs; Steel, Mines and Heavy Engineering; Community Development and Co-operation; and Works, Housing and Rehabilitation — were voted by the House during the week.

Acharya Kripalani's, who showed his open dislike for the non-alignment policy pursued by India even after the 1962 unhappy experience on the northern border, was apparently the most hostile attack. He was supported by almost all the Opposition members who participated in the debate, in his allegation that pursuance of this policy had left India without friends even among the neighbouring countries. The assiduous attempts made by the Union Minister without Portfolio, Mr. Lal Bahadur Shastri, who intervened in the debate before the Prime Minister replied, could hardly satisfy the Opposition in this regard. Dr. Ram Manohar Lohia pointed out that the basic issue in the world was the difference between the developed and the developing nations which fell into the pattern of whites and non-whites. He took the Government to task for not being able to meet the challenge of China which was identifying itself with the coloured population of the world. There was a general demand for improvement in external publicity so that the propaganda tirade of Pakistan and China could be effectively encountered. The wisdom of releasing Sheikh Abdullah was again questioned by many, even more vociferously because of Sheikh's utterances after his coming out of jail.

The Communist spokesmen urged upon the Government to have an early settlement with China on the border issue. But Mr. R. K. Khadilkar's suggestion that negotiations should be started even without China accepting the Colombo proposals fully, raised many eye-brows. He failed to get support, as could be expected, even from his own partymen — Congress members. This was evident from the categorical assertions the Prime Minister and the former Minister for Defence, Mr. Krishna Menon, made to the effect that India could go to the conference table with China only if the latter fully subscribed to Colombo Proposals.

Firm Stand

Mr. Lal Bahadur Shastri's expression of pain and amazement at Sheikh Abdullah's utterances failed to convince the House. But his forthright declaration that nobody would be permitted to make propaganda for the independence or secession of Kashmir was hailed. Both Mr. Lal Bahadur Shastri and the Prime Minister firmly reiterated the Government's stand on Kashmir, as made clear to the Security Council, and asserted that the accession of Kashmir to India was irrevocable. The Prime Minister emphasised that India wanted cordial relations with Pakistan and regretted the attitude of Western Powers towards the Kashmir issue, especially after Pakistan's hobnobbing with China.

The debate on the demands for grants for the Ministry of Steel, Mines and Heavy Engineering was notable for the anxiety expressed by members over the growing indiscipline among workers of the public sector undertakings. It was suggested that in the interest of promoting better labour-management relations, adequate production incentives should be provided expeditiously. The two other important points made were: (1) there should be a 15-year perspective plan to develop heavy and basic industries; and (2) greater coordination should be effected between industry, education and research. Many members also stressed the need of bringing down costs of production in the public sector enterprises. One of the principal factors responsible for high costs, it was alleged, was employment of excess labour. Replying to the debate, the Minister, Mr. C. Subramaniam, stressed the need for political parties disassociating themselves from trade unions. Industrial production, he opined, could not progress as long as trade union activity remained political activity in the guise of trade unionism.

Mr. Subramaniam and his colleague Mr. P. C. Sethi, presented a reassuring picture of steel production and hoped that output from the existing facilities would go up by 10 to 15 per cent as a sequel to launching of a crash programme for better utilization of raw materials. Production in the heavy industries, they said, was picking up. About Bokaro, Mr. Subramaniam said, all the preliminary steps, such as acquisition of land, construction of a township and preparation of the project report by the consultants, had been initiated. A number of friendly countries had expressed active interest in financing various parts of this project (speaking at the inauguration ceremony of the fourth coke-oven battery at Bhilai on April 13, Mr. Subramaniam revealed that the Soviet Union had also shown interest in the Bokaro Plant). Global tenders would be issued soon after June

Amalgamation of Mines

About accumulation of coal stocks at the pit-heads, Mr. Subramaniam said that it was only a temporary phase and did not warrant curtailment of coal production programmes. In regard to amalgamation of coal mines, he stated that this process had not proved any great success so far because amalgamation was being done on voluntary basis only. He hinted that it might become necessary to bring legislation to make amalgamation of uneconomic collieries compulsory.

Mr. Subramaniam also disclosed that the Government was thinking of appointing an experts committee to go into the question of how improvement could be effected in the working of the Geological Survey of India and the Indian Bureau of Mines.

The debate on the demands for grants for the Ministry of Community Development and Co-operation was only a dull affair. Although there was almost a unanimous support for expansion of the activities of this Ministry, concern was expressed over excessive official control on both the community development and co-operative movements. The working of panchayats too came in for severe criticism on the ground that these institutions were competing with those at higher levels. Allegations were as well made of factionalism in panchayats and laxity in auditing of their accounts. In his reply to the debate, the Minister, Mr. S. K. Dey, disclosed that with a view to making the Panchayati Raj a national movement and for ensuring for it the support of all the sections of the community, he intended to form a Consultative Committee for his Ministry to suggest the lines along which this movement should be developed. The Consultative Committee would have as its members representatives of all the political, social and economic groups. He further stated that the question of elections to panchayats was already being studied by a Committee and the Auditor-General had agreed to depute a special officer to improve the accounting proce-

dures of panchayats and co-operatives. Special measures, he said, would be taken to strengthen the co-operative movement so as to make it an effective instrument for improving the economic condition of the weaker sections of the society. He hoped that a start would soon be made with development of piggery and poultry co-operatives. He revealed that the Home Ministry had decided to place a sum of Rs. 8 crores at the disposal of the Co-operative Department to assist Scheduled Castes and Tribes.

Held under the lengthening shadows of refugee influx from East Pakistan and on the eve of India and Pakistan Home Ministers' Conference, the discussion on the demands for grants for the Ministry of Works, Housing and Rehabilitation, inevitably centred round the plight of the migrants from East Bengal and the atrocities committed there on Christians, Buddhists and Hindus. Despite the fact that only a day earlier the House had expressed its deep feelings and anguish over the fate of minorities in East Pakistan, the members who participated in this discussion spoke with unabated passion. The Government was cautioned that it should be prepared for even a more massive influx of refugees and to tackle the issue effectively it should set up a separate Ministry for rehabilitation.

Remission of Loans

Passing references, of course, were made to the problem of rural and urban housing and one Opposition member bitterly criticized the rampant corruption in the Central Public Works Department. The Minister, Mr. Mehr Chand Khanna, in his reply, revealed that the Government had decided to remit loans totalling Rs. 50 crores given to displaced persons in the eastern region and another grant of Rs. 15 crores had been made for solving the other residuary rehabilitation problems in West Bengal. He announced that no refugee in the eastern region would be required to repay loans upto Rs. 1,000. Those who had been given loans in excess of this amount would be required to repay not more than Rs. 2,000. No interest would be collected on the loans so remitted. He also announced that any person who had come to India from East Pakistan after January 1, 1964, would be entitled to benefits of relief and rehabilitation measures. Restrictions on intending migrants, the Minister further stated, were also being liberalised and measures were being taken to strengthen the rehabilitation departments both at the Centre and in the States. That the Union Government is deeply exercised over the influx of refugees from East Bengal is evident from the fact that a new full-fledged Ministry of Rehabilitation has been created this week under the charge of Mr. Mahavir Tyagi.

Correction: While commenting on the debate on the budget demands for the Ministry of Food and Agriculture in this Journal on April 3, 1964, it was stated that the Minister for Food, Mr. A. M. Thomas, expected this year's wheat output around 11 million tonnes. The full text of the Minister's speech, however, reveals that Mr. Thomas mentioned this figure either in general terms or in connection with last year's production. The estimate of this year's wheat crop is expected only in May or June. The error is regretted.

Question Hour

TISCO Loan: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, told the Lok Sabha on April 10 that as a sequel to partial decontrol of steel, a favourable situation had arisen for the realisation of the Rs 10 crore loan given by the Government to the Tata Iron and Steel Company. Interest to the tune of Rs. 2/3 crores had also accrued on this loan. The Government was negotiating with TISCO the terms of repayment of the loan. Mr. Subramaniam added that there was no proposal at present under the consideration of the Government for converting the loan into equity capital.

Generating Sets: Mr. Subramaniam also informed the House on April 10 that the requirements of generating sets for power projects were mostly planned to be met by the public sector projects at Bhopal, Hardwar, Hyderabad and Tiruchi.

HEL Shut-down: Mr. Subramaniam told the Lok Sabha on April 8 that the shut-down of the State-owned Heavy Electricals Ltd., Bhopal, ordered a few days back, was being lifted gradually. He reiterated that the trouble at the factory arose because of recognition sought by one of the unions. Officially this union had not affiliated itself to any of the all-India organisations, but there appeared to be great attachment between it and the Communist Party.

Newsprint Manufacture: The Minister for Industry, Mr. Nityanand Kanungo, stated in the Lok Sabha on April 10 that with a view to augmenting the supplies of newsprint from indigenous sources, two private parties had been licensed to manufacture 90,000 tonnes of newsprint per annum and the existing newsprint mill at Nepanagar had been permitted to expand its capacity from 35,000 tonnes to 75,000 tonnes. A letter of intent had also been issued to another private party to establish a paper-cum-newsprint plant.

Khetri Copper Project: The Union Minister for Finance, Mr. T. T. Krishnamachari, disclosed in the Lok Sabha on April 9 that the Khetri Copper Mining Project, in Rajasthan, could not be implemented so far because of some technical difficulties. The Government, however, was looking into the matter. Once the technical difficulties were removed, the necessary finance for the project, including foreign exchange, would be found.

Sindri Fertilizers: The Minister of State for Petroleum and Chemicals, Mr O. V. Alagesan, stated in the Lok Sabha on April 8 that the new ammonia plant at the Sindri Fertilizer Factory was working quite satisfactorily but on a reduced load. Both in the gas reforming and the new ammonia plants spare equipment had not been provided and this resulted in 50 per cent reduction in production whenever any equipment was taken out for maintenance. Production of ammonia from the new plant, therefore, was limited to about 38,000 tonnes a year. Steps were being taken for installing two more producers in the lean gas plant to make up the shortfall in gas requirements of coke oven. With the installation of necessary spare equipment, it was hoped, the new ammonia plant would be able to work to its full capacity.

Sugarcane Cultivation: The Minister for Food, Mr A. M. Thomas, told the Lok Sabha on April 7 that a scheme for intensive sugarcane cultivation around sugar factory areas had been taken up for implementation in U.P., Bihar and Punjab. The scheme was expected to cost Rs. 1.44 lakhs per sugar factory every year. The cost would be shared equally by the Central and the State Governments and cane growers and sugar factories.

Rail Electrification: The Deputy Minister for Railways, Mr S. V. Ramaswamy, told the Lok Sabha on April 7 that the Union Government had turned down the Andhra Pradesh Government's proposal for electrifying the Hyderabad-Kurnool railway section. Adequate line capacity, he said, could be provided for the present on this section by taking cheaper measures other than electrification.

Brahamputra-Ganges Link: The Minister for Irrigation and Power, Dr. K. L. Rao, told the Lok Sabha on April 9 that a project to link the Brahamputra with the Ganges was under investigation. He, however, could not say when this scheme would be undertaken for execution. Dr Rao added that it was the intention of the Government to link, if possible, all the waterways in the country.

A Partnership of Common Ideals

FRANKLIN D. ROOSEVELT, Jr.

This is the text of remarks prepared for delivery by Mr. Franklin D. Roosevelt, Jr., U.S. Under-Secretary of Commerce, at Roosevelt House. The occasion was a dinner given by Ambassador Chester Bowles, on Monday, April 13, in honour of 40 visiting American business men. The dinner marked the culmination of the first day of discussions on foreign investment opportunities in India, a week-long programme sponsored by the Indian Investment Centre.

IT IS a great pleasure for me to be here in India — it gives me a chance to pay homage to a great nation and to do so for the simple reason that my country would not have been discovered had it not been for Christopher Columbus' consuming desire to get to India. Therefore, it can be said that India, being a land of great opportunity, directly led to the discovery of another land of opportunity.

But let us consider just what opportunity is for a moment. There is a considerable and sometimes painful difference between being a land which has a high potential for opportunity and being a land which provides opportunity for the individual. I say painful, because both India and the United States went through the transition from the one to the other. The similarities between India and the United States extend also to their colonial status under British rule and their drive for independence. Whether the great ideals behind such a struggle are symbolized by a general leading his men across the frozen Delaware River or by a great and wise man sitting at his spinning wheel, the desire for freedom and for individual opportunity is the same.

My father long had the deep conviction that India had the right, the will, and the power to participate in the future by her own use of her own great resources. The general acceptance of this belief by others, as is usual with such visions, was a long time in coming.

I am here today as part of that continuing belief. My father's faith in the future of India and my mother's great devotion to its people were, I believe, representative of the close relations that are possible because of similar interests, similar history, a similar view of the rights of man, and a similar vision of the future of a free people.

With roots in colonialism, both countries made a democratic advance towards independence. Both our countries have gone through a transition from being groups of economically separate states to being a federated political entity encompassing a single and common market. In the early stages of our independence we both espoused foreign policies based on "no entangling alliances." Both our countries have, by their progress and by their potential, had hemispheric leadership thrust upon them. Both seek to mobilize their resources, human, physical, and ideological, to meet the challenges of such leadership.

Individual Opportunity

It is the cultivation of these resources that makes the history of a land of individual opportunity. As President Woodrow Wilson once said, "America is a name which sounds in the ears of men everywhere as a synonym of individual opportunity." But that very synonym was not achieved without difficulty. Time and time again, our devotion to those truths which our founders held to be self-evident, was tried and tested. And there were and are times when those trials and tests are not always passed speedily or with flying colours.

We are now in the 188th year of our independence. Those 188 years have seen us advance from a loose confederation of largely rural states, to a mighty industrial nation. Our drive to become the most productive and prosperous nation on earth has been distinguished at times with dignity and glory .... and at times without. There have been times when our combat against social and economic injustice has been tardy. But in the end, that combat has been taking place and has been succeeding.

As Gandhi said so many times, true civilization is not the advancement of our surroundings, but the advancement of men within those surroundings. When social advances did not keep pace with industrial advances, the cries of anguish were heard .... louder and louder until they were answered by reform. The achievement of the kind of civilization Gandhi saw depended on the swiftness of reform and the extent of dedication to the rights of man .... and the need for reform is recurrent. For progress is hollow if it is not general; benefits can be meaningless if they are not shared by all; advancement along only one front can breed retreat. In the prosperity my country is currently enjoying, consider where the attention of the government is focused.

Our entire legislative branch is right now in the process of passing a law to provide all citizens specific rights which are generally guaranteed under the Constitution. And while social injustice is being dealt with, economic injustice is occupying the rest of the government in a war on poverty .... a concentrated effort to enable those at the lower level of our economy to fully join in the prosperity enjoyed by the rest of the country. This programme is an attack on the causes of unemployment, poverty, disease, ignorance, and squalor .... on the causes of wasted resources, both human and physical. It is part of the government's continuing drive to assure that all members of our economy have the chance to be more productive, and to share the fruits of their productivity.

Thus is a land of opportunity most concerned that all its individual inhabitants may both build and benefit by that opportunity.

Productive Freedom

But what I have just outlined is not merely the history of freedom and social justice .... it is the history of our free enterprise economy reaching prosperity within a framework of freedom and social justice. We have shown that we can produce freedom .... we have also shown that our freedom is productive.

Consider the late nineteenth century in the United States — when our enterprise threatened to become something less than free. The power of the large trusts raised many questions about freedom in our country. The cry for reform produced first the Sherman Anti-Trust Act, then it produced large-scale enforcement of the Act, finally it produced the extension of its provisions under the Clayton Act, and the New Freedom of Woodrow Wilson became something more than a slogan.

But answers to the question of freedom of enterprise only raised more questions about freedom at all levels of enterprise — for a time these questions were drowned out by the celebration of the booming twenties. Then the depression hit and the future of our entire economy became a question.

Business, labour and government, as well as the ill-housed, the ill-clothed and the ill-fed all sought the answer .... and the largest majority our country ever assembled provided and supported the reforms upon which our modern economy is based — social security, unemployment compensation, the abolition of child labour, protection for working women, minimum wage laws, the guarantee of collective bargaining, the guarantee of a decent living to the farmers who fed the nation .... this was the list of social legislation of the New Deal. Social legislation that re-established healthy business activity and extended the opportunity for advancement to still wider sectors of the economy.

And the economic legislation that accompanied the social reforms brought the TVA and the harnessing of our natural

resources, the SEC and the other regulatory agencies that protect both business and consumer, bank reforms that re-established credit and financial confidence, and new tax policies that eventually enabled the United States to mount a global war effort that helped save freedom from fascism.

But it was the protection of enterprise, the guarantees of decent living standards, the utilization of resources, and the commitment to social and economic justice that worked the miracle. The debate of the programmes themselves dissolved into a debate on how best they could be administered .... and our political progress is such that now the elements of the New Deal are the state foundations of the platforms of both political parties.

Monuments to Success

The success of America as the arsenal of democracy was topped by its success as the rebuilder of a war-torn world. The productivity of Western Europe and Japan stands as monuments to the success of American free enterprise.

Then President Truman's historic Point Four speech set forth the concept that our economic achievements and benefits brought with them responsibilities to those less advanced in other parts of the world. This concept of responsibility led us to help build a road in Africa where only a footpath had existed before; a dam in Asia where only floods had been; a hospital in South America where disease had gone unchecked; and wants and needs were met with goods and know-how.

The important point is that all these benefits, while administered by free government, were made possible by free enterprise. Such freedom has enabled the burgeoning storehouses of a free enterprise to supply this winter what the collectives of communism could not produce.

American productivity has generated and assured our high standard of living. But we do not offer our history as the perfect model for economic success. Our experience includes both success and mistakes, and it is our hope that you may profit from both, as we have ourselves.

We have come to India today not just to contribute private resources to your development .... but also to find how private resources can help speed India's progress toward her own economic goals, and to assure you that economic growth can be achieved without social sacrifice. Social advance can and should go hand and hand with economic advance.

The economic progress of India has been mighty. Its potential for the future is also mighty. That potential has now reached the developmental stage where investment has been attracted. But investment is not philanthropy, nor is philanthropy wanted. The investor looks for opportunity for profit; permanency of his investment; and growing markets for the products of that investment. But markets can only grow where the purchasing power of the consumer increases .... and purchasing power is the logical product of a good standard of living — a standard of living not just in the sense of having material goods, but one whereby dignity, justice and protection of rights is assured to everyone.

We come not to tell you that our system is the best system, that to succeed you must copy our system; for we believe that each nation must conceive and evolve that system which is best adapted to its resources, its peoples, and its philosophy; that system which can best solve its own problems and assure its own future.

The system each of us has is founded on basic principles common to us both. Therefore we come not as critics or crusaders. We come to further a partnership .... a partnership based on common ideals.

We have come at your invitation with the seeds of additional economic growth which are yours to plant and cultivate. We hope only that the ground be prepared, that favourable weather conditions and climate be maintained, that the opportunity for growth be reasonably assured.

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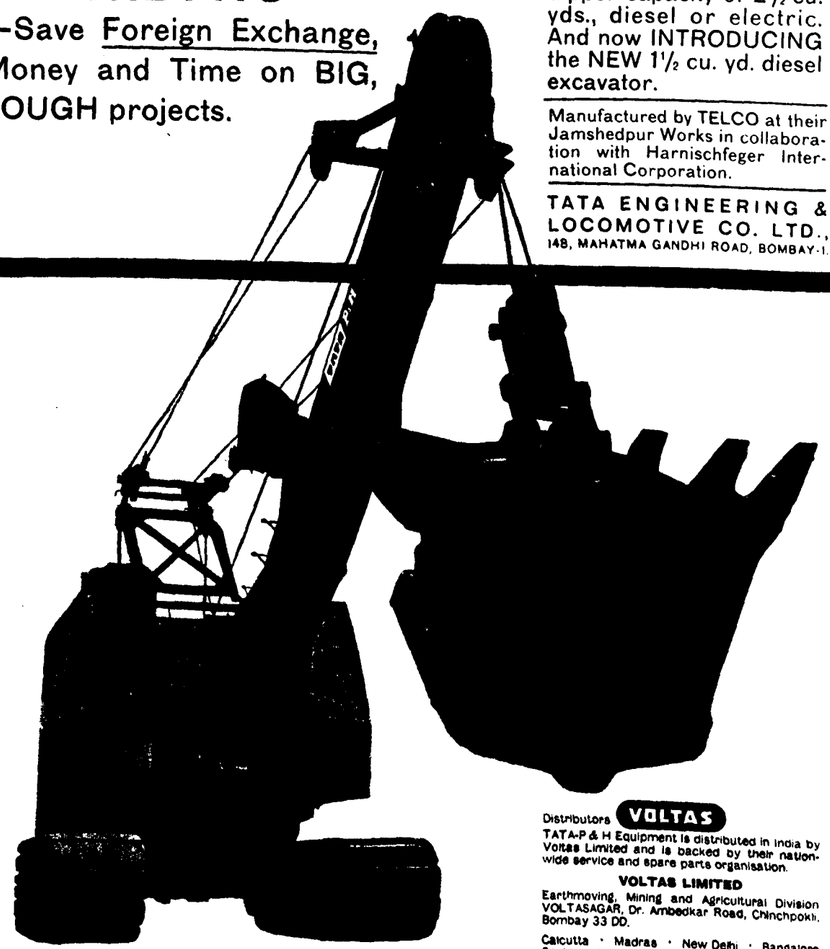
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The Second American Revolution

J. S. LANIGAN

(Counsellor, U.S. Embassy in India)

APPROXIMATELY forty American business men are visiting India this week to consider the possibility of undertaking new manufacturing activities here. I think it might be of interest to reflect upon the kind of men who make up this delegation and the general social philosophy which they represent.

These executives are for the most part men in their forties and fifties. They are the product of a profound social and economic revolution which has taken place in the United States during the last thirty years. They differ as much in their social and political outlook from the generation of financial giants who preceded them as the leaders of democratic India today differ from the British colonial officers of the nineteenth century.

The American social and economic revolution has not been accompanied by turbulence and violent upheaval, and consequently it has gone more or less unnoticed amidst the dramatic nationalist revolutions which have given birth to new nations since the World War II. Nevertheless it has had implications for the social and political fabric of the United States —and for the social thinking of the world at large — as great as the implications of America's democratic political revolution of 1776.

The second American revolution began in the early 1930's when the Administration of Franklin Roosevelt instituted a series of economic and social reforms designed to correct the abuses of American big business which were laid bare by the Great Depression. It had become clear that the 19th Century economic system in most of the western industrial nations had neglected the needs of the masses of working people and farmers. This system was controlled to a large extent by a relatively small financial community which had little awareness of the social problems mounting around it. The fact that living standards were not rising for millions of workers and farmers was felt to be of no concern to the laissez-faire individualists who controlled the major industries. There was very little conception among this group of responsibility either to the nation or to the working communities in each plant.

Sweeping Reforms

Recognizing that this system carried within it the seeds of its own destruction, President Roosevelt inaugurated a sweeping series of legislative reforms which have been modified and improved by each succeeding President down to the present day.

Roosevelt's reforms had two principal objectives. The first was the elimination of heavily concentrated economic power based on monopoly, price fixing, interlocking directorates, strike breaking, manipulation of the securities market, and other abuses.

The second objective was broad distribution of the enormous wealth generated by the American productive system in a way that would create an ever rising living standard for the wage earners and farmers. This objective was attained through a variety of techniques including strengthening the graduated income tax, new minimum wage and hour legislation, the establishment of machinery for collective bargaining and the strengthening of labour unions, unemployment compensation and social security systems, public housing, and farm credit.

The new social philosophy embodied in Roosevelt's reforms had a profound impact upon the young men and women who entered the business world during the thirties and since. American business discovered that by raising wages, shortening hours and lowering prices, they were guaranteed a constantly expanding market for high-quality goods. They learned that their own prosperity depended upon an ever increasing standard of living for all segments of American society. In short, they discovered that the interests of business and the interests of society coincided. They also discovered that strong, free trade unions were an indispensable pillar in a society of free men and have learned to work with them in a constructive relationship.

Enlightened Philosophy

As this enlightened philosophy took root throughout the business community, entrepreneurs began to make independent discoveries which increased the momentum of the reforms.

Managers found that healthy workers were more efficient, so the large companies began to establish clinics, hospitals and free health programmes for their employees and families. Free health care now is a virtually universal feature of American industry. It was also learned that industry depended upon a constant inflow of educated young men and women, so most leading American corporations have established scholarship funds for children of employees. These companies also make substantial grants directly to universities to support research, development and the growth of the university system.

The executives of large companies have also discovered in the post-War years that happy community relations within the city or town where new plants are to be located make an important contribution to efficient operation. Before locating a new plant in a community, therefore, the management now meets with city officials to discuss such matters as expanded school facilities, public transportation, public health, labour relations, recreation and park facilities. In many cases, the company will donate land to the community for a new school or park, or construct a new water or sewage system, in order to help the community adjust successfully to the installation of the new plant. The communities, on the other hand, frequently offer incentives such as tax abatement, free land or inexpensive power, to attract new industries.

This kind of social responsibility on the part of corporate management is entirely a product of the Second American Revolution which I have described.

The men and women who are carrying out this revolution as corporate executives are for the most part from middle class families and are without inherited wealth. The overwhelming majority did not own any stock in their company when they joined it. Some of them have purchased stock on the instalment plan during their years of employment and others may have received some options to purchase given amounts of stock as they have risen in the management structure. Most of them will retire on pensions. They will be comfortable but very few of them will be wealthy. In almost every case, these men and their wives take an active part in the civic life of their communities. They serve on the local school boards, hospital boards, the church committees: many are active politically. For this new generation of business people, social responsibility and profit are inseparable.

A second phase of the continuing revolution in American economic and social thinking took place as a result of the experiences many young Americans had in World War II. Before the World War II two vast oceans and a legacy of

political isolationism separated us from the affairs of the outside world. Our own task of internal development consumed the bulk of our energies, attention and capital.

But with the accession of the United States into a position of free world leadership following the War, the sense of social responsibility which had grown in American society quickly broadened to include people throughout the world. The sudden expansion of our horizons from Pittsburgh, Chicago and Cleveland to a world with which we were largely unfamiliar constituted the next big step in the revolution in American thinking.

We discovered that although we were rapidly achieving dignity and a decent life for the working people of our own country, no man can have authentic dignity in his home while other men in the world are starving. Therefore, haltingly and in some confusion, we as a nation set out first to help overcome the ravages of the War in Western Europe, and then to attack the problems of poverty, illiteracy and disease in the newly emerging nations of Asia, Africa and Latin America.

American Commitment

No nation had ever before in history undertaken such a task. President Truman's famous Point Four Programme, enunciated in 1949, was the first commitment of the American people to devote the vast resources of American wealth and technical know-how to helping the emerging nations enter the twentieth century. The size of this task was so staggering that at first many Americans recoiled in panic. Some critics accused Mr. Truman of being a dreamer. It was alleged that the United States would bankrupt itself by undertaking a job of such immense dimensions. Yet, since 1945, the United States has given in the form of one type of aid or another to the newly developing nations some 58 billions of dollars, in addition to the 45 billions of dollars which were given to Europe. In addition the United States has sent out into these nations thousands of scientists, doctors, public administrators, engineers, businessmen, and now thousands of young people through the Peace Corps

Although the task of eliminating human misery in the world is just beginning, a good start has been made and today the American people are totally committed to this unprecedented moral and financial investment in their fellow human beings in every corner of the globe.

It is in the context of the new American sensitivity to the need and potential of the less developed countries that some forty American businessmen are in Delhi this week. They are here to discuss ways to collaborate in the manufacture of goods which either are not produced today at all in India or are manufactured in insufficient quantity. They believe this kind of collaboration cannot only produce more goods but also can pay wages to workers who today do not have jobs.

This kind of endeavour offers additional training to young Indians in the skills of manufacture and management. The prospect of new industry holds the promise of more highways, railroad lines, thermal or hydro-electric power plants, and the development of thousands of new industries to feed such factories with component parts. Some of the goods produced would be exported and would earn needed foreign exchange to improve India's balance of payments.

Unlike foreign investors of the colonial days, they come to help the Indian people build a strong economy and therefore a better life, bringing with them the economic and social ethics of the Second American Revolution. They want also to raise living standards in India because they know that higher living standards mean better markets.

They come as employees of millions of small American shareholders who respect India's independence and its institutions and its culture. These small shareholders in the United States seek a fair return on their investment and they hope that if they can help India grow, the value of their investment will grow. The taxes they pay in the United States have contributed five billion dollars of aid to India. They would like to see that investment of their taxes succeed through the creation of a strong prosperous and free Indian nation. They are extending the hand of the most successful social revolution and economic system in the history of the world to the profound revolution of independence and human dignity taking place in India. They wish to help make India's revolution as successful as their own has been.



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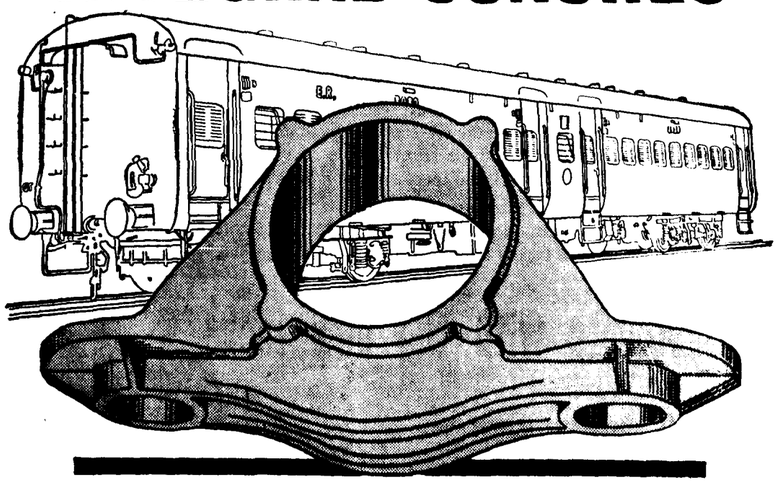


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Profitability of U.S. Companies in India

"ANALYST"

OF LATE, U.S. industrialists have evinced keen interest in extending their investments in India and, in this context, it would be of interest to analyse the performance of American Companies in this country as compared, first, with leading Indian Companies and, secondly, with the American Corporations in the United States. The profitability of a company is generally measured in relation to the total capital employed by the company or in relation to the sales of the company. But for the purpose of measuring profitability of American investments in India in relation to the profitability of American investments in the United States, the most suitable measure of profit would be the profit after tax in relation to the net worth of the company. This is because foreign companies are interested mainly in maximising their return on the capital owned by them.

Table No. 1 shows the rate of profit after tax on net worth in the case of eight leading American controlled companies registered in India and 100 Indian Companies having a paid-up capital exceeding Rs. 1 crore. The average size of the net worth of the Indian company is Rs. 6 crores and that of the American Company is Rs. 2½ crores.

TABLE I

AVERAGE PROFIT PER CENT AFTER TAX ON NET WORTH

Year	American controlled Indian Companies	Indian Companies
1957 ..	13.0	6.5*
1958 ..	15.6	7.2*
1959 ..	18.6	10.5
1960 ..	15.4	9.9

* Pertains to 100 medium and large companies, i.e., companies having a paid-up capital exceeding Rs. 5 lakhs.

It will be seen that the profitability of American Companies in India is much higher than that of Indian Companies in India. During 1957-60, the average rate of profit of 15.7 per cent on net worth in the case of the American Companies was almost double the rate of 8.5 per cent for the Indian Companies.

Table No. II shows the rate of profit after tax on net worth earned in the United States by six leading American Corporations which have substantial investments in India. A comparison of Table Nos. I and II would show that American Corporations in India are more profitable than some of the parent companies in the United States. The highest rate of profit is earned in India at 18.6 per cent and except for the IBM all the remaining five U.S. giants are earning less in the United States than the Indian controlled rupee companies in this country. Since American companies in India are earning more than what they are earning in their own country and what Indian companies are earning in India, it would appear that American companies in India have invested in the most profitable ventures. Another reason for the higher profitability of American companies is no doubt the advantages of technical know-how which they can obtain from their parent companies. American companies in India are very favourably situated in that they can have the advantages of both the Indian controlled Indian companies and the U.S. giants. That may be a reason why they are earning the highest rate of profit.

Table No. III shows the total dividend paid on the net worth in the case of six American giants in the United States.

TABLE II

PROFIT AFTER TAX ON NET WORTH

(In Percentages)

	1960	1961	1962	1963
I. B. M.			17.4	18.2
Union Carbide		10.6	15.0	
General Electric	13.2			
Phillips Petroleum		9.8	8.9	
Colgate Palmolive	9.5	9.6		
Westinghouse Electric		4.6	5.8	

It will be seen that the maximum dividend declared on net worth by a U.S. giant is 17.4 per cent and the minimum is 4.6 per cent. On the other hand, according to the statistics published in the "Company News and Notes" dated 2nd December, 1963, there were two U.S. controlled companies in India (of which one is a subsidiary) which declared a dividend exceeding 100 per cent on the net worth. Of the remaining 10 U.S. controlled Indian companies, one did not pay any dividend, three paid a dividend of less than 10 per cent on the net worth, three between ten and 25 per cent and two between 25 and 50 per cent and the remaining one between 50 and 75 per cent. In short, of the 12 U.S. companies mentioned in "Company News and Notes" five paid a dividend exceeding 25 per cent as compared to the highest dividend paid by a U.S. giant in USA of 17.4 per cent. It would appear that the U.S. companies in India are able to pay a higher rate of dividend on its net worth in view of their higher profitability.

In the case of foreign companies, the rate of dividend on the paid-up capital of the company has some significance in contrast to indigenous companies. As reported in the "Company News and Notes" dated 2nd December, 1963, of the 12 companies with U.S. capital participation, five paid a dividend exceeding 100 per cent, one between 50 and 75 per cent, one between 25 and 50 per cent, two between 10 and 25 per cent, two less than 10 per cent and one company nil dividend on its paid-up capital. The rate of dividend being paid on the paid-up capital by the U.S. giant corporations may be seen in Table No. IV.

It will be seen that the highest rate of dividend paid by the U.S. giants in recent times did not exceed 44 per cent on

TABLE III

(In Percentages)

Company	1960	1961	1962
I. B. M.	—	—	17.4
Union Carbide	—	10.6	15.0
General Electric	11.6	—	—
Phillips Petroleum	—	9.8	8.9
Westinghouse Electric	—	4.6	5.8
Colgate Palmolive	5.4	5.2	—

Data for this study have been taken from the Company Finance articles published by the Reserve Bank of India. Dividends study published in the "Company News and Notes" dated 2nd December, 1963, and from the Annual Accounts of the leading American Corporations which account for a substantial part of American investments in India.

paid-up capital, whereas five of the twelve U.S. controlled companies in India pay a dividend exceeding 100 per cent.

The rate of dividend paid by 100 big-sized Indian companies having a paid-up capital exceeding Rs. one crore was 10.9 per cent on its paid-up capital and 6.6 per cent on its net worth in 1959 and 11.8 per cent and 6.8 per cent respectively in 1960. This rate of dividend by the large-sized Indian companies was also lower than that of US companies both in the United States and India.

TABLE IV

DIVIDEND ON PAID-UP CAPITAL

(In percentages)

	1960	1961	1962	1963
Union Carbide	—	43.4	43.0	—
General Electric	30.5	—	—	—
Colgate Palmolive	25.0	25.0	—	—
I. B. M.	—	—	—	11.6
Phillips Petroleum	—	12.7	13.9	—
Westinghouse Electric	—	10.3	10.3	—

It was seen that the profitability of American companies in India is higher than both Indian companies and U.S. corporations. A comparative study of the structure of liabilities of these three categories of companies would indicate some of the ways by which the US companies in India are maximising their return on net worth. It may be pointed out that not only the return on net worth but also the return on sales and on the total capital employed is higher in the case of US companies in India than the big-sized Indian companies, as is evident from Table No. V.

TABLE V.

(In percentages)

	1959			1960		
	U.S. Companies in India **	Big-sized Indian Companies ***	Difference	U.S. Companies in India	Big-sized Indian Companies	Difference
Profit after tax on net worth	18.6	10.5	8.1	15.4	9.9	5.5
Gross profits* on sales	12.6	11.4	1.2	11.2	10.9	0.3
Gross profits* on total capital employed	16.0	9.5	6.5	15.0	9.5	5.5

*Including interest charges, managing agency remuneration and tax provision but excluding depreciation.

**Pertains to 8 U.S. companies in India having Rs. 40 crores assets.

***Pertains to 100 big Indian companies having Rs. 1251 crores assets.

It will be seen from Table No. V that the US companies are more profitable by all the three standards, but that the higher profitability of US companies is most marked when the rate of return on net worth is taken into account. Since foreign companies are interested more in increasing this return, the ways in which this has been done may be analysed. Since profit has its origin in sales, the US companies are charging a higher price on the goods sold compared to Indian companies. The rate of profit on sales is higher in both years in the case of US companies. Since the rate of profit is higher on net worth than on capital employed, it appears that the US companies in India are paying a lower rate of interest on borrowed capital compared to Indian companies. Although definite figures regarding the rate of interest paid by both Indian and US companies are not available, it appears that on an average Indian companies paid a rate of 4.9 per cent on their borrowed capital, compared to 3.8 per cent by US companies in 1960 and 1959. Not only is the rate of interest low in the case of US companies, but they have also resorted to financing a greater part of their assets by borrowed funds compared to Indian companies. In 1959 and 1960, eight US companies in India had 30.2 per cent and 27.7 per cent of their liabilities as borrowings compared to 28.2 per cent and 27.4 per cent for 100 large-sized Indian companies. That US companies do not resort to increased borrowings to finance their assets in their own country would appear to be true from the following Table No VI.

TABLE VI.

BORROWING IN RELATION TO TOTAL LIABILITIES

(In percentages)

Name of U.S. Corporation	1960	1961	1962
Union Carbide	27	26	
Westinghouse Electric	20	19	
I.B.M.	..	20	
Phillips Petroleum	14	13	
Colgate Palmolive	12	11	..
General Electric	10	.	.

In short, the US controlled companies in India had made a higher rate of profit than some of their parent companies in the United States and the larger Indian companies in India. As a result of the higher profitability, they were able to pay a higher dividend than their parent companies as well as the Indian Companies. The higher rate of profit was made possible by charging a higher rate of profit on sales and by employing a greater amount of borrowed Indian funds which carried a lower rate of interest. Because of this higher profitability and by resorting to increased borrowings from the Indian money/capital market, eight US controlled companies in India were able to increase their share in the assets of these companies from Rs. 12.3 crores to Rs. 19.5 crores, that is an increase of Rs. 7.2 crores, of which only Rs. 1.6 crores represented the maximum inflow of US capital, even after remitting a maximum of Rs. 3.8 crores as dividends abroad. Thus during the period 1957-60, there was a maximum net outflow of capital from India to the United States to the extent of Rs. 2.2 crores and the Indian assets of US companies increased by Rs. 7.2 crores. In other words, the operations of the eight US controlled companies in India had seemingly increased Indian foreign liabilities to the extent of Rs. 9.4 crores, but this figure would be somewhat on the higher side as separate data regarding the share (which, however, must be modest) of Indians in these eight companies are not available.



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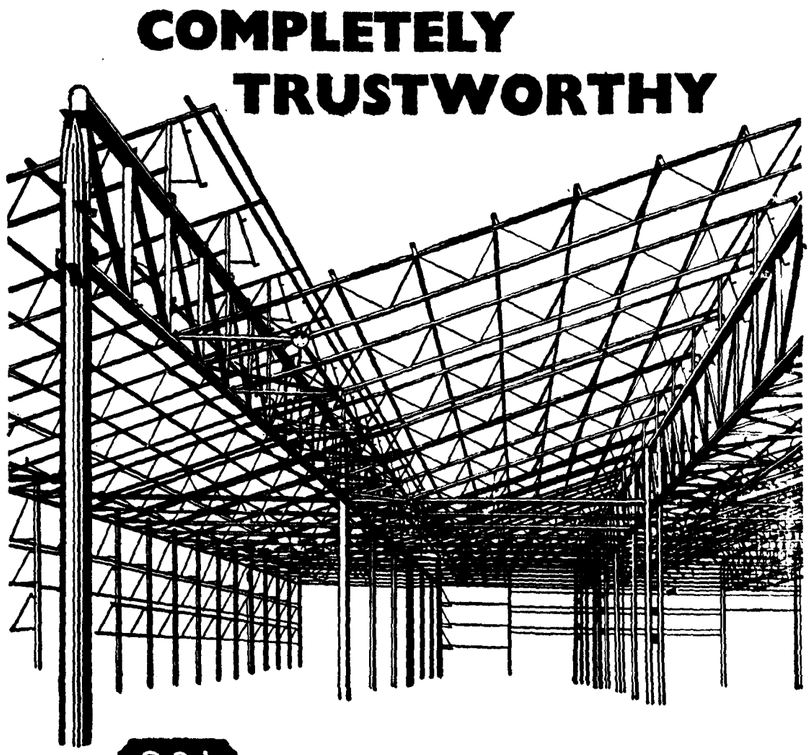
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Profligacy of Foreign Aid

B. R. SHENOY

IN THE PAST about a decade foreign aid to India has assumed phenomenal dimensions. In the first Plan (1951 to 1956) viewed as an aggregate of loans, commodity assistance and gifts, it averaged Rs. 400 million a year. In the two years ending 1962-63 it averaged Rs. 3.9 billion a year. It accounted for 7½ per cent of total investments in the public and the private sectors in the first Plan, 18 per cent in the second and about 30 per cent in the third, though, in the meanwhile, total Plan investments rose to about three times. Virtually the entire amount of the aid is from governments, international agencies and institutions; none of it came from the capital markets of the world. Private capital has been on balance, leaving the country, the net exports of capital on private account during the 14 years ending 1961-62 being Rs. 1.2 billion.

In the first three years of the third Plan, foreign aid support to the public sector, considered separately, is placed at 29 per cent of the "Plan outlay" in this sector.

Foreign aid finance of the plans may be much larger than these percentages indicate, among other reasons, because official statistics grossly understate the value of foreign aid, as aid is converted into rupees at the official exchange rate, which over-values the rupee considerably. This over-valuation (and, hence, the under-statement of foreign aid) may be of the order of 75 per cent, judging from the vast gaps—varying from 30 per cent to 500 per cent or more of the landed costs, depending upon commodities—which exist between the landed costs and the market prices of virtually the whole range of import goods.

Expressed in Indian money at the equilibrium exchange rate, foreign aid during the two years ending 1962-63 may be from four to five per cent of Indian national income. The rate of saving during these two years being about 7½ per cent of the national income, foreign aid of the period was of the order of one-half to two-thirds of the national savings. Except for a year or so in the case of one or two countries, at no time of the post-war reconstruction phase did any of the Marshall aid countries receive aid on so massive a proportion.

Aid Analysis

About 60 per cent of the aid of this period came from U.S.A. and about 45 per cent of U.S. aid was in surplus agricultural commodities given under P.L. 480. Aid from West Germany was the next largest, being about 12 per cent. The Soviet Union and the U.K. contributed about 7 per cent each. If we exclude commodity assistance, U.S. aid is still by far the largest, being 45 per cent of the total; West German aid would be then 16 per cent, the Soviet 10 per cent and the British nine per cent. But there is little to distinguish between commodity aid and the rest of the aid, as all aid is ultimately converted into commodities.

The principal objective of foreign aid is economic development of the less developed nations, which are poor and are also ideologically uncommitted, in an effort to keep them in the free part of the world. A continued rise in the standard of living of the masses of the people, the largest bulk of whom are indigent, is essential to the fulfilment of this objective. But massive foreign aid has brought little relief to them from poverty and unemployment. The consumption of food by the masses continues to fluctuate below the nutritional norm and the consumption of cloth, already substandard, has steadily declined. Unemployment has increased.

This raises the question, where has foreign aid gone? If foreign aid had been utilised wholly, or even mainly, for effective capital formation, there should be no balance of payments difficulties either during or after the conclusion of the investments. During the period of investment the larger imports necessitated by it, should be balanced by foreign aid. There should be no market shortages of foreign exchange. After the successful completion of the investments, the addition to the national product flowing from the new undertakings should lift up exports sufficiently to meet the external debt services. Debt repayments should not cause market shortages of foreign exchange. Foreign aid should thus bring progress with stability; and it should be self-liquidating.

Capital Formation

The evidence of effective capital formation from foreign aid in this manner is conspicuous by its absence. The external indebtedness of the country has sky-rocketted from Rs. 500 million in 1951 to Rs. 13.8 billion in 1963. But there has been little or no improvement in the debt repayment capacity of the country, as can reasonably be inferred in two quite different ways. First, though during the decade ending 1961-62, the national product went up by 43 per cent, exports lagged far behind; they rose by but 16 per cent. The more normal experience is for exports roughly to keep pace with the national product. The rate of increase of the former may even exceed that of the latter, as has happened in the case of U.S.A. in recent years. Secondly, despite the steep rise in foreign aid, India has been harassed by acute scarcities of foreign exchange and had to draw on and deplete her currency reserves to rock bottom. Significantly, the third Plan provides for repayment of maturing external debt from fresh borrowings.

It would seem that much of the foreign aid has been misdirected. Part of it has provided the foreign exchange counterpart of the construction of idle production capacities. A part has financed the creation of uneconomic industries. Idle production capacities of 40 to 50 per cent exist over a wide range of industries. Excess capacity in irrigation is placed at about 30 per cent. The uneconomic character of most of the new industries is evidenced by their performance. Striking exceptions here and there apart, the costs of their output generally are unduly high and the quality of the output poor. Some of these industries may have to be wound up eventually on the liberalisation of imports.

A part of the current accruals of foreign aid provides some of the heavy running costs of these industrial white elephants in the form of imported raw materials, accessories and spare parts; these import goods may be beyond the reach of many of them in the absence of foreign aid and under normal competitive conditions with an equilibrium exchange rate. These running costs are an enormous drain on the national economy, the amount of the drain being represented by the difference between the costs of fabricating the goods at home and the costs of getting them through imports. The magnitude of the drain is indicated by the phenomenal prices which the import licences fetch. A rough calculation suggests that the extent of the drain may be, on an average, about 45 per cent of the domestic costs of the industrial output concerned. By meeting a part of this drain, foreign aid is doing a disservice in disguise to the Indian

economy. It helps to keep alive industries which had better be wound up and be replaced by industries, which have comparative cost advantages, being better suited to the Indian economic climate; have a better chance of survival; will add more to the national product; and have higher employment potentials.

Some of the foreign aid provides foreign exchange finance for illicit exports of capital; the smuggling in of gold and of consumer goods, the imports of which are banned or are severely restricted; the speculative inventory accumulations, induced by inflation; the construction of less essential urban property, as a hedge against inflation; and luxury living, the result of inflation and of the corrupt incomes born of economic controls.

At first sight it might seem astounding that foreign aid should finance all these activities, some of which are illegal. But foreign exchange finance for them cannot conceivably come from anywhere else. It cannot be drawn from the current export earnings of the country; nor from the currency reserves. Export earnings are insufficient even to meet the requirements of open imports; and currency reserves have been close to rock bottom since 1958-59. The only source of foreign exchange finance left is foreign aid. The question is not whether foreign aid is drawn upon to finance these activities. The more intriguing question is, how is foreign aid tapped?

The mechanics of tapping foreign aid is indirect. The smugglers of gold and of the consumer goods obtain foreign exchange from the free markets abroad or the black markets at home. The latter get their supplies of foreign exchange from traders, Indian settlers overseas, who wish to make remittances to India, and tourists. They release foreign exchange in these markets for the better prices they offer. The traders obtain foreign exchange from the Reserve Bank through over-invoicing imports; at the expense of the Reserve Bank, through under-invoicing exports and, partly, by smuggling out exports.

Opposite Forces

This diversion of foreign exchange from the Reserve Bank to the free markets, on the one hand, reduces the receipts of foreign exchange by the Bank; and, on the other, adds to the demand for foreign exchange from it. The effect of these opposite forces is to widen the official balance of payments deficit of the country by the amount of the diversion of foreign exchange to the free markets. The balance of payments deficit gets widened, too, from inventory accumulations and by luxury living financed from inflation and illicit incomes. This results through diverting into these domestic activities potential exports; or through causing a larger flow of imports to feed them. In this manner the balance of payments deficit representing illegal and wasteful transactions get merged with the deficit resulting from the rest of the transactions.

He who covers the balance of payments deficit of the country, therefore, provides the foreign exchange requirements of these activities. From 1958-59 to 1961-62, India's balance of payments deficits aggregated Rs. 11.8 billion. About 10 per cent (Rs. 1.2 billion) of this deficit was met from currency reserves. The rest was made good by foreign aid. It follows that the overwhelming proportion of the foreign exchange for the construction of idle production capacities and of uneconomic industries, of smuggling, of illicit exports of capital, of inventory accumulations, of undue urban building activity and of luxury living was drawn from foreign aid. Foreign aid was divided between these activities and effective capital formation, though it is difficult to say what part went into the one and what part into the other. This would seem to explain the failure of foreign aid, despite its massive proportions, to make a dent on poverty and unemployment.

It is important to note that the misdirection of foreign aid is not a pre-conceived or deliberate act. It is a fortuitous outcome of centralised economic planning and of the extensive controls, the instruments of planning; of the phenomenal illicit incomes, which controls have produced; of the undue extensions of the public sector, which absorbs 70 per cent of the currently available resources; of inflation born of the futile attempt to invest non-existent resources; and of the over-valuation of the rupee, the result of past inflation.

Unless these basic evils are corrected, even as there is no way of carrying water in a sieve, there is little hope of remedying the leakages from foreign aid; nor of achieving accelerated economic growth and social progress. If the prevailing policies continued, the external debt of the country may have to be written off sooner or later. What the under-developed economies need most today is not more foreign aid — many of them are probably having plenty of it already — but fiscal, monetary and exchange stability, and freedom from the harassments of governmental intervention in the economic life of the community. Monetary stability, devaluation and the removal of import restrictions alone might impart considerable resilience to the Indian economy. The State can contribute most to economic and social progress if, rather than dabble in steel mills and such other undertakings, it limited its activities to its natural sphere — Rules of Law, education, basic transport and communications, marketing facilities, public health measures, agricultural extension services and defence from external aggression. Given these reforms — in the implementation of which the aid-giving countries may usefully assist — the need for foreign aid will shrink, the misdirection of it will diminish and the under-developed economies may have much more economic and social progress than massive aid can ever produce in a background of monetary, fiscal and economic instability.

Eastern Economist 20 Years Ago

APRIL 14, 1944

Handling of an unprecedented volume of postal, telephone and telegraph traffic, a record surplus of Rs. 4.5 crores and partly putting into effect the 16-crore scheme for the development of telecommunications are the highlights of the annual report of the Indian Posts and Telegraphs Department for 1942-43 issued last week. The Tele-Communication Development Scheme, the report reveals, is scheduled to be completed by the end of 1944-45. It provides for a large number of additional long-distance telephone and telegraph circuits, connecting all the important centres of India, and the erection of some 123,000 miles of wire and 11,000 miles of new post route. The scheme also includes the construction of a large number of circuits of a local nature required for operational purposes involving some 150,000 miles of wire and 12,500 miles of new post route. The construction of these additional outlets will not only relieve the war-time congestion on the wires but will also be of considerable advantage in the post-war period of reconstruction.

Israel's Policy for Development

PERETZ GORDON
(Consul General of Israel in India)

ISRAEL IS now celebrating the 16th Anniversary of its statehood and it may now claim that it is well on the road to economic independence. The industrialization of Israel has never been rigidly planned nor could it be forced down the throats of its people. First, because Israel is not a totalitarian State; free enterprise exists side by side with a special type of Labour and Government-owned industries. Second, because Israel is a land of immigration, but immigration that is unpredictable, for its numbers and nature depend almost wholly on whether, when and how far given Governments allow Jews to depart, and only in a minor degree on individual choice. In such circumstances, to formulate rigid long-term plans of economic development is impossible.

Israel's industrialization is not academically planned but empirically purposeful. Nevertheless, a certain guidance of industrial development by Government is unavoidable, and consequently the Ministry of Commerce and Industry has drawn up a "master plan" elastic enough to allow for a considerable degree of private initiative and investment. Government and people know that survival, let alone further immigration, cannot be theirs without progressive industrialisation.

Under the Mandate

The Mandatory Government, disinclined to see absorptive capacity expand, for on it the periodical immigration quota in theory depended, pursued an economic policy which slowed down industrial development by denying Jewish manufacturers protection through tariffs against the competition of dumping, in a world rent by Customs wars and import allocations. However, the effort and output of industry in Palestine in World War II confounded the experts and falsified their predictions. This industry had been built up, against heavy odds, by immigrants from Eastern and Central Europe. Its gross output rose — in Palestine pounds, on a par with sterling — from 2.1 million in 1929 to 36.3 in 1942 or, allowing for price reduction to pre-war level, 16 million, while the number of persons employed in it rose from 7,600 in 1930 to 46,000 in 1943, and when the Mandate ended was approximately 50,000. Towards the conclusion of the Mandatory period, the main branches of industry were: food processing, drinks, tobacco-products, textiles and clothing, metal-working and electrical appliances, wood-working, leather tanning and working, printing and paper and cardboard products, chemicals and pharmaceuticals, stone-working, glass, ceramics, and other building materials, diamond cutting and polishing, and such specialities as artificial teeth.

With the State in being, plans had to be worked out immediately for the expansion of industry. Basic industries had to be created; primary industries founded on the use of local raw materials, including industrial crops cultivable locally; factories and plants set up which by exporting their products would earn foreign currency to fill the gap in the country's trade balance largely due to the need to feed and house mass immigration; and finally, employment provided for the hundreds of thousands of newcomers expected in the initial years, and one way to provide it was to place them in industry.

The new State found its technical equipment not only obsolete but worn out by the war effort. The twofold problem was how to replace it and, at the same time, enlarge production capacity so as to create jobs for immigrants and meet increasing consumer demands of every kind. In so far as finance entered into the problem, it was solved in November 1949 with the help of an American Export-Import Bank loan of $135 million of which $20 million were destined for industrial machinery, and later on of big accommodations from Sweden, Switzerland, Belgium and France, and finally by German Reparations. Up to the end of 1958, total investment, including machinery and equipment, plots and factory-buildings, working capital and so on amounted to about 1.35 milliard Israeli pounds ($700 million). This means that more than 50 per cent of the total investment was used for the purchase of machinery and equipment.

The expansion of industry depends on availability of raw materials, technical equipment and machinery, financial resources for investment, sources of fuel and energy and manpower. As far as present knowledge goes, Israel is rich in chemicals but is otherwise rather poorly endowed with regard to raw materials. Iron Ores occur in the north and the south, but the northern or "Manara" deposit of about 40 million tons is mostly poor, containing an average of 27-28 per cent Fe in situ, and has to be enriched up to 41-42 per cent to feed the electric furnaces now under erection in "Steel-Town", near Acre. Copper ores are being mined at Timna, near Eilat; the visible reserves amount to about 11 million tons with an average content of 1.4 per cent Cu, normal by international standards. Additional reserves have been estimated at 35 million tons, some of which have a copper content of two per cent and more. Manganese in the form of pyroluside is charted near Eilat, an ore of moderate content, suited to chemical, not metallurgical uses, for example in making cells for electric batteries. The deposit is not yet commercially exploited.

Mineral Wealth

The total volume of brine in the Dead Sea is estimated at 150 million cubic metres. Even assuming that only a quarter of it is within Israel, the Sea remains the country's richest source of mineral wealth. Production of potassium chloride amounted in 1958 to 140,000 tons, most of which was exported. Extraction of bromine (mainly for producing ethylene-di-bromide) amounts to approximately 2,500 tons a year. Common salt from the Mediterranean, the Dead Sea and neighbouring rock-formations, is important for the electrolytic production of caustic soda and chlorine. Production in 1958 amounted to 34,000 tons. Phosphatic deposits are widespread, but only the phosphatic limestone of Oron in the Negev, which contains a small percentage of uranium, is presently mined commercially — in 1958 about 210,000 tons. Gypsum too is widespread, with greatest occurrences in the Besian Valley near Kibbutz Gesher, and at S'de Boker in the Negev. Most of it is used in cement manufacture. Production (raw) amounted to about 30,000 tons in 1958.

Israel has no coal. Traces of lignite were found in 1958, but their actual value is doubtful. Large beds of peat occur in the Hula, and bituminous limestone is frequent: both these potential sources of fuel are under close investigation, as are the possibilities of exploiting solar and wind energy. Oil prospecting began in 1953, and deep drilling has been done at 32 sites.

Remarkable progress has been made of late with industrial crops — beet, groundnuts, cotton and cottonseed, flax and linseed, all unknown in Mandatory Palestine. Their cultivation provides employment for thousands of workers and is, therefore, all the more important in the national economy. Extensive and promising experiments in producing sisal fibre from 'agava sisalana", newly planted in the Negev, are well under way.

Locally grown cotton covered about 65 per cent of the 1958 requirements of the mills. Production of rayon yarn has started. There are 40 cotton-machines today for making stockings, as compared with 13 in 1951, and their capacity is 230,000 dozen pairs annually, whereof a third is exported.

Other textile products of note are the spinning and weaving of local flax; the making of rope and twine, mainly from imported fibres and now also from locally grown agava; the spinning and weaving of imported jute; the making of fishing nets and tarpaulins, and the spinning and weaving of imported asbestos-fibres. The dyeing, printing and finishing of textiles are well advanced, and so is the production of wearing apparel of cotton, wool, rayon and other fibres. Israel fashion goods are popular in Europe and the USA and their export is furthered by special shows. The chemical industry has gone ahead by leaps and bounds — its range now including acids, fertilizers, electro-chemical products, dyes, colours, paints, lacquers, varnishes and printing ink, cosmetics, pharmaceutics, plastic raw materials, gases, petrochemicals, the Dead Sea and many auxiliary chemicals. The pharmaceutics comprise in the main, antibiotics, sulpha-drugs, vaccines, insulin, hypnotics, tranquilizers and vitamins.

Israel is a small country and its present population only just exceeds two million. Yet the physical output of its industry has been more than quadrupled in the last 12 years and the range of products is incomparably more extensive than it was. One feature which made them possible is the unique confluence of private enterprise, Labour industry and Government development. The Labour sector in 1958 employed about 22,000 workers and its gross output amounted to 385 million Israel pounds. The Government sector employed 9,000 workers, 68 per cent of them in the Palestine Electric Corporation; the remainder had an output of 55 million Israel pounds. Thus, private enterprise employed about 120,000 workers, or 80 per cent of the whole, and its output was 1,460 million Israel pounds, or 77 per cent of the whole (output of electricity excluded). What is salient is that Labour and Government industries are prepared to take risks, which private enterprise is not: as witness "Steel-Town" of the Labour sector, or the Dead Sea Works owned by the Government. Nevertheless, private enterprise engages in such basic industries as electro-chemicals near Acre and cement at Hartuv. But there is no question that Israel industry would be less diversified, more restricted to light products and finishing branches, if Labour and Government had not stepped in to deepen and ramify its process.

Price Stability

A marked degree of price stability in 1963 was an indication that one of the major inflationary dangers following a recent currency devaluation had been successfully withstood. The Consumers' Price Index rose in 1963 by less than 5 per cent, half as much as in each of the two preceding years. Most of the increase was in real estate and services; there was almost complete stability in the prices of industrial and agricultural products. The deficit in the balance of payments fell by almost $29 million to $420 million. This was due to a rise of $93 million or 19 per cent in exports of goods and services which reached $593 million, combined with a rise of $64 million in imports. Foreign currency balances continued to grow, reaching $580 million — $80 million or 16 per cent, more than last year, enabling $50 million of foreign currency debts to be paid off in advance. Repayment of the Independence Bonds sold mainly in the United States was started; $54 million worth were redeemed all told.

The Gross National Product increased by some 10 per cent to IL 7,691 million — half being due to the rise in the numbers employed, and half to increased output per head. The Government pursued a policy of selectivity in encouraging investments, giving preference to those contributing to employment, exports and the dispersal of the population. Investments rose by the moderate figure of 4 per cent. Though the population grew by 3.7 per cent — and the labour force even more — all the additional labour power was absorbed, and unemployment even fell to the low daily average of 4,206. Israel thus maintained a position of practically full employment. The National Income increased by 20.5 per cent to IL 5,904 million — IL 2,460 per head, and real wages by an average of 6 per cent. Savings showed a very welcome increase, and the importance of the Stock Exchange grew as a medium of investment and savings for the general public. Personal consumption increased by 9.5 per cent — about 5 per cent per head — which was less than in previous years. The means of payment grew by 26 per cent, mainly owing to the increase in foreign currency balances.

Economic policies for the financial year 1964-65 are to be governed by the urgent necessity to keep the economy stable, despite the considerable pressures expected. Investments are expected to mount by at least 12 per cent, and exports to reach $700 million, while capital imports are estimated at $500 million. With such marked expansion in mind, vigorous measure are to be taken to restrain consumption: (a) a balanced budget; (b) credit restraint; (c) increased investment and sale of shares in Government companies; (d) bank loans to the Government for development; (e) discouragement of foreign currency conversion and encouragement of savings. Parallel with this, continuous pressure will be exerted upon manufacturers to keep production costs down.

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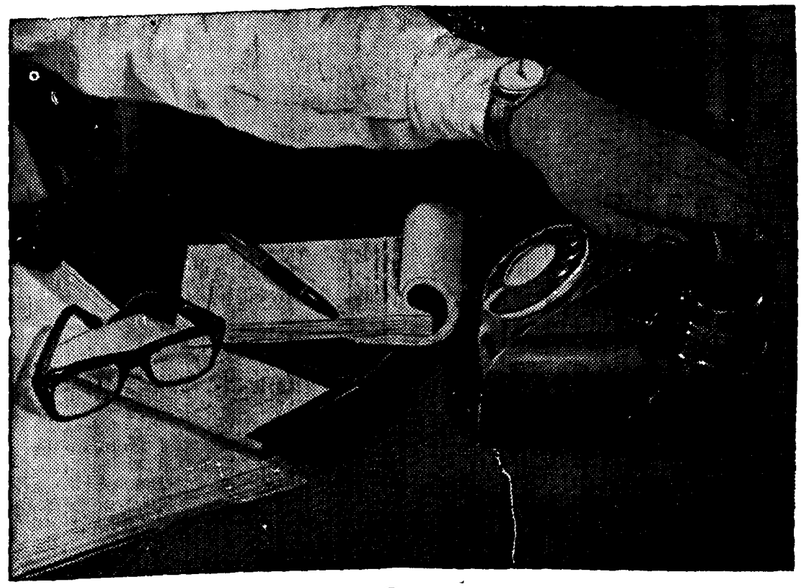
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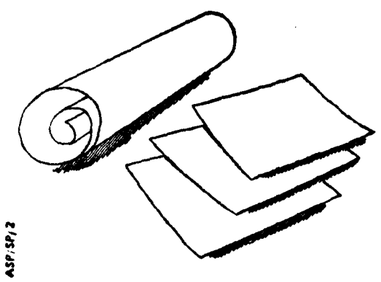
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OUR POPULATION PROBLEM—IV

Family Planning Effort—As It Is

R. CHOPRA

THE PROBLEM is formidable indeed. But there are also some favourable factors that must not be overlooked. There is a growing recognition of the problem at all levels, in many institutions both official and unofficial. In India, which is one of the countries most immediately concerned, the Government has officially stated that "family planning is a key programme for the third Plan and subsequent five-year Plans and will be undertaken not merely as a major development programme, but as a nationwide movement which embodies a basic attitude towards a better life for the individual, the family and the community. The objective — to stabilise the growth of population over a reasonable period — is at the very heart of all India's plans for development".

The Government has set up Central and State Family Planning Boards and considerable research is being done in developing effective contraceptives, training in motivation, demography etc. A third Plan allotment of Rs. 27 crores or six times as much as in the second Plan has already been made and may be raised to Rs. 50 crores if required.

The Report for 1962-63 of the Director, Family Planning, Col. B. L. Raina, to the Central Family Planning Board in April, 1963, lays down the proposed aim of the family planning programme in India and the steps taken or proposed to be taken to achieve the aim.

The proposed aim, it says, is to accelerate the adoption of family planning so as to reduce the birth-rate to 25 per thousand by 1973. The present rate being about 40, the proposed figure shows a decrease of 15 per thousand. It is also hoped to bring at least 90 per cent of the married population under the programme.

The programme is based upon what are known as the six basic functions. Two of the six functions considered as primary functions are — "(1) community educational work, which can produce the group support needed for family planning and provide specific information about contraception, and (2) supply of contraceptives through channels which pose the least possible psychological or physical barriers to obtaining them".

Supporting Functions

The supporting (but also obviously equally vital) functions are — (3) provision of clinical services to those individuals who may have some special problems requiring a clinic visit, (4) provision for statistical evaluation of programme impact on birth-rate and on certain other indications of effect, (5) overall administrative co-ordination and support, and (6) training functions.

In so far as the six basic requirements enumerated above are concerned, there can be no disagreement about them Perhaps one or two of them may not be so fundamental in nature. On the other hand, some other factors could have been included as basic functions.

About the first basic function, the report stresses the adoption of the "extension approach". The extension approach, whereby the focus of group pressure can be mobilised, involves methods for indentifying influential leaders among different sub-groups of the population, methods of encouraging them to gain knowledge and take interest in developing the small family norm among their group, methods of imparting to them and others basic information regarding family planning practices among their group. This approach is not only more effective in bringing change, but one worker can reach greater numbers. Panchayats, Village Development Committees etc. can be made responsible for propagating family planning including distribution of contraceptives etc.

The report lays down the organisation required to put "extension approach" into operation. It requires trained family planning officials at Village, Block, District, State and other levels who shall co-ordinate and co-operate with their counterparts in Civil, Medical, Health, Block Development Departments at their levels; provide training to those below them; hold meetings, implement programmes and solve problems in day-to-day working; organise vasectomy camps; establish useful working relations with sub-group leaders etc. They will also help in developing adequate contraceptive storage and distribution facilities at the various levels, keep records and collect family planning demographic data in their jurisdiction.

The lowest level will be that of Family Planning Field Workers, who will be males, and shall be responsible for family planning in about 20,000 population under the guidance and direction of the Block Family Planning Extension Educators. The Block Family Planning Extension Educator shall be responsible to the District Family Planning Extension Educator who in turn is responsible to the District Family Planning Officer.

There will also be 8 Auxiliary Nurse Midwives posted throughout the Block, who would also be actively promoting family planning, with support from the Extension Officers plus the Maternal and Child Health (MCH) Service staff.

Distribution of Contraceptives

Coming to the second basic function, i.e., supply and distribution of contraceptives, it is correctly pointed out that there should be minimum possible psychological and physical barriers to obtaining them. The smooth and satisfactory supply and distribution of contraceptives, it is confessed in the report, has not been very successful so far for various reasons. The future course will be as follows:

> "Contraceptives either from the Central Family Planning Office or the State Family Planning Offices flow directly to the District Family Planning Officer for distribution.
>
> Under direction of the DFPO supplies are distributed to the District and Tehsil hospitals, and Block FP cell.
>
> Distribution at the Block level is a responsibility delegated to the Block Extension Educator Officer, FP who directly supervises a contraceptive storekeeper-cum-clerk.
>
> The storekeeper will deliver contraceptive supplies to Primary Health Centre Sub-centres and contraceptive depot holders on a regular schedule (as e.g., monthly) in the block.
>
> The storekeeper will require a simple signed form from each depot holder when supplies are delivered for accounting purposes.
>
> No additional accounting will be required from depot holders or clinics.
>
> The contraceptive storekeeper-cum-clerk under the direction of the Block Extension Educator will be responsible for maintaining an efficient distribution route, maintaining records of contraceptives distributed, inventory, and maintenance of stores. The contraceptive supplies can also flow through village co-operatives".

The contraceptives to be distributed are rubber contraceptives, condoms, diaphragm, foam tablets etc. It is also mentioned in the Report that the relatively high price of these contraceptives are a barrier to popular consumption. Obviously, even if the Government were to distribute contraceptives free of cost, the strain on the national exchequer would be enormous. Hence the need for a much cheaper type

of contraceptive which should also be convenient for mass consumption. The conventional contraceptives are difficult to store, use and dispose of afterwards and thus inhibit usage. The problem that emerges is two-fold. First the need to motivate the population to reduce the size of the family and provide information on how to do it. Secondly, to supply enough and cheap contraceptives to enable the motivated population to practise family planning.

Let us see whether the proposed plan of action meets the requirements of a population as vast as India's.

The Report lays down that there will be one Family Planning Field Worker for family planning education in about 20,000 population under the guidance and direction of the Block Family Planning Extension Educator when the plan is fully implemented.

Inadequate Allotment

Taking the expense figures as given in the Report as typical a few calculations will show that the budget allotment in the third Plan is extremely inadequate. For a population of say 50 crores we would require 25.000 Family Planning Field Workers alone. Assuming annual salary of Rs. 3,000 on an average, the wage bill per annum will be Rs. 7.5 crores. In a five-year period it will be Rs. 37.5 crores. This does not include other recurring as well as non-recurring expenditure including that of contraceptives (the supply of which is after all the most important), clinics, housing, transport, salaries and honorarium of other workers at various levels etc. Obviously, it is not expected to have one Family Planning Field Worker per 20,000 population in the third Plan period anyway. Or their salaries are expected to be substantially less than the figure assumed. If the former assumption is correct then the effect of the programme on the population during the third Plan, to reduce the birth-rate, will be small indeed. If the latter alternative is correct then it should be remembered that the quality of the Field Worker will be very inferior which may jeopardise the entire plan because the Field Worker is at the very foundation of the family planning programme. Either alternative would seriously jeopardise the achievement of the targets by 1973.

Regarding the contraceptives, as mentioned earlier, the cost of supplying them in adequate quantity to the motivated population can be calculated. Assuming that 8 crore couples have been motivated (which is much below the 90 per cent target), and contraceptives worth Re. 1.00 per couple per month are supplied (the cost assumed is much below the market price), the Annual Bill would be Rs. 96.00 crores. Obviously, the Director of Family Planning has not taken this into consideration or he would not term the third Plan allotment as adequate!

The other expenses though substantial shall not be considered for the time being. It is, however, apparent that though the programme as outlined in the Report is basically in the right direction, the organisers of the programme have not taken into consideration the Bigness of the problem. And in this lies its most serious weakness.

The following are some of the defects in the programme:

(a) One Family Planning Field Worker per 20,000 population is extremely inadequate. Individual and sustained attention which is very essential for such a programme will not be possible.

(b) The contraceptives upon which the programme is based are expensive and inconvenient to store, use and dispose of.

(c) By depending upon voluntary as well as official agencies to propagate family planning, by bringing the Block Development Officers, Maternal and Child Health staff and other social and welfare agencies into the picture, the responsibility for implementing the programme has become diffused. This might lead to the practice of "careerism" in official agencies and prestige-value for voluntary organisations to the detriment of the family planning programme.

(d) At the State and Central levels there is no unified control. The States are practically independent of the Centre which might lead to lack of co-ordination and hence wastage of time and money.

(e) The channels of communication of the methods of family planning are extremely vague. It would seem from the Report that only meetings, seminars, camps will be organised where influential leaders will speak, in addition to the distribution of posters, pamphlets etc. and the screening of a few films. The population thus reached would be very small.

(f) The programme expects the people to come to the Family Planning Workers for help instead of the Family Planning Workers going to the people. This will certainly reduce the impact of the programme if not make it totally ineffective.

(g) No mention is made of using the modern modes of communication i.e., newspaper, radio, television e.c. which have proved extremely effective abroad as modes of propagating ideas.

(h) No stress is laid on the provision of adequate facilities for sterilisation. If, as the Report says, sterilisation is popular when properly explained, it should have received more prominence.

(i) No mention is made in the Report of introducing family planning as a subject in the Universities etc. This is necessary in order to educate the coming generations and is thus very effective.

In short, the problem is too big and the measures proposed are extremely inadequate and limited in scope. In my opinion it is just not possible to achieve the targets envisaged in the Report.

Proposed Measures

While discussing the various measures taken or proposed to be taken as reported by the Director, Family Planning, it would be interesting to quote certain passages from the booklet "The Growth of World Population" —

(1) "Clinical programmes alone do not appear to be sufficient for the task" (i.e., mass programme of family planning).

(2) Continued promotion in the field is necessary for continued effect; the point of self-maintaining activity is hard to reach. At the same time, it seems clear that it is not necessary to reach an entire population in order to achieve substantial effect. In some areas the people themselves help to spread information through informal and often highly effective channels.

(3) "Personal communication between field workers or local leaders and the people is apparently the best single influence for the adoption of voluntary fertility control" in many areas, though mass communication may become increasingly important.

(4) "Experimental efforts to promote family planning with traditional contraceptives that require sustained motivation and preparatory action often fail". The number of people willing to accept the idea is not large and the number of continuing users is even smaller.

(5) Results of the few successful efforts so far suggest that the use of traditional contraceptives can be expected to produce an average reduction of five to seven points in the birth rate in less-developed areas in a period of five years (for example, from 42 births per thousand population to 35-37 per thousand). Because of the backlog of interest among large families, the reduction is often greater in the first year than in subsequent years. **(To be Continued)**

WINDOW ON THE WORLD

Six Against Inflation

From our Special Correspondent

PARIS:

THE COMMON Market Six agreed this week on a joint campaign against inflation. Apart from its immediate significance, as a move against the deterioration of the Community's currencies, competitiveness and trade balance, the fact is notable as a first exercise in joint, short-term economic policy. True, the Six are far from having attained that degree of political unity that would allow a really united stand on these matters: budgets and the management of money are still questions of national sovereignty, and are likely to remain so in law for some years yet, given the paralysis of the Community's will to political union. Meantime, there is no central authority that can dictate credit policy throughout the region, limit public spending by the national capitals, nor intervene in wage settlements. (And no doubt it is just as well that no such central administration exists, as long as there is no popularly elected European parliament to control and censure it.)

So the policy elaborated by the Six Finance and Foreign Ministers at their meetings this month must take the form of mere recommendations and suggestions, which each Government promises to take into account as far as possible. In fact, one of the key suggestions put forward by the ECM Commission — namely, that Dec. 31 this year be set as a deadline for the anti-inflationary measures outlined — had to be dropped from the final draught, as smacking too much of an ultimatum to sovereign states issued by the Brussels bureaucracy. However, there is reason not to put too much emphasis on the "mere" in front of these recommendations, because it is already proven that the moral force of the undertakings exchanged by the Six between themselves can be considerable. Indeed, the binding force of such informal contracts falls not far short of that of policy decisions within any one state — for it is notorious that if these latter were really binding on all sections of the nation, inflation would never be a problem.

Rational Measures

The agreements in Luxemburg and Brussels, then, rank as an approach to a six-nation anti-inflationary policy. Quite apart from their legal or moral force, they have all the persuasiveness of rational measures; they suggest steps that the national capitals would have to take sooner or later, and might take sooner now that they have been co-ordinated. Indeed, several of the Commission's ideas had already been adopted, notably by France, Belgium and West Germany, before they were incorporated in this month's joint declaration.

That document begins by underlining the necessity of a common anti-cyclical policy in a Community where goods, capital and labour move more freely every month, so that the import and export of inflation are easier than across the old national frontiers. Belgium, for example, has just had a taste of "imported inflation". Prices in that country had been the steadiest in the region: between 1959 and 1963, the cost of living rose only 5 per cent, compared with 19 per cent in France, 16 per cent in Italy, 11 per cent in West Germany and 10 per cent in Holland. Then, last year rising prices on the other side of ever more permeable frontiers started to suck goods out of Belgium: exports of meat and other animal products shot up 45 per cent, immediately causing scarcities and rising prices in the kingdom. Under the influence of soaring food prices, the Belgian cost of living jumped 2.9 per cent between September and January, which is equal to an annual rate of 6.9 per cent, or one of the highest rates of inflation in the Community. As an emergency measure, the Belgian Government banned exports of cattle, and prices soon steadied up; but obviously, this can only be a temporary infringement of the common farm policy and anyhow it could not be applied to many other goods. The case is cited to show, in its simplest form, what imported inflation means and hence to explain why the inflationary menace is taken as a common problem even when some members (especially West Germany) have to date suffered less than their neighbours.

Specific Recommendations

That point made, the joint declaration goes on to state the specific recommendations to all six Governments. (1) They must all maintain a liberal import policy. (2) Their national budgets must not grow by more than 5 per cent a year, whether they be balanced budgets or not. This figure of 5 per cent is arrived at by assuming that the average long-term growth of national product is 4 per cent annually, and then adding 1 per cent "for elasticity" or, in plainer terms, allowing that rigidly stable prices are not hoped for and that a 1 per cent rise in prices is tolerable. (3) If and when the mass of the budget swells more than 5 per cent in a year, taxes must be increased. (4) The deficit of public services must be reduced, by raising charges, e.g. for electricity, rail transport, etc. (5) Budget deficits must be financed by long-term borrowing rather than by revolving short-term resources; i.e., the issue of Government loans must replace resort to sale of Treasury bills. (6) Current credit restrictions must be kept in force. The declaration does not go into details here, for conditions vary widely in countries with contrasting banking structures, but it is understood that the present credit-squeeze and limits on consumer finance will be mainained for the rest of this year at least.

The last two recommendations are vaguer, or relate to mechanisms that will take time to set in place. (7) A national incomes policy must be sought, such as would peg the increase in wages to the increase in productivity. (8) The Six Governments are held to be under an obligation to co-operate in financing trade deficits that arise among themselves; this is a reference to the fact that most of West Germany's current trade surplus, and much of the deficit of Italy and France, are incurred in commerce within the Common Market.

This series of measures is addressed to all members, but it applies most appositely to four of them: France and Benelux. Those four nations need to adopt all those counter-measures, and probably nothing more drastic is required. Remain the cases of West Germany and Italy, the situation of the former being much less alarming, and the plight of the latter much more. The joint declaration, therefore, concludes with particular suggestions aimed at Bonn and Rome. The West Germans are advised to postpone contemplated tax reductions, to limit the present lively growth of investments, and to promote the export of capital. The uneasy coalition in Rome is counselled with particular urgency to resort to stiffer taxation and to compress Government spending, which is slated to soar 800.000 million liras this year.

It is remarkable that many of these suggestions, as already noted, are being applied. This is not to say that the Commission is preaching to the converted: its ideas were known well in advance of being set out in this month's joint declaration, and seeing their reasonableness some Governments hastened to implement them. Thus, West Germany has set up barriers to imported inflation in recent weeks by moving to discourage the influx of capital and, if possible to promote its re-export.

Private banks have been forbidden to pay interest on foreign deposits, and reserve requirements have been raised to the legal ceiling; and a 25 per cent withholding tax has been clamped on interest payable to foreign holders of West German securities. Belgium has raised money rates, put the brakes on consumer credit, spread out public investment programmes over a longer period, dampened the housebuilding boom and sought to stabilise food prices. Initial success has been encouraging: retail prices have fallen fractionally since January and exports have improved. It is too early, all the same, to conclude that the inflationary threat has subsided because recent wage settlements foresee a third week of paid annual leave and an increase in family allowances, which will mean in total a rise of 11 per cent in wage costs during this year.

The most notable conversion has been in France, where the Government has adopted virtually all the suggestions made in Brussels as regards budget policy. The total size of the budget will be kept in phase henceforth with the expansion of national product (plus 1 per cent for a rise in prices that is held to be tolerable). The budget deficit will be trimmed severely, after having been halved in the last two years in absolute volume (which meant that its relative importance declined as the mass of the budget rose). In a brave moment, the Finance Minister even spoke of strictly balancing the budget next year. In any event, such deficit as persists will be covered by long-term borrowing. If these promises are kept (and President de Gaulle abandoned the Olympian heights where he meditates foreign policy this week to commit himself personally on their observance), France will at last have come into line with the Erhardian doctrine on public finance. Hence, for the first time in generations, one will be able to take seriously a French stabilisation operation, as a long-term plan to eradicate inflation at the roots.

For political reasons Italy is a case apart, for her acute attack of growing pains coincides with a delicate conjuncture in domestic political life which will make difficult a determined application of the remedies suggested this month in Luxemburg and Brussels. Before very long, however, successful anti-inflationary action in the other five countries will make quite inevitable a rigorous renovation of Italian finances, even if at the cost of a political upheaval that might assume dramatic forms.

The Years of Expansion

GUY SIMS FITCH

WASHINGTON:

IT IS now official. With the coming of April, the current economic upswing entered its 38th month, making it the longest peacetime expansion in the history of the United States. This excludes, of course, the lengthy recovery from the painful depression of the early 1930's, properly viewed by economists as a special case and one not likely to be duplicated.

The question now is how long the rise will continue. With its current advance, the economy apparently has broken out of earlier postwar patterns of recurrent expansion and recession, and has defied repeated predictions of an imminent slowdown. In the process, the economy has withstood a number of major strains. These include the Berlin crisis of 1961, the steel price controversy and stock market drop of mid-1962, the Cuban missile crisis of October 1962, and the tragic death of President Kennedy in November 1963. From all these, the economy has emerged strong, resilient and basically unscathed.

In fact, a survey of more than 50 leading economists, conducted by "Business Week" magazine, discloses a virtually unanimous view that business will continue to advance at a healthy pace throughout 1964, at least. The prevailing opinion is that the recently enacted tax cut with its stimulating impact on consumer demand and business investment, makes such a conclusion all but inescapable.

These experts estimate that the gross national product (GNP) — the total output of goods and services — will average about $ 622,000 million for 1964 as a whole. This is somewhat higher than most earlier estimates, and would represent a gain of some 6.5 per cent over the 1963 level, indicating an accelerating rather than a diminishing rate of growth in this fourth year of sustained economic expansion.

Attention thus is focused on the longer-term prospects, with 1965 the chief centre of attraction. The principal question is whether the U.S. economy can maintain the remarkably balanced growth it has demonstrated till now—rising production, incomes and employment in an essentially non-inflationary atmosphere. On this score, some differences of opinion for 1965 are evident among the experts in the Business Week survey. The more cautious among them see the possible emergence of several potentially unsettling developments:

As the expansion continues and tax revenues rise, the federal budget could begin pulling increasing amount of money out of the economy, exerting a deflationary pressure;

Labour negotiations this year, such as those scheduled in the automobile industry, could conceivably result in costly strikes or in costly settlements with an inflationary impact;

Upward price trends could gather momentum if rising demand were to put pressure on existing productive capacity; and

Rising business costs could threaten profit margins in some industries ,and thus slow the strong rise in capital investment.

While these possibilities merit attention, they still remain no more than possibilities at present. Moreover, even the cautious experts foresee at most a mild decline sometime in 1965 — milder, in fact, than the moderate and more frequent dips of the late 1950's—as businessmen appear to have learned well the practical lesson of restraint in such vital matters as price and inventory policies.

On the other hand, the more optimistic opinion—and there is a slight but significant majority leaning in this direction—sees every reason to expect that the present expansion will continue right through 1965. Experts holding to this view point to the following factors:

Changed Trends

Trends that held back production in the late 1950's have changed. A cycle of consumer goods replenishment appears under way, and a new demand expansion appears in prospect from the nation's rising population, notably from the surging teenage and young married group;

An increase in the number of families is in store. Combined with rising incomes, it will support an expanding market for houses as well as consumer goods;

Plans already on business books point to a continued strong rise in spending for plant and equipment at least to the middle of 1965, and as production rates rise in response to growing demand, there could well be a further need for added capacity;

State and local outlays for public services and facilities will continue to increase at a substantial rate, blunting the effects of any hold-back in federal spending.

These experts believe that the nation's rising productivity and productive capacity will exercise a requisite and wholesome restraint on wage and price increases. The very awareness of the need to accomplish this, as witness the Johnson Administration's oft-expressed concern on this score, could in itself act as a powerful discipline, greatly enhancing the likelihood of keeping the economy moving ahead at a brisk and basically non-inflationary pace.

LISTENING POSTS

Plan for Petrochemicals

By Our Special Correspondent

NEW DELHI:

IN A report submitted to the Union Government a few days ago, the Planning Group for Petrochemicals has called for a bold policy for the development of petrochemical industries. The Group regrets that "economic and planning organs do not take sufficient account of the achievements of science and technology and do not use these achievements for the accelerated development of those categories of production and branches which are economically the most advantageous and promising". It has drawn the attention of the planning authorities to the fact that new chemical products, such as plastics, can replace scarce items, like steel, and at much cheaper cost and investment. The Group has tried to correlate the adoption of new materials with the rate of economic growth in some of the advanced countries and has reached the significant conclusion that Japan, Italy, West Germany and Austria which have witnessed the most rapid economic growth during the last decade, are also the countries which have taken resort to extensive use of new materials and plastics.

The Group has reassessed the requirements of various petrochemicals in India by 1970-71, including the possibilities of exports, and is of the view that the gaps between the requirements of various petrochemical products and their production from the already licensed schemes will be as follows (in '000 tons):

PLASTICS: Polyethylene 86.6; Polypropylene 5; PVC Resin 48; Vinyl Chloride (for PVC) 85; Polystyrene 15; Methacrylate Resins 8; Polyacetals 6; Vinyl Acetate (non-fibre) 7; Polyurethane 10; Polyesters 3; Epoxy Resins 2; Nylon 2.

SYNTHETIC FIBRES. Nylons 23; Tyre cord 13; Filament Staple 15; Polyester 16; Polyacrylonitrile 16.5; Miscellaneous 30; Polyvinyl Alcohol 10; Polypropylene 10.

SYNTHETIC ELASTOMERS: Polybutadiene 25; Butyl 30; Polyisoprene, EP rubbers, EPT rubbers and Polybutadiene 35; SBR 30.

OTHER ORGANIC CHEMICALS: **Alkylene Oxides:** Ethylene Oxide 3; Propylene Oxide 8. **Alcohols:** Methanol 27; Ethanol 20; Isopropylalcohol and Derived Solvents 1; Phthalic Anhydride 12.4; Maleic Anhydride 2; Aniline 9; Benzene 68; Detergent Alkylate 20; Formaldehyde 57; Carbon Black 20; Dicyclopentadiene 0.5; Vinyl Chloride (non-PVC use) 1; Polybutane 6; Acrylonitrile (for non-fibre use) 10; Methyl Ethyl Ketone 10.

Recommended Capacities

The Group, however, has recommended that on the basis of the available naphtha and natural gas resources, we should aim at the establishment of the following capacities (in '000 tons) during the fourth Plan period: Ethylene 210; Polyethylene 100; Polypropylene Resin (for plastic and fibre) 15; Vinyl Chloride (for PVC) 50; PVC 30; Styrene (for Polystyrene and Copolymers) 25; Polystyrene 18; Methacrylate Resins 8; Polyacetals 6; Vinylacetate (for PVC and Polyvinyl alcohol fibre) 10; Caprolactam (for 25,000 tons of Nylon for fibre and plastic) 33; P-xylene (for 20,000 tons/year Polyester fibre) 17; O-xylene (for Phthalic Anhydride) 21.5; Dimethyl Teraphthalate (for Polyester fibre) 21; Acrylonitrile (for 16,500 tons/year fibre and 5,000 tons/year for other uses) 23; Butadiene (for SBR Plant in Bareilly) 25; Polybutadiene Rubber 25; Butyl Rubber 30; EPT 20; Polybutadiene/Solprene 30; Ethylene Oxide 20; Propylene Oxide 8; Butadiene extraction 12.

Four petrochemical complexes at Bombay, Koyali, Calcutta and Barauni, have been recommended to be set up by 1970-71 at an estimated cost of Rs. 245.9 crores. An additional investment of about Rs. 10 crores has been suggested for some miscellaneous schemes not included in these complexes.

In addition to the petrochemical projects already licensed for the Bombay area, three new schemes have been recommended by the Group for implementation in this complex by 1967. These are: (1) setting up of an 8,000 tons per annum capacity plant for the manufacture of Methacrylate Resins (cost Rs. 5 crores); (2) establishment of a 25,000 tons capacity Polybutadiene Rubber manufacturing unit (Rs. 15 crores); and (3) putting up of an 8,000 tons capacity Propylene Oxide plant (Rs. 1.5 crores).

As many as 15 schemes have been recommended for the Koyali complex. These are:

Manufacturing programme	Capacity ('000 tons)	Investment (Rs. Crores)	Year of Commissioning
1. Ethylene	100	11.3	1968
2. Polyethylene	50	13.0	1968
3. Polypropylene Resin (for plastic and fibre)	15	5.2	1968
4. Vinyl Chloride (for PVC)	50	8.8	1968
5. PVC	30	2.4	1968
6. Styrene (for Polystyrene and Copolymers)	25	5.2	1968
7. Polystyrene	18	3.9	1968
8. Vinylacetate (for PVC and Polyvinyl Alcohol fibre)	10	1.3	1968
9. Caprolactam	15	11.4	1967
10. P-xylene (for Polyster fibre)	8)		1967
11. O-xylene (for Phthalic Anhydride)	) 10)	4.0	1967
12. Dimethyl Teraphthalate (for Polyester fibre)	10	4.0	1967
13. Acrylonitrile	15	5.2	1968
14. Butyl Rubber	30	19.3	1967
15. Polybutadiene/Solprene	30	17.4	1968

For the Barauni complex, the Group has suggested five schemes: (1) Acrylonitrile manufacture to an annual capacity of 8,000 tons to be established by 1967 at an estimated cost of Rs. 3.9 crores; (2) Butadiene (for the SBR Plant at Bareilly) production to the tune of 25,000 tons by 1967 at a cost of Rs. 8 crores; (3) P-xylene and O-xylene manufacture to 11,500 tons capacity by 1968 and an additional 9,000 tons by 1969 at an investment of Rs. 4 crores and Rs. 3.9 crores, respectively (this is an alternative to the two Koyali schemes); (4) Dimethyl Teraphthalate production to 11,000 tons by 1969 at a cost of Rs. 4.5 crores; and (5) Caprolactam manufacture to the extent of 18,000 tons by 1970 at a cost of Rs. 16.20 crores.

Six schemes have been recommended for the Calcutta complex; all to be completed by 1970. These are: (1) Ethy-

lene production 110,000 tons (cost Rs. 12.5 crores); (2) Polyethylene 50,000 tons (Rs. 13 crores); (3) Polyacetals 6,000 tons (cost not yet assessed); (4) EPT 30,000 tons (Rs. 10.7 crores); (5) Ethylene Oxide 20,000 tons (Rs. 1.3 crores) and (6) Butadiene extraction 12,000 tons (Rs. 1.5 crores).

The Group has also projected the requirements for polyolefins, PVC and Polystyrene upto 1975-76 and desires that the production of these three items at the end of the fifth Plan period should be 220-275,000 tons, 210-235,000 tons and 70-90,000 tons respectively. No firm estimates of demand for other petrochemicals have been made by the Group for the fifth Plan period. A further study has been suggested for this purpose.

For meeting the deficits of some petrochemicals in the last two years of the fourth Plan and for catering to the increased requirements during the fifth Plan period, the Group has suggested that a fifth complex should be undertaken in South India in two stages. The first stage of this complex should commence operation in 1969 and should be planned for: (i) production of approximately 30,000 tons a year Acetylene to be converted into 64,000 tons of Vinyl Chloride and 3,000 tons of PVC (the balance 3,000 tons Acetylene may be used for Chlorinated Ethylene, Acetylene Black and for welding); and (ii) manufacture of 40,000 tons a year Methanol and 40-50,000 tons of Formaldehyde. This programme will entail a cost of approximately Rs. 36.7 crores.

Second Phase

The second phase of the South India complex, it has been recommended, should start production in 1963 or soon thereafter. A naphtha cracker to produce 120,000 tons of Ethylene per annum has been suggested for this stage with the following tentative product-mix: (1) Polyethylene 60,000 tons per annum; (2) Vinyl Chloride 64,000 tons; and (3) some quantities of Styrene, EPT Rubber, etc. This programme is estimated to cost Rs. 100 crores.

In view of the demand for petrochemicals expected to grow rapidly during the fifth Plan period, the Group has further opined that it may be economically viable to plan for the manufacture in Northern India from feedstocks to be available from the proposed North Indian refinery.

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The Committee on Social Security, set up by the Union Finance Ministry to consider what measures can be taken for mitigating the hardships experienced by the aged, is understood to have reached the conclusion that an immediate start can be made for providing old-age pensions to those who are in need of such assistance. It has drawn up a model scheme on the basis of the Madras legislation for grant of old-age pensions. The scheme, it is further learnt, has been approved by the Ministries of Finance and Labour and the Planning Commission.

The scheme envisages payment of a pension of Rs. 20 to every destitute over the age of 65, and also to destitutes incapacitated from earning a living if they are over 60. Care has been taken to see that the procedures evolved for verification of claims and payments of pensions do not cause inconvenience to the claimants.

The Committee has also opined that some assistance at a reduced scale may as well be given to those who are partially destitute or have very meagre sources of income, but thinks that consideration of such cases may be taken up only at a later stage.

Assuming that 10 per cent of the Indian population belongs to the age-group over 65, the implementation of the scheme in 1964-65 is expected to cost Rs. 29 crores. The cost will go up to Rs. 30 crores in 1965-66. A total sum of Rs. 59 crores, therefore, will have to be provided for granting old-age pensions during the terminal two years of the current Plan. The total cost of implementing the scheme during the fourth Plan period is estimated at Rs. 160 crores — Rs. 32 crores per annum.

In view of the national importance of the scheme, the Central Government, it is understood, will offer 50 per cent of the cost of implementation to the States.

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The Union Government, it is understood, has drawn up a provisional programme for raising coal production during the fourth Plan period to 154.5 million tonnes. According to an assessment made by the Planning Group on Coal, the requirements of steel and merchant cokeries are expected to go up by 1970-71 to 48 million tonnes of coking coal and 8 million tonnes of blendable coal. The demand for non-coking coal by industrial consumers and for brick burning and domestic purposes is estimated to go up to 98.4 million tonnes. These estimates, however, are again under scrutiny. The possibility of their undergoing some change is not ruled out.

In the light of the decision taken sometime ago to link the requirements of coal consumers, particularly the major ones, to specific coalfields, a technical committee has been set up to go into, in the first instance, the question of linkage of the requirements of steel plants and washeries to particular collieries. This it is doing for the time being for the last year of the fourth Plan. The phased programme for the fourth Plan as a whole is proposed to be drawn up later.

With a view to judiciously utilizing the available metallurgical coal reserves, the Union Government has also tentatively drawn up a list of washeries which will be set up during the fourth Plan period. According to the present thinking in official circles, all these new washeries are to be in the public sector. It is proposed to establish by the end of the fourth Plan a washing capacity of 44 million tonnes input which will give an output of 22 million tonnes of clean coal. The availability of middlings in 1970-71 is expected to go up to 13.6 million tonnes in Bengal-Bihar coalfields and to 0.73 million tonnes in the outlying areas. These anticipated supplies have been provisionally linked with the fuel requirements of the thermal power station. For providing adequate facilities for coal movement in the latter part of the fourth Plan, feasibility studies have been instituted on laying of coal pipelines.

Meanwhile, if the present slackness in demand for coal continues during the terminal two years of the current Plan, it is felt that actual production of coal in 1965-66 may be of the order of only 85 million tonnes as against 90 million tonnes estimated in the mid-Plan appraisal. The industry, however, will have by the end of the third Plan a capacity to produce much more than 85 million tonnes. The production of coking coal is expected to go up to 22.3 million tonnes in 1965-66, as against the anticipated demand of 18.52 million tonnes. In view of the increased production of coal and the necessity to earn foreign exchange, the Union Government has decided that 0.5 to one million tonnes of superior grade of coal per annum may be allowed for additional export. A proposal to export 266,000 tonnes of coal to Burma during the current financial year is stated to be under negotiation with the Burmese Government. The present coal export programme is as follows:

i) 1.56 million tonnes agreed to be supplied to Pakistan under Indo-Pakistan Agreement;

ii) 30,000 tonnes to be supplied to Japan under ad hoc arrangements; and

iii) 50,000 tonnes to be supplied to Nepal also under ad hoc arrangements.

The actual exports of coal during 1963, however, were about 1.1 million tonnes, as against 1.2 million tonnes in 1962.

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Addressing a Press Conference here soon after his return from Geneva, where he attended the Ministerial Session of the U.N. Conference on Trade and Development, the Union Minister for International Trade, Mr. Manubhai Shah, expressed the hope that a co-ordinated international policy on trade and development would emerge from the Geneva deliberations. He evinced a sense of gratification over the fact that there was a wide understanding on the part of the industrialised countries on the need and urgency to solve the problems of the developing nations.

Dwelling at length at the proposals made by the Indian delegation for fostering world trade and development of the backward nations, Mr. Shah disclosed that India had taken the line that the proposal of the socialist countries to set up an international trade organisation was impracticable, if for no other reason than for the difficulties of drawing up a statute for it and the necessity of getting this statute ratified by the Parliaments of the member countries. As an alternative, India had suggested a radical revision of the GATT Charter and making of the current World Trade Conference a permanent body under the auspices of the United Nations.

On revision of the GATT Charter, Mr. Shah said, India's proposal was to make the GATT responsive to the requirements of the socialist as well as the developing countries. He expected that Poland would soon become a full-fledged member of the GATT, paving the way for the other socialist countries to come into this organisation. India, Mr. Shah further stated, had pleaded for simplification of the GATT contract to make it easily understandable to the emerging nations.

The reorganisation of the GATT alone, Mr. Shah said, would not solve all the problems of world trade. There would still remain a number of problems and issues, such as non-tariff barriers and financing arrangements for trade which the GATT would not be able to tackle. India, therefore, had suggested that a new machinery should be created for this purpose in the shape of making the present World Trade Conference a permanent body. The work of the Conference should be conducted by a Standing Body of 34 members so constituted as to reflect the geographic and economic composition of the U.N. The Standing Body should have its own regular secretariat and a commission of six experts authorised to review any trade problem submitted to it by any nation and to make its recommendations to the Conference. It should also have four sub-committees to assist it. These sub-committees would deal with commodity prices, financing and expansion of trade, industrial planning and shipping and invisible exports.

The Indian delegation, Mr. Shah further stated, had laid particular emphasis on the stabilisation of prices of primary products and raw materials, which figure prominently in the exports of developing countries, at fair and remunerative levels. This should be done by abolishing all tariffs and quota restrictions on these commodities by the developed nations and fixation of support prices. If prices fell below the support levels, the exporting countries should become eligible for monetary compensation from a trade development fund to be financed through contributions from the purchasing nations, levy of a small cess on international transactions in these commodities, sales from stockpiles, contributions by the exporting countries in the form of some notional insurance premia and loans by International Monetary Fund. It had been urged that support prices should be so fixed as not to lead to uneconomic production and unnecessary search for substitutes.

India, Mr. Shah added, had also suggested that terms of trade should be readjusted so that they did not remain as heavily weighted in favour of the industrially advanced countries as they were at present. Another point emphasised was that in the interest of industrialisation of the under-developed countries, the manufactures of these countries should be accorded a preferential treatment in matters of tariff and quota restrictions by the developed nations vis-a-vis similar manufactures of the industrially advanced countries. It was also urged that the developed nations should not insist on reciprocity from the under-developed countries in matters of preferential tariffs. India, Mr. Shah revealed, was willing to surrender Commonwealth preferences if there was a general agreement on according preferential treatment by the developed countries to imports from the under-developed ones.

★★

An ambitious expansion programme has been proposed for the Neyveli Lignite Corporation under the fourth Plan. It aims at not only enlarging the power generation and fertilizer production capacities of this public sector undertaking, but also going in for the manufacture of methanol as a by-product from the Briquetting and Carbonisation Plant.

The Corporation's scheme to expand the power generation capacity from its existing power station from 400 MW to 600 MW has been even approved by the Planning Commission in principle. There is a proposal to increase the power generation capacity further to 1,200 MW by installing a second power station of 600 MW. The expansion of the existing unit from 400 MW to 600 MW is expected to cost Rs. 22.65 crores, out of which expenditure to the tune of Rs. 12.55 crores will have to be incurred in foreign exchange. The setting up of the second 600 MW power station is estimated to cost Rs. 62 crores. The foreign exchange component in this outlay will be Rs. 31 crores.

As regards expansion of the fertilizer manufacturing capacity, two alternatives have been proposed. The first alternative aims at raising the production of urea from the currently-being-installed capacity of 154,000 tonnes to 204,000 tonnes per annum at an estimated cost of Rs. 2.7 crores (foreign exchange components Rs. 1.2 crores). The other alternative proposed is to undertake the manufacture of 33,000 tonnes of nitrophoska annually in addition to 154,000 tonnes of urea. This scheme is expected to entail an expenditure of Rs. 1.89 crores, with a foreign exchange component of Rs. 50 lakhs.

The expansion of the power generation and fertilizer manufacturing capacities of the Corporation, as proposed, will necessitate opening up of a second mine-cut for yielding 7 million tonnes of lignite per annum. The present cut, it is thought, can be economically exploited only to yield about 5.5 million tonnes of lignite. The opening up of second cut is also considered necessary for meeting the fuel requirements of the proposed Salem Steel Plant. The second mine-cut is likely to cost Rs. 45 crores, of which Rs. 25 crores will be the expenditure in foreign exchange.

The proposed methanol manufacturing programme is estimated to involve an investment of Rs. 5.03 crores, with a foreign exchange component of Rs. 1.95 crores. The Plant will have a capacity to produce 33,000 tonnes of methanol per annum. This methanol will be combined with urea to form formaldehyde which is a base for plastics.

All the above proposals are stated to be under consideration in New Delhi.

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During the past two weeks, the U.S. Government has extended rupee credits totalling Rs. 6.5 crores to 13 Indian firms. All these enterprises have U.S. participation in their equity capital. The credits, made available under the Cooley amendment to the U.S. Public Law 480, will help in increasing the production of aluminium, antibiotics, electric apparatus, refrigerant gases, ice-making and air-conditioning equipment, steel tubes, sulphur products, glassware, carbon products, motor tyres and tubes, polyvinyl chloride plastics and resins,

shock absorbers and processed shrimp and fish.

The increased production of these commodities should not only considerably reduce the import bill, but may also help in earning some foreign exchange through exports of part of the output.

The recipients of the credits are: (1) Hindustan Aluminium (Rs. 1 crore); (2) Synbiotics Ltd. (Rs. 1.3 crores); (3) Elpro International (Rs. 40 lakhs); (4) Everest Refrigrents (Rs. 60 lakhs); (5) Frick India Ltd. (Rs. 25 lakhs); (6) Bharat Steel Tubes (Rs. 25 lakhs); (7) The IA & IC (Pvt.) Ltd. (Rs. 5 lakhs); (8) Borosil Glassworks (Rs. 71 lakhs); (9) Graphite India Ltd. (Rs. 69 lakhs); (10) Madras Rubber Factory (Rs. 50 lakhs); (11) Chemicals & Plastics India Ltd. (Rs. 33 lakhs); (12) Gabriel India Ltd. (Rs. 14 lakhs); and (13) Cochin Co. (Pvt.) Ltd. (Rs. 23.7 lakhs).

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In pursuance of the Indo-Kuwait joint communique on expansion of trade and economic co-operation between the two countries, issued a few days ago, a four-member Indian delegation of technical experts on metallurgical and engineering industries will be leaving for Kuwait by the end of this month to survey the possibilities of collaboration in trade as well as in industrial ventures in these categories of goods. The delegation will be headed by Mr. V. Kamakrishna. The Indian exhibition currently being held in Kuwait is stated to have proved a great success. It is hoped that it will soon lead to concrete proposals being put forth by entrepreneurs in the two countries for establishment of various industries in India and Kuwait. The Kuwait Government will be sending a number of business representatives and trade officials to India in the next few months for discussion with their prospective Indian collaborators.

The Minister for Foreign Affairs of Kuwait, Sheikh Sabah Al-Ahmed Al-Jaber, who came here last week to explain to the Government of India the decisions of the Arab League's Cairo Conference of January, 1964, in regard to the Palestine problem, also had discussions with the Union Ministers for International Trade and Petroleum and Chemicals on strengthening economic relations between India and Kuwait.

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The Esso Standard Eastern is currently holding an exhibition here to show how its oil refining venture at Trombay has helped in saving valuable foreign exchange for India not only through processing of crude, but also through fostering the development of many ancillary industries and training of Indians in oil technology. The exhibition has been arranged with the laudable objective of impressing upon the visiting US industrialists the capabilities of Indian technicians to rise to new tasks. The experience of Esso — itself an American company — should go a long way in inculcating US investors' interest in the economic development of India. Particular mention needs to be made of the section in the exhibition which displays a number of engineering items still being imported by Esso. With the rapid growth of the oil industry in India in the next few years the demand for these goods should go up substantially. Some of these lines of manufacture should interest the US investors.

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The Joint Plant Committee has announced an increase of Rs. 10 to Rs. 30 per tonne in the prices of various tested varieties and an increase of Rs. 5 to Rs. 25 per tonne in those of the untested products belonging to the decontrolled categories of steel. The enhanced prices are being charged on all despatches sent out by steelworks on or after April 13, 1964.

The upward revision in the prices of these categories of steel has been effected in the light of the price trends after price and movement controls were removed from them on March 2, 1964.

The following table gives the new prices for the various decontrolled items of steel. The prices which prevailed before April 13 are given in brackets:

(In Rupees per Tonne)

Steel Items	New base† prices F.O.R. rail-head destination, effective from April 13, 1964. Pre-April 13, 1964, prices are given in brackets. Tested	Untested
1. Blooms	535 (525)	490 (480)
2. Slabs	560 (545)	515 (500)
3. Bars		
Light	690 (675)	645 (630)
Heavy	690 (665)	645 (620)
4. Structurals and Crossing sleepers	720 (705)	675 (660)
5. Heavy Rails:		
105 lbs.	660 (650)	500 (500)
90 lbs.	630 (630)	610 (605)
75 lbs.	650 (650)	630 (625)
60 lbs.	665 (665)	645 (640)
50 lbs.	705 (705)	685 (680)
6. Light Rails		
30 lbs.	770 (755)	725 (710)
24 lbs.	775 (755)	730 (710)
20 lbs.	780 (755)	735 (710)
7. Wheels & Tyres*		
New Design	1,251 (1,221)	—
Old Design	1,105 (1,075)	—
8. Axles:*		
New Design	1,359 ((1,329)	—
Old Design	1,074 (1,075)	—
9. Sleepers (Pressed)*	688 (686)	—

* F.O.R. Works.

† All extras in force on February 29, 1964, will continue to be applicable until further notice.

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SBTA'S SB-88A

Three Cheers for the Merchant Navy

From Our Correspondent

BOMBAY:

WHOEVER WAS responsible for conceiving the idea of making a beginning with the celebration of National Maritime Day by India deserves to be congratulated obviously. Once the idea came, happily, it seems, no time was lost in indulging in such sentimental considerations as to whether the Day marked the completion of a decade or a generation or some such traditional passage of time. What was necessary was to give a start and this has been done. It is all that really matters.

After the decision was taken, there must have been long deliberations on how best to celebrate the Day. Naturally everyone has his or her own ideas on a subject like this, but, from the innumerable messages received on the occasion, it was clear that, on one point, at least, opinion has been singularly unanimous, namely that there could be no better way of celebrating the National Maritime Day than giving attention to problems connected with the life and service of our seamen. But the occasion was too important not to recall the struggles of Indian shipping during the pre-independence days or not to take stock of the achievements since independence. The three main speeches made on the occasion, namely by the Union Minister for Transport, Mr. Raj Bahadur, the Chairman of the First National Maritime Day's All-India Celebrations Committee, Mrs. Sumati Morarji, and the grand old man of shipping, Mr. M. A. Master whose active association and devoted service to the cause of Indian National Shipping were publicly recognised, dwelt on all these aspects. The reminiscences of Mr. Master on the occasion especially took one not only through the struggles of national shipping to establish itself but also the significant role played by Mr. Master — which is not so well-known — in securing benefits for Indian seamen. The credit for building up a highly qualified and fully capable force of officers and engineers for manning efficiently and running economically the ships of Indian merchant navy must go to the sponsors of the move for establishing the Training ship the "Dufferin" in 1927 like Mr. P. T. Sivaswamy Iyer. It would be ungrateful not to recall the distinctly pro-Indian stand taken even in those days by people like Sir Joseph Bhore to Indianise shipping services by encouraging the appointment of Indian cadets. Several names stand out when one recounts the romantic saga of the struggles of Indian shipping, commencing from J. N. Tata, Chidambaran Pillai, Narottam Morarji, Shoorji Vallabhadas and Walchand Hirachand, all of revered memory. To this illustrious list must be added the names of many of those who are fortunately still with us and who have been carrying on the traditions of their distinguished predecessors. It is a great pity that many of these were not present at the function. Those whom one particularly missed include Mr. C. H. Bhabha, Sir Ramaswamy Mudaliar, Mr. G. L. Mehta and Mr. S. N. Haji. The last of these, whose name will always remain associated with his memorable work for reservation of coastal traffic to Indian ships, it was learnt at the function, had breathed his last only a few hours prior to the function.

To the vigour of the veterans of old in the field is now happily added the dynamism of the new entrants. Thanks to intelligent understanding and willing co-operation between

the shipping interests and the Government, the country's mercantile marine has already exceeded the 1.5 million-ton mark, as per the estimate of Mr. Raj Bahadur. The Union Minister for Transport justifiably took some pride — and he is certainly entitled to it by reason of the active role played by him in building up of the Indian Mercantile Marine — in mentioning that the Government today has already begun to think in terms of a 2.5 million-ton target by the end of the third Plan period. This is more than what the National Shipping Board and the Planning Commission were prepared to consider as feasible. And what is gratifying is that this increased tonnage is also going to constitute a more balanced national fleet.

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Of great importance to the decentralisation of industries in the Maharashtra State is the project which is taken on hand to construct a bridge across the Thana Creek. The project, entirely financed by the Maharashtra Government would consist of a four-lane bridge across the creek and six-mile approaches, consisting of a four-lane divided highway between the Sion-Trombay road in Bombay city and Thana-Belapur road on the mainland. The project would cost Rs. 407 lakhs. The Thana Creek, with its marshy banks running north-south and separating Bombay suburbs from the near mainland on the east, had impeded proper expansion and development of Bombay and substantially contributed to the present congestion. All the heavy traffic between the south and the island of Bombay had to take a long north-south detour for crossing the Thana Creek via the existing bridge at Thana. Therefore, one of the solutions to the problem of traffic and population congestion lay in the opening out of new areas on the mainland across the Thana Creek within the easy reach of the city. This would be made possible by the construction of this bridge.

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At the annual general meeting of the Ahmedabad Millowners' Association at Ahmedabad, the President, Mr. Kanchanlal Parikh, gave a succinct account of the performance of the textile industry and its present problems. It was ironical, in his view, that whereas the cotton textile mill industry had been requesting the Government since May, 1963 to allow, under its voluntary price regulation scheme, a rise in cloth prices, which had become necessary owing to the increase in cost of production at various levels, the Finance Minister had thought it fit to collect Rs. 7 crores or more by way of rise in excise duty on cloth, thus increasing the price of cloth to the consumer. He pointed out that the rise in cost of production in the industry continued and the over-all increase in 1964 was estimated to be about 14 per cent over the 1961 level. Higher prices of raw cotton, heavier wage bill, increase in cost of stores, and chemicals, rise in fuel and power cost, enhanced railway freight, Emergency Risk Insurance premia, additional taxation by the Central and State Governments — all had contributed to the rise in the cost of production. He added that the revision of tariff on electricity had increased the bill of Ahmedabad mills by Rs. 50 lakhs. He expressed his regret that in spite of the persistent demand of the consumers, the State Electricity Board had still not decided to constitute a rating committee to probe into the matter.

Referring to the proposal to propagate the increased use of staple fibre in the textile mills by compulsory blending of from 10 to 20 per cent of staple fibre with cotton, Mr. Parikh observed that though this had been advocated with a view to saving foreign exchange, on closer scrutiny of the economics of the problem, it was revealed that the notion that the use of staple fibre would result in saving of foreign exchange, was not based on sound reasoning. Blending of staple fibre with cotton between 10 and 20 per cent was possible in counts 20s to 40s with consequent fall in strength of the yarn. Such blended yarns were normally used in this country to manufacture heavier type of fabrics like coatings. This was done not with a view to reducing the price of the yarn but for improving the appearance and feel of the cloth. The present prices of indigenous staple fibre are very close to the prices of Egyptian cotton used in 70s yarns. Therefore, one could easily see how these blends would affect the price of cloth of this type. Besides, if the use of blended yarns was to be made compulsory, there would be a tendency towards manufacturing heavier fabrics, which would give less yardage to a pound of yarn consumed and therefore, the overall requirement of cotton per yard of such fabrics would go up. The correct solution to reduce imports of cotton would be that out of 8 lakh bales of cotton imported at present, if imports of long staple cotton are increased by about 2 lakh bales, the yardage manufactured out of this quantity would be much greater.

The other important point to which Mr. Parikh referred was the phenomenal growth of the powerloom sector — particularly of unauthorised powerlooms — and the serious problems which it created for the textile mills. On the estimated production of 2,000 million yards in 1961-62, the total amount of excise duty collected from the powerloom sector was Rs. 95 lakhs which worked out hardly to 0.5 nP. per yard as compared to 30 nP. per yard payable by the mill industry on similar pattern of production. Thus, he said, the Government lost on an average over 30 nP. for every yard of cloth produced in the powerloom sector and the overall loss of revenue to the Central exchequer by way of lower incidence of excise duty on powerlooms was to the extent of Rs. 60 crores per year. He hoped that the Asoka Mehta Committee on powerlooms which was examining the problem would consider all the aspects of this question.

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The growing role of the Refinance Corporation for Industry in providing refinance to the various industrial sectors was stressed here by its Chairman Mr. P. C. Bhattacharyya, in his address to the sixth annual general meeting of the Corporation. He referred to the rapidly increasing demand on the resources of the financial institutions. This fact, he said, was strongly emphasized in the mid-term appraisal of third Plan where it was pointed out that in the remaining two years of the third Plan as well as subsequently the investment effort would have to be substantially stepped up and that lacunae in our industrial sector would need to be filled in with as much expedition as possible having regard to the human and material resources of the country. In order to meet this objective, certain preliminary steps have been taken by the Government in the shape of physical concessions and various procedural reforms have already been announced to accelerate industrial expansion and to encourage the flow of resources into those specific industries the growth of which would help to complement the existing industrial structure and lay the foundation for a stronger economy. Besides, a Bill has also been introduced in the Lok Sabha for setting up the Industrial Development Bank of India to expand and co-ordinate the assistance extended by financing institutions, including banks, in the field of industrial finance.

In this connection, Mr. Bhattacharyya welcomed the provision in the Bill for the take-over of the Refinance Corporation by the Development Bank at a future date. He expressed the hope that the banks would handle during the current year, a sizable volume of medium-term export credit of which a part would come to the Corporation for refinance. This was based on the creditable performance in the field of exports in 1963 including the export of a number of relatively new commodities. He also revealed that the Government is considering proposals which would facilitate increased provision of medium-term export credit by banks. One such measure was the insurance of such credits against certain classes of risks which were not previously covered. The Corporation has recently obtained an additional loan of Rs. 2 crores from the Government on top of the allotment of Rs. 26 crores made out of PL 480 funds and he has also received an assurance that further resources would be made available from the Government to enable it to entertain fresh applications for refinance.

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There is hope for the under-developed areas in the south of Maharashtra (Konkan Region) to have a rail communication in the near future. Mr. Ratan Lal,, General Manager of the Central Railway, broadcasting from the AIR at Bombay in connection with the 111th anniversary of the Indian Railways this week, revealed that considerable progress had been made in the construction of the 33.69 mile long Diva-Panvel-Uran railway estimated to cost Rs. 304 lakhs. According to the present expectations, the Diva-Panvel section would be opened to goods traffic in October this year and two months hence to passenger traffic. He also said that the project for the electrification of 191-mile-long Igatpuri-Bhusaval section, at a cost of about Rs. 18 crores was in progress and the first phase from Igatpuri to Nandgaon would be completed by March, 1966 and the second phase by December of that year. He expected that Umrer coal-fields would be provided with rail transport facilities by April next. On the whole, he observed, the railways were well set to meet transportation needs in the context of our developmental economy

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Small-scale industries have come into their own only in the last three years. In spite of the importance attached to this sector, there is continuous stress and strain in the matter of fair allocation of raw materials to small scale industries. Mr. S. G. Barve, State Minister for Industries, who was speaking at a reception given to him by the Maharashtra State Co-ordination Committee of the Federation of Associations of Small Industries of India, stated that he would take up with the Government of India the question of fair allocation of raw materials. He suggested that there should be an agency for ensuring quality and standards of the goods turned out by the small scale sector. Mr. A. R. Bhat, President of the FASII urged for an early increase the allocation of foreign exchange for import of raw materials for small industries from Rs. 12 crores to Rs. 16 crores. He also pointed out that the small units in the State were not getting their due share of the defence orders.

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Addressing the Central Committee of the All-India Manufacturers Organisation in Bombay recently, Mr. William Clark, Director of Overseas Development Institute, London, mentioned that his Institute was studying the issue of how the mode and content of foreign aid should be adjusted to ensure the efficient use of it and was also trying to find out whether aid facilities inhibited initiative in certain spheres. Elaborating the aspect of better utilisation of aid, he said, at present huge outlays were planned on various projects by the developing nations in anticipation of foreign aid. But subsequently, the aid was pruned by the donor nation and not used fully by the recipient nation. It would therefore be more realistic if the two parties meet even at the initial stages and arrive at mutual agreements in respect of phased utilisation. Further, he was of the view that aid giving nations should co-operate with the developing nations even in drafting the development plans. There was also need to change the present mode of giving annual aid for plans. The donors should take note of the nature and time schedule of the projects and provide long-term facilities suited to the needs of the recipients. In fact, the British Government was considering a scheme for grouping all aspects of foreign aid under a single Ministry. While suggesting that India should develop an efficient marketing system to effect more substantial sale of her commodities through private initiative rather than through government channels, he said that there were no immediate prospects of trade substituting aid as desired by the developing nations.

Sugar Control Snags

From Our Correspondent

CALCUTTA:

THE UNION GOVERNMENT'S latest move to control the internal distribution of sugar (through the proposed marketing board) and exports (through the State Trading Corporation) has not been greeted with any marked enthusiasm, even among the consumers. As the Indian Sugar Mills Association correctly interprets it, the decision to set up the marketing board (which the Economic Sub-Committee of the Union Cabinet is already reported to have approved) will mean the perpetuation of controls, which are justly unpopular. It is impossible to see how a marketing board can ensure better distribution of a commodity which has been in short supply; people do not get cement more easily because its internal distribution has been controlled. On the other hand, the usual corruption and malpractices associated with controls have noticeably increased. The Indian Sugar Mills Association has, therefore, done right in opposing the formation of the marketing board, although it runs the risk of being misunderstood in doing so. Controls are no answer to shortages, even in the short run. They rather tend to perpetuate shortages by destroying all incentives for higher production, lead to flourishing black markets and the consequent harassment and suffering for the consumer, and breed corruption among officials.

The more important economic point, from the long-term point of view, is that the contemplated marketing board, which will no doubt find reasons to perpetuate itself will adversely affect the country's sugar economy. By rigidly controlling the ex-factory price of sugar and channelling distribution through official agencies, the new measures will not stimulate growth and expansion of the sugar industry for two reasons; firstly controlled marketing does not lead to an expansion of the market and secondly, it deprives the industry of resources to finance its expansion. The current pricing formula does not give much hope that the Government's pricing policy will be more realistic than it has been so far. Mere setting of targets — 3.5 million tons by the end of the third Plan and 4.5 million tons by the end of fourth Plan — does not automatically ensure their realisation, without the pricing policy of the Government acting as a sort of steering mechanism. So far, the Government-controlled prices have put production in the reverse gear in the industries in respect of which they operate.

The new marketing board will only concern the sugar industry, and not the gur and khandsari units, which are its rivals. If no corresponding controls are imposed in their case (this could be indirectly done by raising the minimum price for cane to a suitable extent without giving up the present formula of linking prices to quality), the present equilibrium in the industry will be upset. If the Government must proceed with the proposed marketing board for sugar, the least it can do to accommodate the objections of the industry is to associate the industry's representatives with the proposed

marketing body so that no decision is taken to unfairly and improperly penalise sugar manufacturers. This is what the Indian Sugar Mills Association has also demanded. The Association has not expressed its reaction to the Government's decision to hand over the responsibility for sugar exports entirely to the State Trading Corporation. But the claim made on behalf of the new arrangement that it will lead to more sugar exports may turn out to be a tall one. In spite of all that is being said about the wonders which the STC is supposed to have performed in the ore export field, its record really is not such as would inspire great optimism about its capacity to perform miracles in other fields. It, however, needs to be recorded that the Indian Sugar Mills Association did not do a bad job. In fact, its record of the export of sugar is wholly creditable.

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The problems of the coal industry continue to receive wide attention — not only from the World Bank which has advanced it a loan of Rs. 17 crores, or the industry which must necessarily be pre-occupied with its problems, but from other interest as well. Views, however, vary as to the nature of the problems now facing the industry. For example, Mr. N. L. Jalan, President of the Indian Colliery Owners Association, has approached the present problem of over-production from a refreshingly new angle. In his view, there is over-production of selected grades as well, not only of the inferior varieties, which is the common view. But he does not advocate any drastic restriction on production; his remedy, naturally, lies in exploring new lines of consumption. The countryside is at present consuming as fuel huge quantities of cow-dung, firewood and vegetable wastes, which are a national waste, because they can be put to more profitable uses. Cow-dung and vegetable wastes can be used as manures for raising food production. In their place, inferior coal can be be used as fuel and once the Government sets up machinery to ensure adequate supplies of such coals to rural areas, the present problem of over-production will have disappeared. Similarly, the present pattern of consumption as a whole is irrational. Mr. Jalan has given some extremely interesting statistics on this point. Out of the estimated deposits of 51,312 million tonnes up to a depth of 4,000 feet, selected grades from 2 per cent, medium grades (consisting of grade I and II, coking and non-coking) 7 per cent, and inferior grades 91 per cent. With these reserves, the present pattern of consumption of different grades shows 26 per cent of selected grades, against a reserve of 7 per cent, whereas the consumption of lower grades amounts to 12 per cent of the total against a proportion of 91 per cent of the total reserves. Mr. Jalan adds: "The position becomes further aggravated if we take into account various factors like the less volatile matter with depth, deterioration in quality due to intrusions, the level of technology, and the locking up of a fair percentage of reserves under townships, roads, railway lines and other surface features. This disquieting revelation would have been enough to prompt our Government to strictly restrict the production and consumption of selected grades and to recast the schedule of gradewise allocations for various industries in the light of proved reserves".

If timely action is not taken, the proved reserves of selected grades of coal may get exhausted sooner than expected. For example, during the past year out of a total production of 17 million tons of coking coal, eligible users consumed only 12 million tons. The rest, it is to be presumed, was used for non-metallurgical purposes. According to Mr. Jalan, diversion of superior grades to inappropriate uses is still going on unchecked. As long as the present system of allocations for use of coal for industrial purposes remains as it is, a fair percentage of output of superior grades will find its way to non-scheduled consumption. Mr. Jalan has given the example of brick burning, and a few other similar uses. For these purposes, coal of lower grades can be used without any loss in quality. But Grade I coal has been allowed to be used to the extent of 31 per cent of total supplies of coal under "BRK" category during 1963. The World Bank experts who some time ago studied the coal economy of India found a large variety of wasteful uses. The root cause they found lay in the pricing system. By pegging the prices at unrealistically low level, the Government had encouraged wasteful uses, as the price did not reflect the intrinsic value of various grades of coal, but merely what the consumer has to pay to get his supplies in any manner he pleases. But the latest price revision for certain grades has not produced a happy solution; it has led to heart-burning in quarters who feel they have been unfairly discriminated against.

Nightmare of Power Shortage

From our Correspondent

MADRAS:

EVEN WITH the spectacular progress made by the Madras State in respect of power generation, it is now apprehended that the summer months might again cause anxiety and it may not be possible to avoid a cut in power supply in the absence of an early monsoon. A few days back, Mr. R. Venkataraman, Madras Minister for Industries, actually observed that it might not be necessary to effect a power cut in this summer as two units in Kundah Power House I and II had been inaugurated and the fifth unit in Neyveli was also expected to be commissioned shortly. The additional generation of power by two new units having a capacity of 55 mW at Kundah is no doubt helpful as available water resources will be harnessed more effectively. In fact, it is expected the remaining units in the Third stage of the Kundah Project will come into operation by the end of next year and that the availability of power would be considerably augmented if only the lake gets filled up suitably.

Unfortunately, two adverse developments in recent weeks have had an upsetting effect on the calculations of the Madras Electricity Board. For some time the supply of power from Neyveli was much lower than the usual quota as some adjustments had to be made in regard to the conveying of lignite to the power house. This has necessitated the use of hydel capacity to a greater extent than expected with the result that nearly one week's storage had to be utilised for meeting the demand for power which is estimated to be 24 per cent higher than the consumption during this period last year. This phenomenal growth in consumption has been brought about by the coming into being of new industrial units. Besides, the utilisation of electricity for agricultural operations has expanded in an unexpected manner and there is no longer any need for the hesitation noticeable in some quarters about the large power generated by hydel stations in the latter half of this year being absorbed. The generators in the first stage of the Mettur Tunnel Scheme will be commissioned in the third quarter of this year and the delay experienced in the receipt and erection of some parts of machinery is not expected to upset the schedule seriously. The problem of power supply will not, however, present any serious difficulties in the latter half of this year as the hydel reservoirs will be full especially as the fourth unit at Periyar also would be ready.

Fortunately, Neyveli is the mainstay and arrangements are being made to increase power generation even upto 300 mW, even though the installed capacity will be only 250 mW. Even now it is stated that four units have been regularly giving an output of 210 mW every day and the basic load has been taken care of by the Neyveli thermal station. The fifth unit will be coming into operation at a crucial stage. It is, however, felt that Kundah may not be able to fulfil general expectations as the continued drought in the Nilgiris has led to a rapid depletion of the water storage in both Pykara and Kundah while the Mettur power station is out of commission. The level in Periyar too is not satisfactory. If there are summer showers and there is early onset of the monsoon, the difficult situation may yet be got over. But the position will become clear only by the end of May. If a cut is to be imposed, it may not be so severe as last year. This only underlines the need for firming up further the Madras grid by creating additional thermal capacity.

The work of construction on the Kodayar Project in Kanyakumari district has started and it is expected that this project which will cost Rs. 8 crores will be completed in the next three or four years. The scheme has been ingeniously designed, the catchment areas at two different levels in the mountain range being effectively tapped. There will be two dams so that available water resources could be effectively stored. The waters of many streams will be gathered in the lakes through a series of tunnels and it is expected that the power units in both the stations would have a capacity of 100 mW. There are plans for starting some more medium-sized hydel projects in the Madurai and Tinnevelly districts.

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Iron ore has been very much in the news latterly and it is encouraging to know that Andhra Pradesh and Mysore State will be able to export large quantities of this valuable mineral to Japan and East European countries. In fact, it has been argued that the potentialities of developing the export trade in iron ore from this part of the country have not been adequately realised and developed and that much trade has been lost by the inability of the transport system to handle larger quantities of ore. The Visakhapatnam port is even now the largest outlet for exports of ore from Andhra Pradesh and mines in Orissa. But it has not been possible to promote the trade on the anticipated scale because of the delay in developing the ore mines and the difficulties encountered in expanding port facilities. Some engineering problems had to be encountered. But it is now expected that with the new facilities, the port would be able to export additionally one to two million tons annually.

The Madras port is even now accounting for export of 1 million tons yearly while the Cuddalore port also would handle fairly large quantities. The Madras port has a scheme for installing a mechanical loader as it has been found that the existing semi-mechanical loader is unable to handle the traffic in iron ore available and ships calling at the port cannot be cleared as quickly as desired. Now it has been pointed out that there is no prospect of stepping up ore exports significantly if the new scheme for installing a fully mechanised loader is not taken up early. The port authorities have submitted a scheme which would cost Rs. 3 crores. It can be easily implemented as the full details have been drawn up and much preliminary work also has been completed. There will also be no problem of finding the required foreign exchange as out of the World Bank loan sanctioned for the implementation of the expansion of Madras Port a large amount has been saved and it has been suggested that this amount could be applied for implementing the new scheme. Somehow, the sanction of the World Bank has not been forthcoming. Meantime, valuable export earnings are being lost. Why at all there should be delay in giving the necessary permission for proceeding with the scheme is not clear. It is hoped that this project will be taken up early. Meantime, the Cuddalore port is being expanded, while the Mangalore port after completion, would be able to handle additionally two million tons of ore. The main source of supply will be the Bellary-Hospet region in Mysore where iron ore of rich quality is available. In order to facilitate movement of ore, the metre gauge railway system is to be dieselised while there are proposals for connecting ultimately Hospet with Marmagao with a broad gauge track so that the exports from this port could be stepped up to 10 million tons from the present level of six million tons annually. The capacity of the broad gauge track connecting the Hospet area has been considerably increased and diesel locomotives are being employed for moving large quantities of ore for being exported from Madras. The dieselisation of the metre gauge system in order to step up exports from Cuddalore, will also be completed shortly as the necessary arrangements are being made at Guntakal for stationing diesel locomotives. It is emphasised that diesel locomotives would be able to do the work of 2½ steam locomotives and that the problem after some time will relate to the handling of the quantities of ore received at the port points. Since there is also a scheme to develop the Tuticorin port and connect it with Trichy by the broad gauge system, if new iron ore deposits are found in the Coimbatore or Salem area, it may happen that between Tuticorin, Mangalore, Marmagao, Madras and Cuddalore additionally, 10-12 million tons of iron ore could be exported early. This would mean an increase in foreign exchange earnings by over Rs. 50 crores which will be in no small contribution to the total of export earnings. This increase in offtake of ore can be achieved within the next three years. No time should, therefore, be lost in implementing the various schemes.

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The new amendment to the Madras Rice Procurement (Levy) Order which compels the licensing of wholesalers and millers in the rice trade, has been resented by the interests affected. It is felt that the interference with normal trading practices will hamper the transaction of business and that the consumers' interest would not be protected to any extent. Even after the modification of some of the terms of the new order there was a hartal on Friday by millers and wholesale dealers in rice. As supplies from Andhra Pradesh also have not been coming in freely and there is uncertainty about the immediate difficulty, prices have risen to new high levels and stocks have been depleted. As it is not known in what manner future business would be conducted, consumers are finding it difficult to get their requirements especially as the supplies through fair price shops are not ample. The State Government have explained that the purpose of the order is to prevent large scale exports that might be made by dealers and millers to neighbouring areas with a view to evading the procurement levy. The grievances of the trade and millers have been examined and it was expected that there would be some modification. The Chief Minister, however, has said that all the difficulties have been taken into consideration and that without some measure of control the interests of growers and consumers cannot be protected. How this experiment in control of an essential commodity, without actual rationing, would operate is difficult to anticipate at this stage. But there has been a significant deterioration in the trading conditions in the past few weeks and there may be anxious moments before new crop supplies arrive.

The moving finger writes

THE GOVERNMENT'S decision reviving the Rehabilitation Ministry as a separate and independent charge is bound to be received with mixed feelings. There will be a certain sadness that the relief and resettlement of refugees from Pakistan have once again become a large-scale operation which threatens to be of some duration. But along with this sadness there will be satisfaction that the Government has had the courage to look facts in the face and come to terms with the inevitable. A very large number of Hindus and Christians have come to this country from East Pakistan and that most, if not all of them, are likely to want to settle here. In the circumstances, their orderly absorption into the social and economic fabric of this country has become an unavoidable obligation of the Government of India.

The choice of Mr. Mahavir Tyagi as Cabinet Minister in charge of the new Ministry is a happy one since he has many personal qualities suitable for the job that is now ahead of him. He has compassion, a sense of humour and considerable shrewdness. He has, in addition, his unorthodox ways with the somewhat solemn bureaucracy of the Government and in his previous Avatars as a Minister of the Central Government, they had certainly enabled him to get things going. I am aware that Mr. Tyagi's ebullience has occasionally been taken for shallowness, and I would readily concede that his clowning, inside Parliament or outside, has frequently been of a quality which is less than divine. Nevertheless, I for one have great respect for his commonsense approach to political issues and I have often been struck by his genuine passion fo economy, efficiency and integrity in public expenditure. In fact, I have been expecting for some time that he would be rejoining the Government and while it is possible that he might have done so earlier had he been willing to accept less than full Cabinet status, I am happy that he has waited until now. If Mr. Tyagi were to become a Minister again at all, it was only right and proper that he should become a Minister with full Cabinet status; his seniority in the party and Parliament alike entitles him to this position.

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In this week's issue there is a Leading Article on the Geneva talks on trade which, I must confess, does not do full justice to the Indian participation. My explanation is that we did not have adequate material on this aspect at the time the article had to be prepared for the Press. Indeed, I must say here that the Central Ministries concerned along with the principal news agencies functioning in this country, could have shown a little more initiative and imagination in arranging for adequate coverage of the Indian participation. I am told that one reason why the news reports were meagre or fragmentary was that the foreign exchange allowed for cable charges was insufficient.

It must be said to the credit of the Minister for International Trade that he has been quick to appreciate the gravity of the lapse in publicity. His press conference on Tuesday was a very valuable and effective attempt at compensation. I am aware, of course, that the Minister for International Trade has no partiality for under-statements, but even when allowance is made for this fact, it is evident that the Indian participation has been constructive and competent in significant particulars and on extremely controversial issues. In our Leading Article this week, to which reference has already been made, we have questioned the rather facile assumption of "The Economist" (London) that the Geneva Conference was likely to do little else besides talking. From what Mr. Manubhai Shah has had to say, it is evident that "The Economist" has been unnecessarily and unduly cynical. According to the Minister, a large number of agreements seem to have emerged or are in the process of emerging on specific measures for liberalizing world trade for the benefit of developing countries. While proposals for amplifying GATT and even admittedly revolutionary schemes for compensatory financing of export losses suffered by developing countries as a result of their peculiar vulnerability in world commerce have on the whole been constructively regarded, there seems to have come about an even more firm and clear consensus on the abolition or reduction of tariffs and quota restrictions on items of commerce of particular significance to the foreign exchange earnings of developing countries. Mr Manubhai Shah himself seemed to draw the greatest encouragement from the support which is emerging through the Geneva discussions for proposals that the present U.N. Trade Conference should be constituted into a permanent body of the U.N. General Assembly, which could function independently of Committee No. 2 of the U.N. and the United Nations Social and Economic Council. This scheme, for which the Indian delegation has extended its active sympathy, envisages a general committee to discharge the executive functions of the U.N. Trade Conference. All in all, the work of the Indian delegation evidently has been of considerable practical utility and it is proposed to discuss it as well as the emerging trends of agreement at the Geneva talks in the next issue of the Journal.

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I have no doubt that the gallant effort which Mr Ananda Nambiar is making in a largely indifferent Lok Sabha to extend the benefits of Labour Legislation to circus artistes deserves richly to succeed. The absence particularly of a statutory right to circus artistes for compensation from employers against death or disability is most unjustified. Incidentally, why are our circus artistes who are certainly among some of the best public entertainers in this country, themselves such a glum and even sad lot while in the ring? Their attempts at forcing a smile on their faces or working up enthusiasm for the show are so pathetic that they take away much of our pleasure in witnessing a circus show. In contrast, the Soviet circus, which was in the Capital recently, demonstrated how much more enjoyable a show could be when the artistes themselves could act as if they too were enjoying it as much as the audience. Here, a special word of praise to the animal performers of the Soviet circus or rather their trainers. The dogs playing with the coloured ball were obviously having fun, while throughout a long and difficult act with tigers, the trainer seldom found it necessary to strike them. And what a pleasure it was to see the glossy coats of the tigers or bears, or the way the bears would beg for the "eats" which their trainer was generously dealing out to them on the arena! Communism, it can confidently be said, has at least succeeded in making its circus animals happy.

V.B.

Trade Winds

MARKETING OF SUGAR

ACCORDING TO a decision taken by the Union Government, the State Trading Corporation will be in sole charge of the export trade in sugar — right from the conclusion of agreements to the actual export of the commodity. This means that the handling of exports, which has hitherto been the job of the Indian Sugar Mills' Association, will be taken over by the STC. It is, therefore, clear that the setting up of the Sugar Marketing Board, decided upon by the Government last week, will in no way alter the STC's role as exporter of sugar. The Board will concern itself primarily with the regulation of the internal distribution of sugar.

The taking over of the entire responsibility for sugar exports by the STC, it is claimed, will help build up permanent and bigger foreign markets in future when through increased licensing of factories, more sugar will be available for export. The Government has already decided to license an additional crushing capacity of eight lakh tons to ensure enough sugar next season. Meanwhile, sugar production in the current season is likely to touch three million tons against the revised official estimate of 2.9 million tons. The target, however, stands at 3.3 million tons.

Since the Indian Sugar Mills' Association has already made arrangements for the export of 100,000 tons of sugar, the STC will fulfill the commitment for the rest of one lakh tons. The STC will also start negotiations with Malaysia for the export of 30,000 to 40,000 tons of sugar. At a later stage the Corporation may negotiate for the export of 50,000 tons of sugar to Canada.

In a communication addressed to the Food Secretary, Government of India, the Committee of the Indian Sugar Mills' Association has represented that the proposal to set up Sugar Marketing Board will not be in the larger interest of the country, the industry, the growers and the consumers. The Committee fears that the Sugar Board would perpetuate controls on the sugar industry and thereby stifle production, as was actually experienced in the past whenever control was imposed. On the other hand, a policy of de-control and incentives, the Committee points out, has always stimulated production and consumption. The presence of alternative users of sugar cane, namely, the sugar, gur and khandsari industries, competing for the available supplies of cane, is the unique feature of the Indian economy, and in this context, control on the sugar industry alone, the Committee opines, would upset the parity between these three users of cane with adverse effects on the production of sugar. The Committee further observes that the present regulation of ex-factory prices and of distribution through State agencies — a pattern which the Sugar Board is also likely to adopt — has not prevented prices from rising at the consuming centres and, therefore, the creation of the Sugar Board would not by itself improve the situation. Citing the case of cement, the Committee points out that distribution of cement by the STC has not achieved the desired objectives both in regard to production and availability of the commodity to the consumers in required quantities at controlled prices.

In another communication to the Food Secretary, the ISMA Committee has suggested that the cane price for 1964-65 season as announced by the Government (Rs. 1.85 per maund for a recovery of 9.4 per cent and below) is not adequate. The Committee has further suggested that the mills in Northern Zone, i.e., in U.P., Bihar and Punjab, and in the Central Zone, i.e., in Madhya Pradesh and Rajasthan, should be authorised to pay a uniform minimum cane price of Rs. 2 per maund as is being done in the current season of 1963-64 within the framework of the Price Linking Formula already announced.

TRIPARTITE BODY FOR ESI

The Union Government has set up a Tripartite Committee to review the working of the Employees' State Insurance Scheme and to recommend any modification or change in its structure and organisation that may be considered necessary for ensuring a more satisfactory functioning of the Scheme. This step has been taken in pursuance of the recommendation made by the Standing Labour Committee at its last session held in New Delhi in October, 1962. Mr. C. R. Pattabhiraman, Union Deputy Minister for Labour, is the Chairman of the Committee which also includes Mr. M. Bhaktavatsalam, Chief Minister of Madras, Mr. Bijoy Singh Nahar, Labour Minister of West Bengal and Mr. Shantilal Shah, Health Minister of Maharashtra. The Committee also includes three representatives each of the Central Organisations of employers and employees.

The Committee has issued a comprehensive questionnaire to the Central Organisations of employers and employees, the different Union Ministries concerned with the subject, the State Governments, the Employees State Insurance Corporation and medical associations. The questionnaire covers such subjects as the scope of coverage under the ESI Act, contributions, cash benefits, medical benefits, administrative structure, organisational set-up, finance, audit control and the plans and procedures.

At present the ESI Scheme covers over two million industrial employees out of a total insurable population of 3.1 million. The ESI Fund, which dispenses benefits of Rs. 10 crores per year, was a little over Rs. 24 crores on March 31, 1963.

HMT FORGES AHEAD

Performing the opening ceremony of a new show-room of the Hindustan Machine Tools in Bombay, Mr. S. M. Patil, Managing Director of HMT, disclosed that the production capacity of the undertaking would be raised to Rs. 30 crores annually with the establishment of a network of five to six factories by the end of the third Plan period. This would mean a threefold increase in the production capacity of HMT. The first machine from the Pinjore factory, which was inaugurated recently by the Prime Minister, would come out in June this year. The fourth unit at Kalamasery in Kerala was expected to go into production before the end of the year and the construction of the fifth unit in Hyderabad was expected to commence very soon. The HMT Bangalore had turned out 1,983 machines valued at about Rs. 8 crores during the year ended March, 1964, as against the production of 1,315 machines valued at Rs. 6.7 crores during the previous year.

Mr. Patil further disclosed that while after-sale service facilities in respect of machine tools had already been made available, similar facilities in respect of watches would also be made available in the new show-rooms. The undertaking also had proposals to open training cells in its show-rooms to provide instructions to engineers in the working of the machines.

Regarding the production of watches, Mr. Patil said that the HMT had now stepped up the indigenous content from 60 per cent to 72 per cent. At the present rate of production of 800 watches a day, the watch unit would turn out about 20,000 watches a month. By the end of the current financial year the production was expected to go up to 30,000 watches a month. By then the training of personnel for making such parts as balance wheels, barrels to house the main spring and

jewel-tipped pallet forks would be completed and 80 per cent of the parts would be of indigenous manufacture. In addition to the manufacture of the three types, namely, Citizen, Janta and Sujata, the factory had already taken up the production of luminous watches for jawans.

INDIA'S SHOW ROOMS ABROAD

The Union Ministry of International Trade has invited Indian manufacturers and exporters to exhibit their exportable merchandise in rotational displays of Indian goods in India's show rooms and trade centres in foreign countries. These displays are scheduled to be organised in Bahrein, Colombo, Nairobi, Lagos, Cairo, Bangkok, Djakarta and Rangoon during April-June, 1964. This is in addition to the Ministry's programme of participation in the International Trade Fairs and holding of exclusive Indian exhibitions abroad.

In Bahrein and Colombo the main items of display will be textiles of all sorts and in Nairobi, besides textiles, jute and coir goods will be the important items of display. In Lagos furniture and fittings are intended to be exhibited. In Cairo, mainly sports goods, spices, crockery and kitchen wares will be on show and in Bangkok handicrafts, medicines, pharmaceuticals and sports and leather goods will be exhibited. In Djakarta, the main exhibits will consist of madicines, hospital equipment and sports goods, and in Rangoon the display wares will include dyes, paints, varnishes, and chemical and allied products. The centres of display are also equipped to disseminate commercial information about India and to give trade introductions to importers, wholesale houses etc. in the concerned countries.

The Indian manufacturers and exporters, dealing with commodities indicated in the programme, can participate in the scheduled displays free of charge. All that they have to do is to offer samples of their goods, free of cost, to the Government's clearing agents at Bombay or Calcutta as the case may be. All expenditure on transport of goods from and back to India will be borne by the Government of India. The Director of Exhibitions, Ministry of International Trade, Udyog Bhavan, New Delhi, may be approached for any other details required by the intending participants.

EXPORTS FROM KERALA

A three-member Trade Delegation of the German Democratic Republic, led by Mr. Kurt Roettger, head of the Trade Representation of the GDR in India, is on a ten-day tour of Kerala. The object of their visit to Kerala is to explore the possibilities of increasing exports from the State to East Germany. At present the GDR imports cashewnuts worth Rs. 1.3 crores, spices worth Rs. 1.1 crores, coir worth Rs. 50 lakhs and also a large quantity of coconuts.

Mr. Kurt Roettger disclosed at a Press conference at Trivandrum that his country can offer complete thermal plants to Kerala which was facing power shortage.

LEAKPROOF TRANSISTOR BATTERY

A leakproof transistor radio battery has been introduced by Union Carbide India Ltd. The battery has been specially designed for transistor requirement with a view to giving excellent performance and low-cost operation.

HOTEL COLLABORATION

Some important foreign hotel interests have indicated their willingness to enter into collaboration arrangements with Indian entrepreneurs and with the Government. 'Sheratons' of the USA is negotiating with an Indian party to set up a new hotel in India. Inter-Continental Hotel Corporation has concluded an agreement with another Indian party. 'Hiltons', who own and operate 35 hotels in the USA and 21 hotels in other countries, are negotiating with a party in Bombay to set up a first class hotel. The US company has also submitted a proposal for collaboration with the Government.

The Union Finance Minister, Mr. T. T. Krishnamachari told the Informal Consultative Committee of Parliament for his Ministry that 'Hiltons' were prepared to own hotels here and take back 25 per cent as profits. He added that there was, however, no question of any financial participation by the Government.

The desirability of foreign collaboration for setting up first class hotels had been recommended by the Ad Hoc Committee on Tourism. The Committee had pointed out that the growth of the hotel industry in India was not adequate to meet the requirements of foreign tourists. According to the Committee, the number of hotel beds increased by only 11 per cent during the last seven years while the number of tourists increased by as much as 300 per cent in the last four years. Explaining the position of the hotel industry in the country, Mr. T. T. Krishnamachari said that there were at present 7,085 rooms with 11,732 beds in 136 hotels declared suitable for foreign tourists.

MANGANESE EXPORTS

The Minerals and Metals Trading Corporation has concluded contracts for the export of 1,52,120 tonnes of manganese ore mainly to the USA, the UK, Japan and Switzerland. Last month the MMTC effected shipments of 68,965 tonnes of manganese ore and 9,500 tonnes of ferro-manganese.

SULPHUR FROM PYRITES

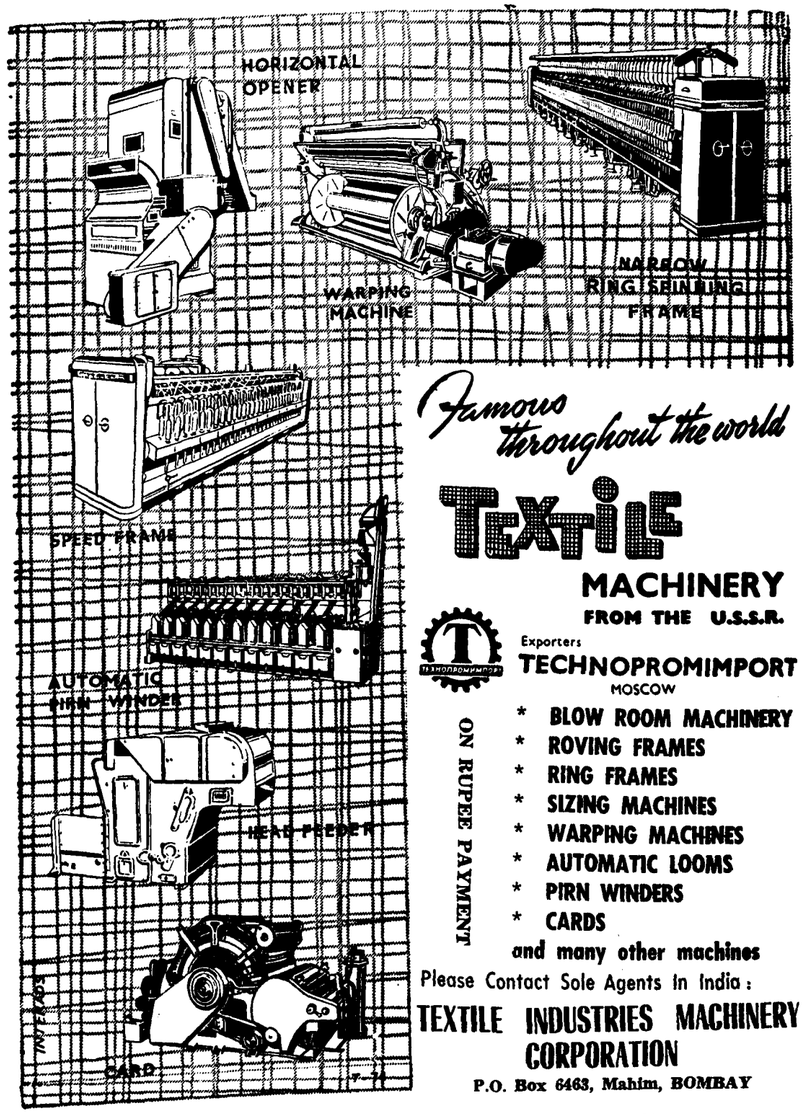
The Pyrites and Chemicals Development Company (of the Union Ministry of Industry) has under examination a project for the production of elemental sulphur from pyrites ore. A delegation headed by Mr. N. N. Kashyap, Joint Secretary, fromatour of Finland. The delegation discussed with M/s. Ministry of Petroleum and Chemicals, has returned recently from a tour of Finland. The delegation discussed with M/s. Outokumpu Oy., the newly developed Finnish process with reference to its suitability for the production of elemental sulphur from iron pyrites ore found in Amjhore in Bihar.

The Pyrites and Chemicals Development Company is also examining global tenders for setting up a sulphuric acid plant at Sindri. The production of sulphuric acid from Amjhore pyrites ore is a distinctly separate project and the proposed 400-tons sulphuric acid plant will meet the partial requirements of the Sindri Fertilizer Factory and the Bihar State Superphosphate Factory. The site for the sulphuric acid factory at Sindri has been selected and according to the present estimates, the plant is likely to be commissioned in early 1966.

A project report on the mining scheme for the annual production of 2.4 lakh tons of pyrites ore from Amjhore mines has been prepared by the Indian Bureau of Mines and is being considered by a committee of experts appointed for the purpose. The Company has initiated preliminary action for implementing the mining scheme on the basis of 2.4 lakh tons per annum production target. Tenders have been invited for the purchase of essential machinery for the production of 400 tons of ore per day to begin with.

NEW G.A.T.T. DEPARTMENT

The GATT has been frequently criticised by some of the under-developed countries as a club dedicated to protecting the interests of the industrialised nations. To meet this criticism, the GATT member-States agreed to add a new chapter on trade and development to the 16-year old Treaty in order to reflect trade problems relating to the less developing countries. It has been decided to set up a new department for dealing with the problems of the under-developed countries.



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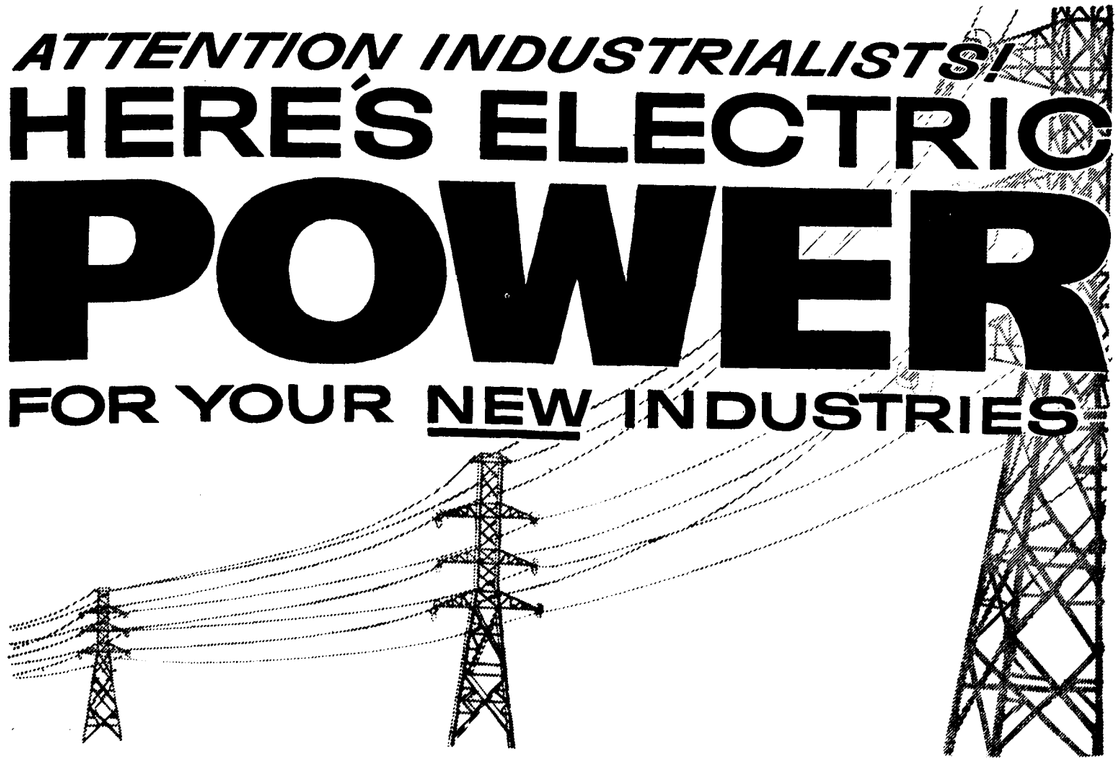
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INTERADS

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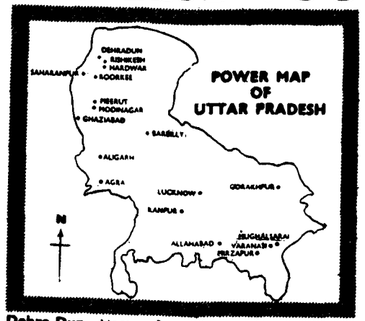
The following are some of the major power projects in U.P.'s Third Five Year plan :

Rihand Hydro-electric Project	**2,50,000 KW Completed 1962**
Harduaganj, Stage I	**60,000 KW Completed May '62**
Harduaganj, Stage II	**30,000 KW Completed Mar.'64**
Matatila Hydro-electric Scheme	**30,000 KW Scheduled Dec. '64**
Yamuna Hydro-electcic Scheme, Stage I	**86,000 KW Scheduled June '65**
Kanpur Thermal Expansion	**64,000 KW Scheduled Aug. '65**
Obra Thermal	**2,50,000 KW Starting Oct. '65**
Yamuna Hydro-electric Scheme, Stage II	**2,00,000 KW Scheduled Dec. '69**

A trunk grid of 2,20,000 volts is being constructed to interconnect all the power stations and lines of 1,32,000 and 66,000 volts will branch off from this trunk grid for taking constant electric power to the following important industrial centres :-

Ghaziabad-Modinagar-Meerut - Connected by rail and road with the whole of India. Home of the well known Modi Group of Industries - can also be the home of your industry. Industrial sites are offered by the U.P. Industrial Corporation, Kanpur.

Aligarh - Only 16 miles from the Harduaganj Thermal Power Station - assured of ample and constant supply of electric power. 84 miles from Delhi.



Dehra Dun - Home of the Yamuna Hydro-electric Schemes, Stages I, II, III and IV. Unlimited forest produce and limestone of high purity at hand.

Saharanpur-Roorkee-Hardwar-Rishikesh - offer big scope for industries, particularly those ancillary to the Antibiotics Factory at Rishikesh and the Heavy Electricals Factory at Hardwar. Close to rich extensive forests.

Bareilly - Home of the Synthetic Rubber industry, Camphor industry, Turpentine and Rosin industry and the Match industry and developing rapidly as a major industrial centre.

Agra - Main tourist attraction in India and growing industrial centre - conveniently connected with the whole country by rail (both broad gauge and metre gauge), road and air.

Kanpur - Already the most important industrial centres in Northern India. Seat of many technical training institutions. Connected with the whole country by rail, road and air.

Lucknow - Seat of the U.P. Government and a growing industrial centre. Industrial area developed by the U.P. Industrial Corporation, Kanpur. Served by rail, road and air.

Allahabad and Naini - Quick movement of goods between Calcutta and Allahabad assured by electric traction. Land, water and power available in plenty.

Varanasi-Mughalsarai Area - Another industrial area which is growing rapidly. Conveniently connected by rail, road and air with the rest of the country.

Mirzapur District - Home of three major power stations - Rihand, Obra Thermal and Obra Hydel. Rich in limestone deposits and producing large quantities of aluminium and caustic soda. Coal available from nearby Singrauli Coalfields

Gorakhpur - A large Fertiliser Factory being set up here by the Government of India - also seat of the Madan Mohan Malviya Engineering College and the Government Technical Institute. Important centre of sugar production.

This advertisement is issued for the information of industrialists throughout the country by the

U.P. STATE ELECTRICITY BOARD

COUNCIL HOUSE, LUCKNOW

who will be happy to answer enquiries and furnish any further information which may be required.

Company Affairs

A CONSTRUCTIVE ADDRESS

IN HIS statement to the shareholders to the United Commercial Bank Limited, Mr. G. D. Birla has made constructive suggestions to the Government for implementing its policy of stimulating the economy by providing appropriate incentives. He points out that it is, indeed, a great gain to the nation that persons in key positions, such as the Congress President, the Finance Minister of the Central Government and the Deputy Chairman of the Planning Commission, have, in important public speeches underlined the need for achieving rapid industrialisation. Referring with approbation to Mr. T. T. Krishnamachari's observations in his Budget speech that one of the prime objectives of our economic and fiscal policy must be to generate savings both in the hands of individuals and in the hands of corporate bodies, Mr. G. D. Birla poses the question whether the proposals of the Central Budget this year are as fully in accordance with this approach of the Finance Minister as they could and ought to be. While the Finance Minister has certainly made a commendable effort to offer incentives to industry in the form of modification of the super profits tax, rationalization of inter-corporate taxation and other incentives, has he not whittled down these reliefs by such measures as the new dividend tax, tax on notional capital gains on bonus shares and steep increases in gift tax and estate duty and the imposition of annuity deposits on individual taxpayers?

Mr. Birla asks whether, in this new environment, capital could be raised by the private sector for new enterprises, since unless there is incentive for individual investors there can be no positive activity in the capital market. A healthy stock exchange, Mr. Birla points out, with steadily appreciating values of the shares dealt thereon, based on actual and potential growth of companies, is absolutely essential if a steady growth in the number of new enterprises is to be maintained. He consequently urges the Finance Minister to take a second look at his Budget proposals with a view to providing sufficient incentives to individuals. In his view, even government incentives, such as the proposed Development Bank, cannot be wholly effective in mobilizing resources for industrialisation unless there are healthy and active conditions in the stock exchanges which would enable the Development Bank to resell investments arising out of its underwriting obligations as well as help the Unit Trust in its investment operations.

Credit Squeeze

The Chairman of the United Commercial Bank has welcomed the steps taken by the Government to attract foreign capital and foreign collaboration. He has also expressed appreciation of the revised attitude towards controls and the removal of price controls on some commodities in the recent past. Mr. Birla feels that the process of assuring a favourable economic climate will not be complete unless certain other steps are also taken. Fiscal policies favourable to investment activity is one of them. Equally important is the need for a liberal monetary policy because unless industry and trade are assured of their legitimate requirements of bank finance, current production will be affected, while the growth of the economy in the long run will be affected even more. Returning to the firm views he had expressed on past occasions, Mr. Birla emphasizes the adverse impact of credit scarcity created by Central Bank restrictions. He points out the anomaly of a tight-money policy being suddenly introduced early last month when the Reserve Bank's advances to scheduled banks had touched their peak against the background of credit liberalisation announced towards the close of 1963 for the benefit of the 1963-64 busy season. Such vacillations in policy are bound to create difficulties for banks which have planned ahead to provide finance for industry on the basis of securing assistance from the Reserve Bank as and when necessary.

The Chairman of the United Commercial Bank is equally critical of the multiple-tier Bank rate which, he points out, necessarily comes in the way of orderly interest rates. Mr. Birla holds the view that the rationalization of the interest rate structure, which is urgently needed to keep down the cost of bank finance to trade and industry, on the one hand, and for the pursuit by the banking system of a dynamic policy for mobilizing funds from the community, on the other, cannot be worked out except around a single Bank rate.

Facts Vs Fiction

The Chairman's speech contains passages of much interest in the context of current controversies. Mr. Birla draws on the experience of the United Commercial Bank to refute the allegation made against the banking system in general that it does not cater to the credit requirements of medium or small businesses. In the case of the United Commercial, for instance, out of about 10,400 borrowers, as many as 3,700 borrowers have been sanctioned limits of Rs. 10,000 or less, 4,500 borrowers limits between Rs. 10,000 and Rs. one lakh, and 1,500 borrowers limits between Rs. one lakh and Rs. 5 lakhs. Limits of over Rs. 5 lakhs have been sanctioned only to about 700 borrowers or about 7 per cent of the total. So much for the charge that banks lend only to big business. As for the other complaint that banks are owned by big business, facts would again appear to give the lie. The United Commercial Bank, for instance, had 6,241 shareholders on its register as at the end of 1963 and of them only 663 shareholders owned over 100 shares, while those holding shares between 51 and 100 numbered 680. This meant that the remaining 4,895 shareholders were holding 50 shares or less, thereby indicating a large presence of small shareholders in the equity of the bank.

The Chairman's statement takes note of important changes in the bank's organisation. New-comers to the Board are Mr. M. P. Birla, whose "vast experience of industry and trade", the Chairman said, should be of great benefit to the bank, and Mr. S. T. Sadasivan, who relinquished office as General Manager on March 31, 1964. Mr. Birla paid handsome tributes to the outgoing General Manager during whose stewardship the bank's dimensions have more than doubled as well as to his successor, Mr. R. B. Shah, who has also contributed to the progress and growth of the bank first as Chief Accountant and, since July 1955, as its Deputy General Manager.

HINDUSTAN ALUMINIUM

In spite of the initial teething troubles, Hindustan Aluminium Corporation Ltd., has shown a marked improvement during its working in 1963. It has recorded a profit of Rs. 199.88 lakhs as against a loss of Rs. 199.12 lakhs last year. After providing Rs. 195.22 lakhs for depreciation for the year and Rs. 1.27 lakhs for taxation, there is a credit balance of Rs. 3.38 lakhs. This has been adjusted against last year's deficit balance of Rs. 194.06 lakhs. While full depreciation as prescribed under the Act has been provided, reserve for development rebate has not been credited because of inadequate profits. However, as the development rebate reserve is allowed for income tax purpose to be carried forward, it is proposed to be provided out of the assessable income in 1964 and thereafter. The directors are hopeful that the reserves for 1964 would be much better than 1963. Total production of primary metal during the year was 22,138 tonnes exceeding the rated capacity of 20,000 tonnes. The total production of the alumina plant has reached 39,040 tonnes. Its sales amounted to 19,799 tonnes. With a view to increase its sales, the company has been permitted to export ingots and import the same in fabricated form due to inadequate fabrication facilities within the country.

A plant for continuous casting and rolling of redraw rods has been in production since 1963, but regarding the others

the company has to await the arrival of other fabricated equipment due to late sanction of the Export-Import Bank loan. The directors report that the Government has agreed to the proposal to increase the capacity to 60,000 metric tonnes and the company has approached the Export-Import Bank for loan to finance the foreign exchange requirement of the first phase of the expansion programme. For setting up a thermal plant to meet the additional requirement of power for expansion programme, provisional orders have been placed for two generating units with International General Electric Co. against long-term suppliers' credit. A separate wholly-owned subsidiary has been formed to run this power plant with an authorised capital of Rs. 5 crores.

CENTURY SPINNING

The directors of the Century Spinning and Manufacturing Co. Ltd., have recommended a final dividend of 18 per cent for the year 1963 — the same as that paid for the previous year. This is in modification of the earlier proposal not to declare a final dividend but to issue bonus shares in the ratio of one per five shares. This change has been necessitated by the recent proposals to levy capital gains tax on the bonus issue. The directors have, however, decided subject to the approval of the shareholders, to make a rights issue of preference shares of the value of Rs. 25 lakhs to be offered to the existing preference shareholders in the ratio one for every five shares. Following an increase in sales from Rs. 17.10 crores to Rs. 22.25 crores the gross profit was also higher at Rs. 477.61 lakhs as against Rs. 366.87 lakhs. Depreciation absorbed Rs., 177.24 lakhs, taxation Rs. 112 lakhs and development rebate reserve Rs. 57.85 lakhs. The interim dividend at 12 per cent on the equity shares absorbed Rs. 30.59 lakhs leaving a balance of Rs. 57.18 lakhs. This amount has been transferred to the dividend equalisation reserve, out of which preference dividend already paid absorbed Rs. 10.71 lakhs and the final dividend on equity shares at 18 per cent will take up Rs. 45.88 lakhs.

KOHINOOR MILLS

The Kohinoor Mills Co. Ltd., recorded higher turnover of Rs. 8.55 crores during 1963 as against Rs. 7.61 crores last year. The gross profit has consequently gone up from Rs. 83.85 lakhs to Rs. 98.92 lakhs. The final dividend is Rs. 14 a share making a total of Rs. 21, less tax, for the whole year against Rs. 18 paid previously. After providing Rs. 21.57 lakhs for depreciation, Rs. 23.20 lakhs for taxation and Rs. 6.10 lakhs for development rebate reserve, the net profit comes to Rs. 42.71 lakhs. The directors have provided Rs. 23.02 lakhs for bonus for earlier years. The proposed divided including the interim distribution absorbs Rs. 21 lakhs. The company added new machinery worth Rs. 43.26 lakhs.

GWALIOR RAYON

The Board of Directors of the Gwalior Rayon Silk Manufacturing (Weaving) Company Ltd., has decided that the dividend for the year ended March 31, 1964 on 150,000 cumulative preference shares series 'A' and 765 cumulative preference shares series 'B' in the capital of the company be paid at Rs. 8.57 a share less tax. These dividends are payable on or after May 4 to the shareholders on register as on May 2.

SOORAH JUTE

According to a preliminary report the Soorah Jute Mills Co. Ltd., has shown a surplus of Rs. 11.18 lakhs for 1963 against Rs. 18.14 lakhs last year. After adding the amount brought forward the directors have proposed the allocation of Rs. 2.24 lakhs for depreciation Rs. 4.66 lakhs for taxation and Rs. 25,000 for development rebate reserve. After paying the dividend on the preference shares the directors has proposed to reduce the ordinary dividend from 25 per cent to 20 per cent, less tax. The directors stated that the set-back in profits has been mainly due to the decline in prices of jute goods during the year whereas price of raw jute was by and large maintained.

ASIAN CABLES

Asian Cables Corporation Ltd., has shown satisfactory working during the year ended September 30, 1963 — he second year of its production. Sales, however, could not increase mainly due to the shrinking demand for cables. Even then sales proceeds were around Rs. 64.62 lakhs against Rs. 9.40 lakhs last year. After making provisions for depreciation, there was a net loss of Rs. 58,902. The factory is presently working on single shift basis and the management is considering the proposal to work on a two shift basis in the current year. The P.V.C. cable plant was commissioned towards the close of the year, under review. The construction of the factory building for project II for H.T power cables is progressing and machinery is arriving. It has been licenced to import machinery worth Rs. 1.05 crores. Erection is expected to be completed by the end of this year and the plant is expected to go into production early in 1965.

SCOTTISH INDIAN MACHINE TOOLS

Scottish Indian Machine Tools Ltd., a new Indo-British venture for the manufacture of machine tools will enter the capital market shortly with a public issue of Rs. 19.20 lakhs, all in equity shares of Rs. 100 each. It has been promoted jointly by Voltas Ltd., and Scottish Machine Tools Corporation Ltd., Glasgow. It will undertake the manufacture of guillotine shears, punches, plate bending rolls and other items of plate and bar working machinery. The authorised capital of the company is Rs. one crore. Its issued capital is Rs. 64 lakhs, consisting of 64,000 equity shares of Rs. 100 each. Of the total issued capital of Rs. 64 lakhs, 40 per cent will be subscribed by its fully-owned subsidiary, Scottish Machine Tool Overseas Ltd. This amount will be utilised for the import of plant and machinery needed for the project. Thirty per cent of the issued capital will be subscribed by the Indian promoters and the balance of 30 per cent will be offered to the public. The plant will be located at Thana, near Bombay, and is expected to go into production by the middle of 1965. Voltas Limited have been the sole Distributors for Scottish Machine Tools since May 1959. They will also be Sole Distributors for the products to be manufactured by the new company.

HINDUSTAN POLYMERS

Hindustan Polymers Ltd., will enter the capital market shortly with an issue of Rs. 127.40 lakhs in 127,400 equity shares of Rs. 100 each for cash at par. It has an authorised capital of Rs. five crores and issued capital of Rs. three crores made up of 300,000 equity shares of Rs. 100 each. 112,600 equity shares have been subscribed by the promotors, directors and their friends, 20,000 equity shares have been subscribed by Bakelite Xylonite Ltd., London and 20,000 by the Industrial Credit and Investment Corporation of India Ltd., Bombay. Another 20,000 equity shares of Rs. 100 each are reserved for subscription in cash at par by Commonwealth Development Finance Co. Ltd., London. The entire public issue has been underwritten. The company has been incorporated with the object of manufacturing power alcohol, styrene monomer, polystyrene and its copolymers etc. The company has obtained technical collaboration from M/s. Universal Oil Products Co. Inc. of the U.S.A. and M/s. Bakelite Xylonite Plastics Ltd., of England. Plant will be located at Visakhapatnam.

PHILIPS INDIA

An increase in the rate of dividend for the year 1963 was decided at a meeting of the board of directors of Philips India Ltd., held in Calcutta recently. The proposed dividend for 1963, subject to tax is 15 per cent as against 13 per cent for 1962. The sales of Rs. 10.63 crores were about Rs. 20 per cent higher than Rs. 8.85 crores in 1962. The profit before taxation for the year 1963 amounted to Rs. 1,65.57 lakhs as against Rs. 1,20.20 lakhs for 1962. The provision for taxation was Rs. 1,17.00 lakhs as compared to Rs. 85.50 lakhs in 1962 and thus the net profit after taxation stood at Rs. 48.57 lakhs as against Rs. 34.71 lakhs in 1962. A sum of Rs. 5.50 lakhs was transferred to the development rebate reserve and Rs. 11.04 lakhs to the general reserve. The increased dividend will absorb Rs. 33.00 lakhs.

NATIONAL RUBBER

The National Rubber Manufacturers Ltd. has reported a substantial rise in sales from Rs. 351.78 lakhs to Rs. 457.09 lakhs in 1963, reflecting an all round increase in production as the installed capacity for most of the items was more than fully utilized. The net profit, after providing for depreciation and taxation, was higher at Rs. 10.64 lakhs against Rs. 6.41 lakhs in the previous year. Apart from providing Rs. 2 lakhs for general reserve, the directors have proposed to transfer Rs. 7.92 lakhs towards depreciation, Rs. 11.80 lakhs towards taxation and Rs. 2.50 lakhs towards dividend equalisation reserve. The directors have found it possible to raise the ordinary dividend from 8 to 10 per cent less tax.

The company has decided to expand the capacity for the manufacture of important items in which it specializes and to produce a few more articles which are considered essential by the directors. Fresh industrial licenses have been received from the Government permitting substantial expansion of the capacity and the manufacture of new items. It is also permitted to manufacture PVC conveyor belting with the capacity already licensed and established for transmission and conveyor belting. To raise a part of the finance to implement expansion, the company has decided to make a further issue of capital. It has been authorised to issue capital to the value of Rs. 50 lakhs in 500,000 ordinary shares of Rs. 10 each at par. These will be issued in the ratio of one new share for every existing share held.

CAPITAL ISSUES

Four companies have been authorised to raise capital aggregating Rs. 5.37 crores. Of these, one is offering bonus shares to existing shareholders, another is floating equities and two are issuing equities plus preference shares. One company is offering part of its equities and preference shares to the public. Foreign collaboration is involved in one of the issues. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Associated Cement Companies Limited, Bombay, will be issuing further capital of Rs. 119,21,800/- in 1,19,218 equity shares of Rs. 100/- each, to be issued as bonus shares to the existing equity shareholders of the company on capitalisation of the Share Premium Account to a like extent.

The Indian Tube Company (1953) Limited, Calcutta, an existing company, is to issue capital of Rs. 1,05,00,000/- divided into 87,500 equity shares of Rs. 100/- each for cash at a premium of Rs. 20/- per share to be subscribed as to 40% by Stewarts & Lloyds Limited, U.K. and 60% by Tata Iron and Steel Company Limited and their nominees. The capital will be utilised for financing the expansion of the seamless tube plant.

Bist Industrial Corporation Limited is to issue capital of Rs. 68,64,500/- divided into 4,86,450 equity shares of Rs. 10/- each and 20,000 cumulative redeemable preference shares of Rs. 100/- each carrying dividend at 9.27% free of company's tax but subject to deduction of taxes at source at the prescribed rates. This supersedes an earlier consent granted in 1960 for issue of preference shares of Rs. 40 lakhs.

The capital is required for the establishment of a sugar mill at Nainital at an estimated cost of Rs. 260 lakhs. The company has already raised a capital of Rs. 51,35,500/-.

Central Pulp Mills Limited, Poona, is to issue Rs. 275 lakhs capital—Rs. 170 lakhs equity and 75 lakhs preference—to be issued for cash at par. Equity shares of the value of Rs. 86.70 lakhs will be subscribed privately and the balance of Rs. 83.30 lakhs equity and Rs. 75 lakhs preference will be offered to the public. The money will be utilised in establishing a pulp mill.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 4th April, 1964. The list contains the names and addresses of the licences the items of manufacture and annual installed capacity.

IRON AND STEEL

The Mysore Kirloskar Ltd, Yantrapur, P.O. Harihar. (Harihar, Yantrapur, Mysore) — Cast Iron Castings — 9,000 tons.

TYPEWRITERS

Rai & Sons Pvt. Ltd., 9A, Connaught Place, Central Ring, New Delhi. (Taluk West, Andhra Pradesh) — Standard Typewriters (Shifting) (Change of location from Chandigarh, Punjab to Hyderabad (Taluk West), Andhra Pradesh.

INORGANIC HEAVY CHEMICALS

Barium Chemicals Ltd., Ramavaram P.O., Khammam District (Ramavaran, District, Khammam Andhra Pradesh) — (1) 30 per cent Hydrochloric Acid — 720 tonnes. (2) 92 per cent Nitric Acid — 720 tonnes. (3) 98 per cent Sulphuric Acid — 3,600 tonnes.

ORGANIC HEAVY CHEMICALS

The Newasarwa Mills Private Ltd., Chemical Division, Railwaypura, Ahmedabad-2. (Railwaypura, Ahmedabad Gujarat State) — Oxalic Acid — 1,260 tons.

COTTON TEXTILES

Madhavnagar Cotton Mills Ltd., Madhavnagar, Dist. Sangli. (Maharashtra State) — 100 automatic looms for the manufacture of cotton cloth.

SYNTHETIC FIBRES

The Sirsilk Ltd., Sirpur — Kaghaznagar (C. Rly.). (Sirpur, Khagaznagar, Andhra Pradesh). — Acetate Rayon Yarn. 1.8 million kgs. per annum.

VANASPATHI

The Bhavnagar Vegetable Products Ltd., Bunder Road, Bhavnagar. (Bunder Road, Bhavnagar, Gujarat) — Vanaspathi — 75 tons per day. (Capacity after expansion).

GLASS WOOL

Shri P. M. Verghese, M/s. Insulux India Private Ltd., 42, First Main Road, C.I.T. Nagar, Madras-35. (Korattur, Madras) — Fibre Glass Pipe Covering — 840 tons. Industrial blanket type insulation — 1,980 tons. Fibre Glass chop strand —1,020 tons. Glass Yarn — 960 tons. Sound Insulation — 1,980 tons. Reinforcement for plastics — 960 tons. Air Filters — 540 tons. Paper Industry — 960 tons. X-Ray protective shields — 240 tons. Shortage Battery Industry — 240 tons. Medical Industry — 300 tons.

MISCELLANEOUS WARE

Sarabhai Glass, Karamchand Premchand Pvt. Ltd., Post Box No. 144, Subhanpura, Baroda. (Wadi Wadi, Baroda, Gujarat) — Penicillin Vials — 105 million pieces. Vibhuti Glass Factory, P.O. Ram Nagar, Varanasi. (Ramnagar, Varanasi, Uttar Pradesh) — Penicillin Vials — 1,200 tons.

CHANGE IN NAMES (Owners & Undertakings)

(During the week ending 4th April, 1964).

(Information pertains to particular licences)

From M/s. Hindustan Transmission Products Private Limited, New Delhi to M/s. Hindustan Transmission Products, Proprietors Madhusudan Limited, New Delhi. From M/s. Indian Electric Instruments Private Limited, Bombay to M/s. EAW Meters and Motors Private Limited, Bombay.

LICENCES REVOKED OR SURRENDERED

(During the week ending 4th April, 1964).

(Information pertains to particular licences)

M/s. New Standard Engineering Company Ltd., Bombay. — Chemical Machinery. M/s. Ramdas Barkat Ram, Delhi. — Spanners, wrenches, screw drivers, bandsaw blades, hacksaw blades. M/s. Rohtas Industries Ltd., Dalmianagar — Newsprint.

BOOKS BRIEFLY

Sensitive Aspects of Labour Relations

Collective Bargaining Versus Government Regulation: India and U.S.A.; By A. V. Raman Rao; Allied Publishers Private Ltd., Bombay; Pp. 198; Rs. 14.

Reviewed by K. N. KABRA

WITH THE expansion of the industrial sector the importance of industrial labour is increasing, not only because of its increasing numerical strength, but also because it is an important variable, determining industrial productivity. As things are still in the formative stage, it is all the more important that intensive analytical studies are made of the Indian labour problems. Dr. Raman Rao's work deals with a very sensitive aspect of industrial relations, — a comparative study of collective bargaining and government regulation as instruments of wage-policy.

The background of the study is the whole panorama of legislation in this behalf by the Union and States Governments. Stating that clear-cut ideas regarding labour participation in management are yet to be seen, he asks some searchingly relevant questions: "Who is to participate in management? Is it the labour, i.e., the grass-roots workers or their representatives? Or trade union leaders who are affiliated to one or the other of political parties? What is the extent and nature of their participation? Are training and management essential techniques or not? How is the labour director supposed to act effectively in the absence of any business knowledge?

The 36-page Introduction gives a commanding view of the state of labour affairs in the largest democracy of the world. It is shown how "after 16 years of independence and in spite of three five-year Plans, our pattern of industrial relations seems to be saturated with a sense of complacency and righteousness. We seem to think we have given a moral and spiritual outlook to our industrial relations, because of a confusion between laxity in implementation and inspection of labour laws and sense of voluntarism, mistaking the former for the latter". It is not clear whether government policy should not aim at implicit execution of labour laws, instead of resorting to ineffective conventions as alternatives.

The study also touches upon the basic structural and organisational deficiencies of Indian trade unions. It highlights its limited area of operations in excluding the large army of agrarian labourers from the trade union movement. In passing, it refers to our heritage of labour legislation copied from Britain, blind imitations of foreign labour practices, lack of labour education, etc.

Another major plank of the study is the apathetic condition of industrial relations in public sector undertakings. Here not only the pitiable state of labour relations in the public sector is pointed out, but the dual standards regarding industrial relations for the public and the private sectors are pinpointed. While the public sector has its own norms to go by, "very high-flown humanitarian approaches are suggested for the private employers towards their employees."

In India voluntarism in free collective bargaining had proved to be a failure and even the Royal Commission of Labour commented on its inadequacy. The study brings out the hollowness of the criticism that in India free collective bargaining has become a casualty in the process of government regulation of industrial disputes through compulsory conciliation, arbitration and adjudication. It spotlights the fact that the tripartite system of labour - management relations in India is not a substitute for free bipartite bargaining because tripartite bargaining is a "standby" to step in when bipartite procedures have been exhausted without settlement. In fact the Industrial Disputes Act, 1947, provides for free collective bargaining failing which government regulation is provided. The processes of conciliation and arbitration are discussed in detail.

The study refrains from either a wholesale condemnation or an exaggerated praise of the government regulation machinery and underlines the delicacy of the task as it is forced to steer through two strong pressure groups. A proper perspective for the elaboration of the problem of collective bargaining is provided by tersely stating the requirement of a planned economy in regard to wage policy: "Even under economic planning, let alone full state socialism, the powers of the trade unions to determine wage policy independently and to effectuate it through economic force, are restricted."

Finally, the study deals with the experiences of the United States and brings out a close similarity between India and that country regarding labour legislation and government attitudes towards industrial relations in the post-war period "barring some fundamental differences depending on the national orientation of public policy".

Dr. Raman Rao makes some very interesting suggestions regarding collective bargaining and government regulation. Of these the one regarding "an exact collective bargaining time-table" on the Danish pattern seems to have potentialities.

JUBILEE FARE

"Capital", Seventyfifth Anniversary Number: Edited by Dinesh Bahl; Published by W.H. Targett & Co., 5, Mission Row, Calcutta; Pages 194; Price Rs. 5.

THIS RICH publication, marking a special occasion, not only for one of our leading economic weeklies, but also for economic journalism in this country, starts appropriately enough, with a nostalgic piece by Geoffery Tyson, Editor of "Capital" from 1932 to 1954, in which it is interesting to find the author already speaking of the "ever increasing burden and complexity of taxation". From Tyson's "reflections" which not only covers the inter-war years but spills over into the years thereafter, we proceed to the world of Colin Clark on economic growth, that is to say, to the problems of the present day and hour. There should be no difficulty in agreeing with this writer that the most urgent of India's tasks is a higher rate of growth of agricultural production and we are sure that Mr. Swaran Singh and the rest agree also — that, unfortunately, does not, however, seem to bring the prospects of greater agricultural growth nearer. Incidentally, Colin Clark feels that the ratio of imports to net national product is unduly low in the case of this country and would like to see the volume of imports rise by some three per cent per annum. Here he surely errs in believing that the desire on our part for what is called "import substitution" is a pointless exercise in virtue.

Elsewhere, as is usual with the Annual Numbers of "Capital", a rich variety of fare is provided by a number of eminent contributors among whom is B. R. Shenoy who, like Colin Clark, pleads for more attention to agriculture if the growth of our national income, which is among the lowest in the world, is to pick up. Dr. Chandrashekhar praises American economic aid for helping India's growth — an assessment with which B. R. Shenoy may not readily agree—and, predictably pleads that some of that aid should be given to India's population control programmes. Dr. P. S. Lokanathan, who in recent years had been actively interesting himself in productivity problems, discusses the importance of management education and suggests that training programmes need to be suited to a situation where heredity must, and is, giving way to science in the evolution of managerial class. It is impossible to notice individually all the discussions presented in this sumptuous publication, but it is necessary to put down a special word of praise to the excellent editing of the articles, particularly the brief editorial notes which have been provided to every article, partly, no doubt, for the reader's convenience and partly, evidently, to whet his appetite.

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COMPANY MEETING

UNITED COMMERCIAL BANK LTD.

CHAIRMAN'S SPEECH

G. D. Birla Calls on Government to Implement its Policy of Incentives: Urges Single Bank Rate; Fiscal Policy should Encourage Individuals as well as Companies – Second Look at Central Budget Proposals Essential.

Statement of Shri G. D. Birla, Chairman, circulated to the Members at the Twenty-first Annual General Meeting held on Wednesday, the 8th April, 1964 :

GENTLEMEN,

I have the pleasure to present to you for your consideration and adoption the Balance Sheet as at and the Profit and Loss Account for the year ended 31st December, 1963, which have been in your hands for some time.

You would have noticed from the Report of the Directors that Mr. P. D. Himatsingka who had been a Director of the Bank almost since its inception resigned from his office as a Director in order to devote more time to his duties and work as a Member of Parliament and that Mr. R. L. Nopany, who retires by rotation this year, is not seeking re-appointment as Director as he wishes to retire from all active business. The Bank has benefited greatly by their long association and I wish to acknowledge on your behalf the very valuable guidance and counsel given by them in the affairs of the Bank. In the vacancy caused by the resignation of Mr. P. D. Himatsingka, the Board of Directors have appointed Mr. M. P. Birla as Director I have pleasure to welcome him on your behalf and am confident that the Bank will greatly benefit by his vast experience of industry and trade.

The Directors' Report has referred to the change that has taken place in the general management of the Bank Mr. S. T. Sadasivan, who joined the Bank as Deputy General Manager in January, 1945 and who was appointed General Manager from 1st May, 1955 has relinquished his office on 31st March, 1964 and has gone on leave prior to retirement. I now add to the widespread tribute paid to his outstanding services in the field of banking, commerce and industry an acknowledgement on my and your behalf, of his very valuable contribution to the progress of the Bank, especially in his capacity as the General Manager since 1955. It is worth noting that the Bank's working more than doubled during his stewardship. I am confident that you would pass the resolution proposing to appoint him as Director which would enable the Bank to have the advantage of his long and rich experience in the field of banking and his intimate knowledge of the Bank's working and its special problems.

Mr. R. B. Shah has been appointed to succeed Mr. S. T. Sadasivan, as General Manager, and I extend to him our best wishes for success during his period of office. Mr. R. B. Shah is no stranger to the Bank. After a number of years in the Accountancy profession, he joined the Bank as its first Chief Accountant and has been its Deputy General Manager since July 1955. His contribution to the development of the Bank has been great and I have every confidence that he would ably guide the Bank's affairs with vigour and care and make it possible for the Bank to achieve still greater progress and growth.

BRANCH EXPANSION

In order to meet the banking needs of the expanding economy our programme of branch expansion continues unabated. During the year we opened 18 new branches some of them in unbanked centres bringing the total number of branches to 177. Since the beginning of the current year we have opened 4 more branches and we have chalked out a programme to open 43 new branches by 31st July, 1965 under the programme approved by the Reserve Bank of India.

STAFF

During the past year the volume of business continued to expand calling for increase in the staff both for the new and the old branches. In the course of 1963 the number of our staff, clerical and supervisory, reached over 4,800. More and more staff is being given special training at the Bank's own Training Centre started in 1951 and facilities for training in banking and industrial finance afforded by the Reserve Bank of India are being continuously utilised by us to enable our staff to be more useful in meeting the needs of the growing variety and volume of business. I wish to thank, on your behalf, all the members of the staff for the good work done by them which has enabled us to present to you today a more favourable position of the Bank as compared to the last year.

DEPOSITS

In my last statement I had mentioned that the deposits of the Bank had crossed the Rs 100 crore mark. During the year there was further augmentation and I am happy to state that they rose to Rs. 120.98 crores — a rise of Rs. 15.24 crores as against a rise of Rs. 6.84 crores last year — the percentage of increase being 14.4 as compared to the percentage increase of 10.7 per cent for Scheduled Banks. This is all the more heartening as during the year, the deposits of Rs. 2.40 crores of our Burma offices, which were taken over, passed out of our control consequent upon the nationalisation of Banks in Burma.

CASH AND SECURITIES

Cash on hand and with banks and money at call and short notice were Rs. 11.75 crores and represented 9.7 per cent of Deposits. The proportion of the Bank's holding of Government Securities to its Deposits continued to be high, the net addition being of the order of Rs. 2.34 crores. Our quick assets consisting of cash on hand and with banks, money at call and short notice and unencumbered Government Securities totalled Rs. 48.71 crores forming 40.3 per cent of Deposits. You would appreciate the undoubtedly high state of liquid position maintained by the Bank.

ADVANCES AND BILLS

Our Advances and Bills portfolio rose during the year from Rs. 71.08 crores to Rs. 85.95 crores, the main increase being in the Bills portfolio, which includes usance promissory notes obtained in cash credit accounts to facilitate borrowings under the Bill Market Scheme. The Bank has been providing credit facilities not only to large-scale industries for augmenting the output of goods for defence, exports and other productive purposes, but also to small-scale industries. The refinance obtained by the Bank from the Refinance Corporation for Industry Ltd., for medium term credit facilities extended by it to the borrowers is now of the order of Rs. 2.10 crores.

Of late, an impression has been created that the commercial banks cater largely to the credit requirements of big

business. I must say that this impression is erroneous. Speaking for our Bank, I would like to mention that out of about 10,400 borrowers as many as 3,700 borrowers have been sanctioned limits of Rs. 10,000 or less, 4,500 borrowers have limits between Rs. 10,000 and Rs. 1,00,000, 1,500 borrowers have limits between Rs. 1,00,000 and Rs. 5,00,000 and only about 700 borrowers have limits of over Rs. 5,00,000. A very large number of borrowers in the first three categories are those engaged in small-scale industries.

PROFIT AND LOSS ACCOUNT

The year's working has resulted in a further rise in profits. There has been an increase of nearly Rs. 81 lakhs in the earnings. The major factors contributing to the rise were the increased volume of business in all fields of banking activity and the employment of larger volume of funds. The interest rate on bank advances remained steady and the average return on advances to the Bank was practically unchanged from the previous year. The average yield on holding of securities was more or less the same as last year. Of the increase of Rs. 81 lakhs in the earnings approximately Rs. 38 lakhs was paid as interest on deposits and borrowings and about Rs. 27 lakhs was taken up by salaries and allowances and provident fund. In spite of the opening of new offices which naturally take some time to come to profit-earning stage, the amount spent on rent, taxes, insurance and lighting, stationery, printing and advertisement, and other expenditure showed fractional increases of about Rs. 2 lakhs, Rs. 4 lakhs and Rs. 5 lakhs respectively. Although the allocation to Reserve Fund is less by Rs. 11 lakhs after paying a higher bonus of Rs. 2.50 lakhs to staff, it has been possible to maintain the dividend at 12 per cent less tax on the increased share capital. The amount of prorata dividend paid last year on the increased capital was only Rs. 56,000 whereas this year the dividend on the increased capital amounts to Rs. 9.60 lakhs.

BONUS SHARES

In my last Statement I had referred to the issue of 200,000 ordinary shares at a premium of Rs. 25 per share and the adverse factors prevailing at the time the issue was actually made, which resulted in applications for only 1,60,000 shares being received. The premium of Rs. 25 per share was considered by some of the shareholders as rather high in relation to the situation obtaining in the capital market at the time the issue was made. The Directors have carefully considered the letters received from the shareholders on this subject and have felt it desirable to capitalise a sum of Rs. 20,00,000 out of the sum of Rs. 40,00,000 standing to the credit of the Share Premium Account and have accordingly applied to the Controller of Capital Issues for his consent to issue 40,000 "A" Shares of Rs. 50 each as fully paid bonus shares. The consent of the Controller of Capital Issues has not yet been received. As stated in the Report of the Directors the final outcome of this year's Budget proposals relating to the taxation of bonus shares in the hands of the shareholders would be taken into account before deciding on further course of action.

You would be interested to know that the ownership of our shares is widely distributed. Out of the total number of 6,241 shareholders on 31st December, 1963, 4,895 shareholders owned 50 shares or less, 680 shareholders owned between 51 and 100 shares and only 666 shareholders owned over 100 shares.

ECONOMIC SITUATION

Having reviewed the business of the Bank let me turn to a survey of the general economic situation in the country. The year 1963 was similar in several respects to 1958. Both witnessed a decline in the rate of growth of industrial production, both showed a fall in the production of foodgrains, and in both the years there was also a set-back in the growth of employment. However unlike 1958 the year 1963 was under the shadow of the Chinese aggression and consequently the "defence and development" Budget of the Union Government presented early that year providing for heavy expenditure to meet the aggression. The mere fact that in the face of the national emergency revenues had to be raised for sustaining our defence effort could not, however, conceal the dismay caused by the magnitude as well as the range of the new taxes that were proposed and particularly the Super Profits Tax. To what extent the economic situation had deteriorated consequent upon the Budget of 1963-64 can be clearly seen from the figures relating to new capital issues and the drop in stock market prices.

As for the former, capital issues during 1963 declined to Rs. 54.6 crores as compared to Rs. 73.8 crores in 1962. Taking a more detailed view of 1963 issues, it will be noticed that during the quarter ending June — the quarter following the Budget — capital issues amounted to Rs. 17.1 crores as against Rs. 25.6 crores during the corresponding quarter of the previous year. But this is not all. In the quarter following July to September, by which time the full impact of the budgetary proposals had been felt, capital issues deteriorated still further to Rs. 7.2 crores only. It is true that in the quarter ending March 1964 the capital issues amounted to Rs. 33.7 crores which is described as a "phenomenal spurt". This so called spurt in the capital issues was, however, due to the fact that the companies who had already made commitments and proceeded with their projects could no longer wait and had to come out in the market which they felt was regaining confidence. The response from the public, however, was disappointing and except in the case of issues of a few well-known companies, the underwriters had to take up a major portion of the shares to fulfil their obligations This stagnation in the capital market is the reflection of the significant fall in the prices of industrial securities, the index price for which fell to as low a level as 160.6 in August 1963 compared to 179.5 — the average for the whole year

Apart from the capital market the general economic situation was none too satisfactory. Agricultural production, has, in fact, gone down. The total foodgrains production which stood at 79.8 million tons in 1961-62 declined to 77.5 million tons in 1962-63 and went still further down to 76.2 million tons in 1963-64. We thus appear to have gone back to the year 1958-59 so far as agricultural production is concerned.

In regard to industrial production, we would appear to have maintained an increase of 8.9 per cent but not improved upon our rate of growth. But I am not at all sure in my mind whether in fact we have improved in the sphere of industry. For there is a well-defined time-lag between the setting up of capacity and the commencement of production; and this interim usually works out to three years. If therefore, output improved during 1963-64, it was because, three years earlier, the foundations for additional capacity had been laid. Production alone is no index of the progress of industrialisation; a more important indicator is the creation of new capacity. In this regard, as we have already noted, for at least half of the last fiscal year, there was virtually no setting up of new enterprises; and we shall be feeling the effect of this stagnation three years hence. Thus, while the rate of growth of industrial production may have been maintained last year the rate of industrial growth itself will necessarily have suffered a set-back in the long run.

The decline in agricultural production and the imposition of additional excise duties and taxes were reflected in the behaviour of prices. The Finance Minister, in his Budget speech this year has described the rise in the price level as "the most



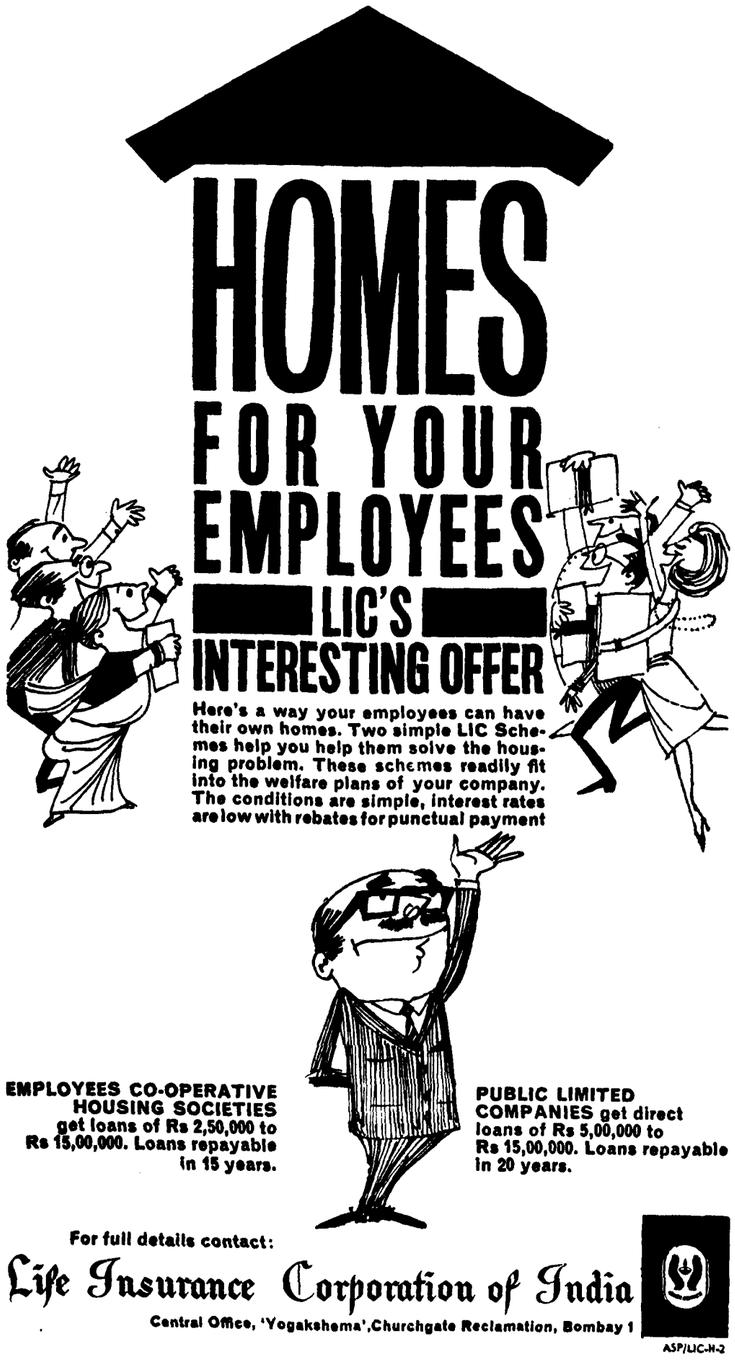
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disturbing feature" of the economic scene. In the period between 2nd March, 1963 and 22nd February, 1964, the general index of wholesale prices has risen from 126.3 to 138.6. This in itself would not have been a disturbing fact if the rise had been clearly due to circumstances beyond our control, as for example failure of agricultural crops, and if the rise had been confined to one category of commodities, I am afraid that we can have no such consolation; the price behaviour can be succinctly summarised as follows: the index number of food articles rose from 123.0 on 2nd March, 1963 to 141.4 on 22nd February, 1964; that for liquor and tobacco from 98.9 to 122.1; the index number for fuel, power, light and lubricants shot up from 125.9 to 139.6; the relevant figure for industrial raw materials rose from 135.3 to 144.4. The only semblance of some stability was under the category of manufactures, the index number in respect of which moved within a narrow range between 129.2 and 131.7. Prices could not be kept in check for the simple reason that production could not keep pace with demand; nor could we augment supplies through imports for lack of foreign exchange. Whether we like it or not, therefore, the summing-up of the fiscal year just past must be that, whether as regards agriculture or in respect of industry, we have fallen behind.

Taking all these factors into account it becomes clear that the country can ill-afford the stagnation in growth that had set in and it had become apparent that steps had soon to be taken to re-activate the capital market and revive the sagging economy. With the reshuffle of the Union Cabinet on the implementation of the Kamaraj Plan the new Finance Minister, Mr. T. T. Krishnamachari set before himself the task of restoring confidence in the future of Indian economy. The Finance Minister began well in word and deed and the general expectation of an attempt by Government to offer encouragement to expansion of industrial activity found expression in a large number of capital issues in the first quarter of 1964 to which a reference has been made earlier.

INCENTIVES AND INVESTMENTS

It was refreshing to hear the President of the Indian National Congress, the Deputy Chairman of the Planning Commission and the Finance Minister all giving expression to the feeling that industrial development should be fostered and that everything should be done to provide the means and the incentive to bring this about. All the three, more or less, recognised that incentive to individuals and enterprise alone can accelerate production. This is clear recognition of the important role which profit motive plays in fostering enterprise. Thus at the close of the Bhubaneswar session of the Congress, Mr. Kamaraj in referring to the need to raise the standard of living of the masses said: "It is only through rapid industrialisation that we can increase our wealth and improve the standards of people". While delivering the Sir Sri Ram Memorial Lecture, Mr. Ashoka Mehta described the profits of industry as the sinews of growth and emphasized its important role. He also said that in order to increase savings and to spur investments it was necessary to augment profits both in the public and private sectors and he proceeded to say that in a developing economy profit was a "growth point". He warned that without a 10 per cent return on capital the chances of maintaining the tempo of investment and growth would be slim.

Mr. T. T. Krishnamachari in his Budget speech said: "It is equally important for our development that the private sector has the resources to expand in the fields assigned to it in our planning". And again "One of the prime objectives of our economic and fiscal policy, therefore, must be to generate savings both in the hands of individuals and in the hands of corporate bodies". Moreover in the opening paragraph of Part B of his speech, which contained his new proposals, Mr. Krishnamachari said: "....the existing taxation policy, good as far as it goes in the direction of producing revenue, has also to be geared to the paramount task of promoting growth. It is admitted on all hands that fiscal measures have a major role to play in the process of economic development". Referring to the working of Public Sector undertakings, the Finance Minister said: "Many of the public sector projects are lagging behind the schedule of their construction and what is more disappointing is that their contribution to our resources is nowhere near the plan estimates. It is of the utmost importance to our economy that enterprises in the public sector should not only make profits but should make good profits. By that I mean that they should give a good dividend to the exchequer and yet be able to build up reserves to finance their own future expansion".

Having regard to such explicit expressions of belief on the need for increased production and for the provision of the means of expansion and of faith in the profit motive it has caused no little misgiving that the Finance Minister's actual Budget proposals have fallen so greatly short of expectations. While there is a serious and even commendable effort by the Finance Minister to offer incentive to industry in the form of modification of the Super Profit Tax, rationalisation of inter-corporate taxation and other incentives he has whittled down these reliefs by such measures as the new dividend tax, tax on notional capital gains on bonus shares and steep increases in gift tax and Estate Duty and requirements of Annuity Deposits by individual tax payers. It is difficult to see how in this new environment capital could be raised by the private sector for new enterprises. Unless there is incentive for individuals there is no meaning in offering incentive to industry. A healthy Stock Exchange with steadily appreciating values of the shares dealt thereon based on actual and potential growth of companies is absolutely essential if a steady growth in the number of new enterprises is to be maintained and I sincerely trust that the Finance Minister will have a second look at his Budget proposals with a view to providing sufficient incentives to individuals.

It needs to be admitted that the Finance Minister, perhaps recognising the conditions in which it would be impossible for the new capital issues market to function smoothly or to function at all, has proposed to bring into existence the Development Bank endowed with large capital funds with the intention of making a substantial contribution to the resources of the development of our industrial economy. This institution would absorb the Refinance Corporation for Industry Ltd., and with such absorption the limitations and the financial ceilings on individual loans subject to which the Refinance Corporation functioned hitherto would presumably be done away with and industrial concerns could have a new institution to turn to for their requirements of finance against fixed assets without the handicaps which the bigger institutions were subjected to by reason merely of their size. Furthermore, the establishment of an investment trust (Unit Trust) under official auspices to gather funds from small savers for investment in industry would afford powerful support to the Stock Market and to the extent such purchases are effected by the Unit Trust, moneys might be released for investment in newer enterprises. But all this, while helpful to industrial development, is no substitute for the free functioning of the capital market and for incentives to the small investor to invest his funds with the hope of reward in the form of appreciation of his investments over a period of years and for a fair running return. Healthy and active conditions in the Stock Exchanges would enable the Development Bank to resell any shares which it might be called upon to take up in fulfilment of its underwriting obligations and so release funds

for new underwriting. They would also help the Unit Trust in its investment operations.

In many of my previous statements to you I had emphasised that so long as our economic expansion is dependent on the availability of external funds it should be our aim to encourage foreign investment instead of a recourse to foreign loans. Foreign loans have to be repaid in foreign currency some day and our liability for servicing and repaying the debts might assume such dimensions as to prove a strain on our ability to repay. It is a matter of satisfaction that in dealing with the problem of foreign exchange resources of the country Government policy shows signs of a shift towards attracting foreign capital rather than depending on external aid in the form of loans. I have also stated that for attracting foreign investments we must create a proper climate and I am happy to mention that the Government has streamlined the procedure for foreign collaboration and has in this year's Budget provided greater tax relief for foreign investors.

MONETARY POLICY

So far, we have been mainly concerned with consideration of such changes as would encourage economic growth. There is also as much need for monetary policy to be so framed as would help the process. "Economic Survey 1963-64", issued a few days before the Budget, remarks that, last year, "both fiscal and price policies were employed to stimulate production in priority industries"; and in the opening paragraph, the statement is made that "the fiscal and monetary situation was also reviewed and a number of measures were taken in the latter part of the year to revive the capital market, to stimulate investment and output, to extend social security and to provide such relief to the consumer as was consistent with the claims of defence and development". Thus the "Economic Survey" further makes the point that "there has been increasing recognition of the fact that while a measure of control over basic items in short supply is necessary in a planned economy, it is equally important to ensure that basic industries secure returns adequate to finance expansion and to attract capital which would otherwise go into non-priority industries". The increase in the price for additional production allowed to the cement industry and the raising of Development Rebate to 35 per cent from 20 per cent for the colliery industry were both, it is true, instances of Government's attempt to give a spur to production in priority industries. The decontrolling of prices of certain items of manufacture like chemicals, rayon and steel was another step in that direction. The monetary measure was the scheme announced by Government and implemented through the Refinance Corporation for guaranteeing loans taken by the coal industry for availing of the World Bank's line of credit of 35 million.

But, apart from the scheme for the coal industry has the monetary policy as implemented been such as would subserve the end of increasing production? The year 1963 started off with a rise in the Bank Rate to 4½ per cent --- a necessary adjustment in order that the primary lending rate might be brought into alignment with other interest rates ruling at the time. It can hardly be maintained that the unusually large contraction during the 1963 slack season was due to the Reserve Bank's raising of Bank Rate early in the year; a more tenable explanation would be that the slackness in production reduced the rate of growth of bank credit to industry. Nevertheless, at the end of the year, it seemed as if, for the financing of the 1963-64 busy season, banks would stand in need of considerable assistance from the Reserve Bank; and the Central Banking institution did act promptly, in sanctioning liberal credit limits, by modifying somewhat the multiple-tier Bank Rate system and reducing the penal rate of interest on borrowing from 6½ to 6 per cent. Banks were encouraged to feel, through the fact of such relaxation, that they could, in counting upon assistance from the Reserve Bank, extend themselves fully in the provision of credit for productive endeavours.

Disillusionment was in store for the banks. Precisely during the week when the Reserve Bank's advances to Scheduled Banks touched their peak, a communique was issued tightening credit once again. Whereas banks had, on the eve of the busy season, been allowed to borrow upto 75 per cent of their Statutory Reserves at 4½ per cent and another 75 per cent of such reserves at 6 per cent, the penal rate of interest on borrowing in excess of these limits with the special sanction of the Reserve Bank of India having been lowered to 6 per cent, the directive issued early in March was to the effect that the two tranches were each cut to 50 per cent and that, besides, any borrowings beyond that limit (permitted only under special circumstances) would bear a penal interest rate of 6½ per cent. One implication is that banks which had planned ahead to provide finance to industry on the basis of securing assistance from the Reserve Bank as and when necessary may now be compelled to cancel limits. Industry would not be unduly worried as much by dear money as by tight money i.e., scarcity of credit. For its smooth working and increasing tempo of production industry must be assured of availability of money at all times.

The other, more basic implication, concerns the impact of a multiple-tier Bank Rate upon the whole structure of interest rates. It would be pertinent to quote here from my statement last year: 'Orderly interest rates obviously require that the anomaly of three-tier Bank Rate be set right. I am afraid that all the devices we have woven in and around the Bank Rate, possibly with a view to avoiding straight increase in it, have served merely to add to the complexity of our interest rates".

If banks, even though for short periods, are required to pay 6½ per cent for their borrowings, at what minimum rate are they to fix their own lending rates? Furthermore, would the rates of interest on Deposits as they exist today be found a sufficient inducement for mobilisation of resources? Yet again, can banks at all be expected to invest in Government Securities that could at best yield 3¾ to 4 per cent, when on borrowings against the same securities they might have to pay interest at 6½ per cent? I once again plead for rationalisation of the interest rate structure and a prerequisite in this respect certainly is that we have just one, single Bank Rate. What is important for banks is the minimum spread between the lending rate and the "borrowing" rate, that is, the interest payable on Deposits. It would follow, then, that the various banking interest rates would need to be linked with Bank Rate itself; but this cannot be done, I repeat unless the multiple-tier Bank Rate goes.

In the face of uncertainty about the Reserve Bank's lendings it obviously becomes essential for banks to plan on lending only on the strength of their deposit resources. Thus, the mobilisation of deposits assumes more importance than ever before, I should like to quote again from the 'Economic Survey" which, in its paragraphs on monetary trends, asserts that "the accent of monetary policy will also necessarily have to be on realistic interest rates which reflect adequately the real cost of capital to the economy". One aspect of mopping up of funds in areas now unbanked is of course a branch expansion programme; another is the inducement that can or should be held out to the owner of money, to make a deposit with banks. If, consequently, there are no emerging signs of interest rate rationalisation, I feel apprehensive that the banks will be com-

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Our nose is always in other people's business

...and they like it that way! AEI equipment is used in all areas of industrial and domestic activity: from small 'one-man' saw-mills to India's largest steel complexes, from Punjab's 'cottage' industries to Bengal's coal mines, from a villager's hut to the magnificent House of Legislature in Bangalore ...in India's homes, industries and scientific institutions, AEI equipment is putting power to work.

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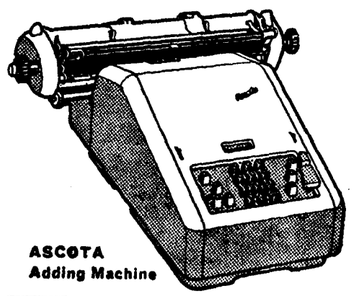
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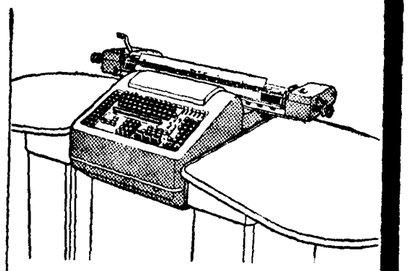
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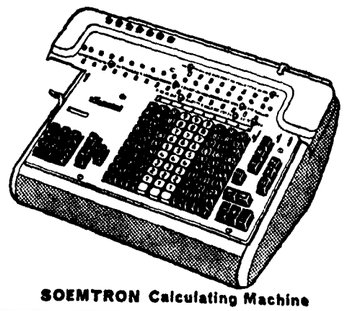


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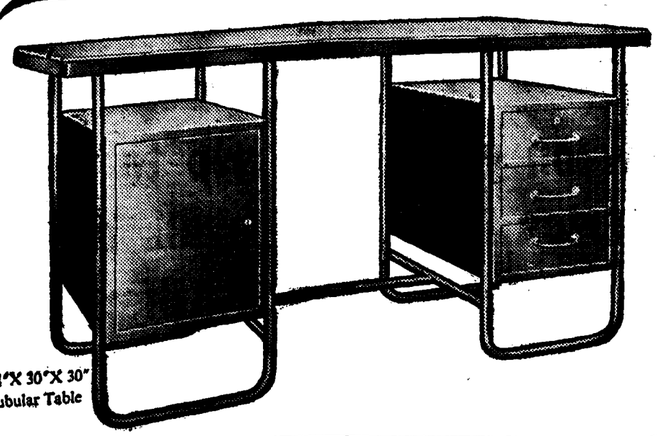
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pelled to revise upward the rates of interest they pay on Deposits and those charged on advances.

I have not sought to be critical, but I have this year striven to emphasise that while every official pronouncement has unequivocally acknowledged both the need for production and the incentives that have to be provided for that purpose, we are still far away from the existence of such favourable economic conditions for an automatic and sustained effort for industrial growth. If, as is possible, the effect of the last Budget is to make the capital market shy, I am sure that the banking system, to the best of its ability and to the full extent of its capacity, will provide every kind of financial assistance for the furtherance of production, though a limiting factor in this regard will be the higher liquidity requirement that becomes effective from next autumn under the Banking Companies Act as amended in September, 1962. In conclusion, may I be permitted to express my hope that the Government will increasingly create a climate of incentives, so that we can go ahead speedily with the industrialisation of our country?

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

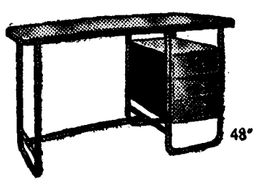


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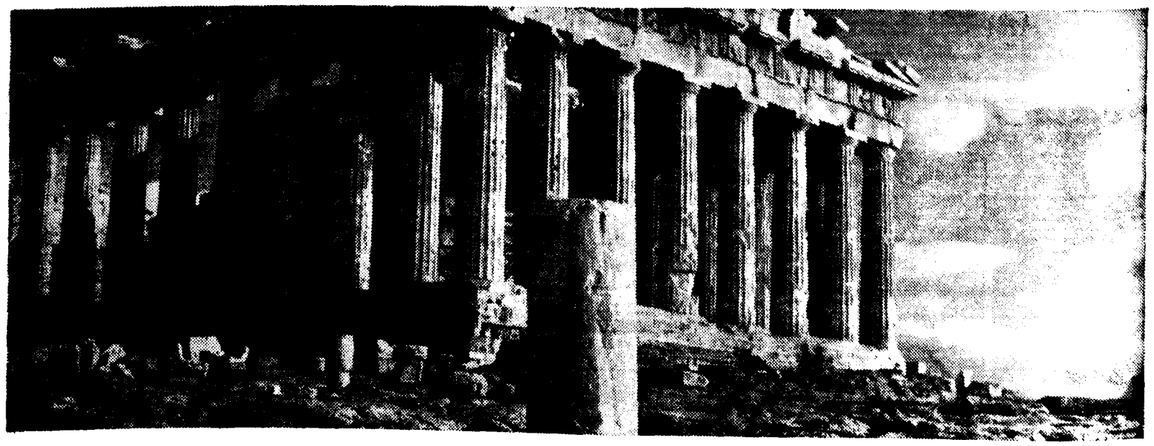


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6. In Amsterdam, these services link up with daily non-stop KLM flights to New York and with frequent flights to Houston, Montreal and Mexico city.

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11. Make your choice of a number of attractive organised tours, planned to provide visitors to Greece with comfortable and easy means of access to every point of interest in the country. Contact KLM for full particulars regarding the number of days involved and the routing.

12. From Athens, many important cities in Europe and North America are served direct. For example, London, Madrid, Paris, Rome, Vienna, Zurich, Frankfurt, Brussels, Geneva, Copenhagen, Milan, Munich, Amsterdam, New York, Detroit, Chicago etc.

13. When flying via Amsterdam, you can do a lot of interesting things at the airport. Shop for luxury bargains at the Tax-Free Shopping Centre. Buy a tax-free car at ShipSide Showroom. Take a Minitour of Amsterdam. Visit the airport's fascinating aeronautical museum.

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RECORDS AND STATISTICS

Dollars for Development

U.S. ECONOMIC assistance to India consists of both grants and loans. The total commitments of the United States under various agreements with the Government of India stand at $5,315.5 million (Rs. 2,531.2 crores) as on March 9, 1964.

American assistance to India is at present extended through the following three agencies:

1. U.S. Agency for International Development (U.S.-A.I.D.). This Agency was created on November 3, 1961 to bring American economic assistance under a unified administration. It is in charge of activities previously administered by the International Co-operation Administration, which was represented in India by the Technical Co-operation Mission (TCM), the Development Loan Fund, the Food for Peace Programme (Public Law 480) in its relation with other countries, and other staff and related functions.

U.S.A.I.D. gives both development loans and grants. Grants have been made to the Malaria Eradication Programme, smallpox eradication, higher education, National Productivity Council, craftsmen training, dairy development, community development, crop production and a number of other projects. U.S.A.I.D. and its predecessor, TCM, have also aided India by making available American experts to work in specific technical and economic problems in the Indian development programme, by giving advanced training to Indian participents both in India and abroad, and by the provision of supplies and equipment. The names of the principal divisions of U.S.A.I.D. (Agriculture, Industry, Health, Education, Labour and Management) indicate the comprehensive scope of its activities. Development grants total $365.6 million (Rs. 174.1 crores). These, of course, do not involve repayment.

Debt Servicing

The 25 development loans extended by U.S.A.I.D. since its establishment in November 1961 total $1,072.8 million (Rs. 510.9 crores). These loans are repayable in dollars, but in order to avoid an excessive foreign exchange debt servicing burden to India, the terms of the loans are set at a long period, taking into account such factors as other foreign debt and the foreign exchange earnings of the country.. Repayment is scheduled over 40 years, including a 10 year grace period; that is, no payments of principal during the first ten years.

The 22 loans authorized through 1963 are free of interest and carry a credit fee of three quarters of one per cent per annum. The foreign aid legislation enacted by the U.S. Congress for Fiscal Year 1964 effected a slight change in the terms of these loans: instead of a credit fee they are now subject to payment of interest at three quarters of one per cent during the first ten years and at two per cent during the remaining thirty years. Three loans have so far been authorized in India under the new terms.

Prior to November 1961, the Technical Co-operation Mission had given the Indian Government loans totalling $154.2 million (Rs. 73.4 crores). These could be repaid in either rupees or dollars at the option of the Government of India.

The U.S. Development Loan Fund, which has now been absorbed into U.S.A.I.D., made loans to India totalling $510.3 million (Rs. 243.0 crores) between 1958 and September 30, 1961. These loans are repayable in non-convertible rupees.

2. Public Law 480 (Food for Peace) Programme: Public Law 480, which is playing a significant role in ensuring the availability of agricultural commodities to India at reasonable prices at a time of intense economic development has four titles (or chapters).

Under Title I of PL-480, the United States has entered into eight agreements with India for the supply of large quantities of wheat, rice, coarse grains, cotton, dried milk powder and tobacco. India pays for these commodities in rupees. The total value of the commodities covered by these agreements is Rs. 1,183.6 crores ($2,485.6 million). Of this, Rs. 150.3 crores ($315.7 million) is reserved for U.S. Government uses; Rs. 80.1 crores ($168.1 million) for loans to private enterprise under the Cooley Amendment; Rs. 375.3 crores ($788.2 million) for grants to the Indian Government for development projects and the balance of Rs. 577.9 crores $1,213.8 million) for loans to the Indian Government for the same purpose. Thus, 87 per cent of the value of agricultural commodities supplied under Title I of PL-480 will be utilised in financing irrigation dams, power projects, educational and research facilities, the malaria eradication programme, industrial enterprises and other development undertakings.

Emergency Assistance

Title II of Public Law 480 enables the U.S. President to furnish emergency assistance to foreign countries in meeting famine or other urgent or extraordinary relief requirements. Under this title India has received agricultural commodities worth $8.5 million (Rs. 4.1 crores).

Under Title III of Public Law 480, $180.0 million (Rs. 85.7 crores) worth of dried milk, wheat, rice, corn, cotton seed oil and other such commodities have been distributed in India through voluntary agencies. Some 70 lakh school children receive free lunches through programmes assisted under this title.

Title IV provides for long-term credits to friendly nations for purchase of agricultural commodities during periods of economic development. Repayment in dollars could be spread over twenty years. No transactions have taken place between India and the United States under this title.

The Cooley Amendment to Public Law 480 (named after Congressman Harold D. Cooley, Chairman of the Committee on Agriculture of the U.S. House of Representatives) provides that up to 25 per cent of the local currency proceeds from the sale of American agricultural commodities shall be made available to U.S.A.I.D. for lending in the private sector to two categories of borrowers: (1) American firms or their subsidiaries operating in the host countries or indigenous firms having an affiliation with an American firm; (2) indigenous firms of the host countries with no American affiliation but which are facilitating the disposal of American agricultural products, e.g. local private warehouses storing grain or flour mills processing the grain, etc. The eight agreements between India and the United States under PL-480 provide for Rs. 80.1 crores to be given in loans to private enterprise under the Cooley Amendment.

3. The Export-Import Bank: The Bank has authorised 18 loans to India totalling $343.3 million (Rs. 163.5 crores). The Bank extends loans and guarantees for the primary purposes of promoting the export and import trade of the United States. Loans given by it are repayable in dollars. In determining the rates of interest to be charged on loans, the Bank takes into consideration the maturity of the loans and the extent of credit risk to be assumed by the Bank as affected by such guarantees as may be offered, as well as prevailing United States commercial and government rates. For instance, the First Line of Credit of $150 million to the Government of India authorized in 1958, carries an interest rate of 5¼ per cent. The principal is repayable in 20 semi-annual instalments beginning in January 1964.

The Wheat Loan: In 1951 the U.S. Congress enacted legislation for a loan of $189.7 million (Rs. 90.3 crores) to India to finance the purchase of two million tons of wheat to meet an acute food shortage. The loan is repayable in dollars and carries an interest rate of 2¼ per cent. Repayment was scheduled to commence on June 30, 1957. However, in view of India's serious foreign exchange difficulties, the U.S. Government postponed the 18 semi-annual instalments of interest and principal due from December 31 1959 and rescheduled them to fall due from December 1986 to June 1995, without additional interest payments.

To recapitulate, American economic assistance commitments to India total $5,315.5 million (Rs. 2,531.2 crores). This consists of:

	Dollars (Million)	Rupee equivalent (Crores)	% of total
1. Grants (not repayable)	1,347.8	641.8	25.4
2. Loans repayable in dollars	1,605.8	764.7	30.2
3. Local currency repayments (This includes loans repayable in rupees or dollars, the Cooley Fund for loans to private enterprise and amounts under PL-480, Title I, agreements reserved for U.S. Government uses)	2,361.9	1,124.7	44.4
Total	5,315.5	2,531.2	100.0

It will be noted that only 30 per cent of total American aid to India involves foreign exchange repayments. The greater part of this amount bears exceptionally low rates of interest and is repayable over a long period (40 years).

A quarter of the total aid represents grants. The remainder (44 per cent) represents loans repayable in rupees. These repayments do not involve the utilization of India's foreign exchange earnings or the export of goods from this country.

U. S. ECONOMIC ASSISTANCE TO INDIA

(June 1951 to March 9, 1964)

	Dollars (Million)	Rupee equivalent (Crores)
1. U.S. Agency for International Development Mission's Technical Co-operation Programme:		
(a) Development grants (not repayable)	365.6	174.1
(b) Loans (repayable in rupee or dollars)	154.2	73.4
2. U.S. Agency for International Development:		
Development loans (repayable in dollars)	1,072.8	510.9
3. U.S. Development Loan Fund credits (repayable in rupees)	510.3	243.0
4. Public Law 480, Title I (grants & loans repayable in rupees)	2,485.6	1,183.6
5. Public Law 480, Title II (grants not repayable)	8.5	4.1
6. Public Law 480, Title III (Agricultural commodities donated through voluntary agencies; not repayabe)	180.0	85.7
7. Emergency Flood & Famine Relief grants (not repayable)	5.5	2.6
8. Export-Import Bank Loans (repayable in dollars)	343.3	163.5
9. Wheat Loan of 1951 (repayable in dollars)	189.7	90.3
TOTAL	5,315.5	2,531.2

Note: 1 crore: 10 million.

LOANS EXTENDED BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Development loans extended by USAID are repayable in dollars, but in order to avoid an excessive foreign exchange debt servicing burden to India, the terms of the loans are set at a long period, taking into account such factors as other foreign debt and the foreign exchange earnings of the country.

Repayment is scheduled over 40 years, with a 10-year grace period; that is, no payments of principal during the first ten years.

Date of Agreement or Announcement	Project	Dollars (Million)	Rupee equivalent (Crores)
1. Feb. 28, 1962	Cambay Thermal Power Station, Gujarat	33.6	16.0
2. Feb. 28, 1962	Premier Automobiles, Ltd. Bombay, Maharashtra	3.0	1.4
3. Mar. 30, 1962	Industrial Finance Corporation	20.0	9.5
4. Apr. 11, 1962	Pamba-Kakki (Sabarigiri) Hydro-electric Project, Kerala	20.2	9.6
5. June 21, 1962	General Non-Project Loan for maintenance imports (first loan)	200.0	95.2
6. June 21, 1962	Bandel Thermal Power Project, West Bengal	38.0	18.1
7. June 21, 1962	Hindustan Steel, Ltd. for Patherdih Coal Washery, Bihar	4.2	2.0
8. June 21, 1962	Fourth Railway Loan	43.0	20.5
9. June 28, 1962	Delhi Cloth Mills, Ltd. for their rayon tyre cord plant at Kotah, Rajasthan	9.8	4.7
10. Oct. 12, 1962	Trombay Power Plant (Tatas), Maharashtra	17.9	8.6
11. Nov. 2, 1962	Ramagundam thermal power project, Andhra Pradesh	8.4	4.0
12. Dec. 7, 1962	Hindustan Motors Ltd., Calcutta, West Bengal	15.8	7.5
13. Dec. 7, 1962	Tata Engineering & Locomotive Co. Ltd., Jampur, Bihar	13.7	6.5
14. Feb. 25, 1963	General Non-Project loan for maintenance imports (second loan)	240.0	114.3
15. Dec. 1962	NAFCO Bevel Gear of India Ltd. (precision gear plant), Faridabad, Punjab	2.3	1.1
16. Mar. 5, 1963	Delhi "C" thermal power stations	16.0	7.6
17. Mar. 8, 1963	Satpura thermal power station, Madhya Pradesh	25.1	12.0
18. Mar. 25, 1963	Chandrapura Thermal Power Project, Bihar (second loan)	16.0	7.6
19. Apr. 21, 1963	Fifth Railway Loan	15.9	7.6
20. May 21.1963	General Ropeways 'F', Jharia, Bihar	7.7	3.7
21. May 21, 1963	Dugda Coal Washery Expansion, Bihar	5.1	2.4
22. July 1, 1963	Tarapur Nuclear Power Station, Maharashtra	80.0*	38.1
23. Feb. 6, 1964	National Engineering Industries, Ltd., Jaipur, Rajasthan	4.3	2.0
24. Feb. 24, 1964	General Non-Project loan for maintenance imports (third loan)	225.0	107.1
25. Mar. 1964	Trombay Fertilizer Plant, Maharashtra (second loan)	7.8	3.7
	TOTAL	1,072.8	510.9

*In addition to this amount the US Government will provide the initial uranium fuel charge estimated to cost Rs. 7.14 crores (815 million) on a long term, deferred payment basis.

LOANS EXTENDED BY U.S. DEVELOPMENT LOAN FUND

(All of the loans given to India by USDLF are payable in rupees).

Date of Loan Agreement	Project	Dollars (Millions)	Rupee equivalent (Crores)
1. June 23, 1958	First railway loan	30.0	14.3
2. June 23, 1958	For private enterprises (Road transport ation: $25 million, Cement industry: $5 million, Jute industry: $5 million)	35.0	16.7
3. Dec. 24, 1958	Second railway loan	35.0	16.7
5. Dec. 24, 1958	Equipment for Power sector (first loan)	18.0	8.6
5. Dec. 24, 1968	Equipment for Power Projects	10.0	4.8
6. Dec. 24, 1958	Steel imports for private sector	22.0	10.5
7. Dec. 24, 1958	Capital equipment for private industries (first loan)	15.0	7.1
8. July 27, 1959	Steel imports for private and public sector projects (second loan)	20.0	9.5
9. June 30, 1960	Sharavathi Hydro-Electric Project (first stage) Mysore	8.4	4.0
10. June 30, 1960	Ahmedabad Electricity Co., Gujarat	3.9	1.9
11. June 30, 1960	Barauni Thermal power project, Bihar	3.8	1.8
12. June 30, 1960	Chandrapura Thermal Power Project, Bihar (first loan)	30.0	14.3
13. June 30, 1960	Durgapur Thermal Power Project	20.0	9.5
14. June 30, 1960	Road Transport Components	13.1	6.2
15. Dec. 5, 1960	Kanpur Thermal Power Project, U.P.	1.6	0.8
16. Dec. 5, 1960	Barapani Hydro-electric Power Project, Assam	2.5	1.2
17. Dec. 5, 1960	Third railway loan	50.0	23.8
18. Dec. 5, 1960	Capital equipment for private industries	25.0	11.9
19. Dec. 5, 1960	Steel imports for private and public sector projects (third loan)	25.0	11.9
20. Dec. 7, 1960	Industrial Finance Corporation	10.0	4.8
21. Dec. 29, 1960	Trombay Fertilizer Plant, Maharashtra (first loan)	30.0	14.3
22. Mar. 23, 1961	Industrial Credit & Investment Corporation of India	5.0	2.4
23. Apr. 10, 1961	National Small Industries Corporation	10.0	4.8
24. Aug. 21, 1961	Premier Automobiles, Ltd. Bombay, Maharashtra	7.2	3.4
25. Aug. 21, 1961	Talcher Thermal Power Project, Orissa	33.0	15.7
26. Aug. 16, 1961	Birsinghpur (Amlai) Thermal Power Project Madhya Pradesh	8.4	4.0
27. Aug. 16, 1961	Sharavathi Hydro-electric Power Project (second stage)	18.4	8.8
28. Oct. 26, 1961	Import of non-ferrous metals	20.0	9.5
	Total	510.3	243.0

U.S. PUBLIC LAW 480

The United States has entered into eight agreements with India under Title I of US Public Law 480 covering agricultural commodities valued at $2,485.6 million (Rs. 1,183.6 crores).

Payment is made by India for these supplies in rupees. The agreements provide for the utilization of the sale proceeds in the following manner:

1.	For grants to Indian government for development	Rs. 375.3 crores
2.	For loans to Indian government for economic development	Rs. 577.9 „
3.	Cooley Fund for loans to private enterprise	Rs. 80.1 „
4.	For U.S. government uses	Rs. 150.3 „
	TOTAL	Rs. 1,183.6 crores

As of January 31, 1964, a sum of Rs. 860.6 crores had

accrued as sales proceeds of commodities supplied to India.

This amount has been allotted as follows :

1.	For grants to Indian government	Rs.	257.8 crores
2.	For loans to Indian government	Rs.	422.1 ,,
3.	Cooley Fund for loans to private enterprise	Rs.	61.4 ,,
4.	For U. S. government uses	Rs.	119.3 ,,
	TOTAL	Rs.	860.6 crores

GRANTS FROM U.S. PUBLIC LAW 480 SALES PROCEEDS

The eight agreements between the United States and India under U.S. Public Law 480 provide for the grant of Rs. 375.3 crores from the sales proceeds of agricultural commodities to the Indian government for economic development projects.

As of January 31, 1964 a sum of Rs. 257.8 crores had become available from sales proceeds for grants to the Indian government. Agreements have been concluded for grants to be made to the following projects.

1.	River Valley Development (Chambal, Hirakud, Damodar Valley, Mahi Right Bank Canal, Kakrapar, Nagarjunasagar, Kosi, Bhadra, Tungabhadra, Mahanadi Delta Irrigation, Kundah and Koyna Projects)	Rs.	5.9 crores
2.	Malaria Eradication	Rs.	52.9 ,,
3.	Indian Institute of Technology, Kanpur	Rs.	2.2 ,,
4.	Uttar Pradesh Agricultural University, Pant Nagar	Rs.	2.2 ,,
5.	All India Institute of Medical Sciences, New Delhi	Rs.	2.9 ,,
6.	Indian Investment Centre	Rs.	0.4 ,,
7.	Dairy Development	Rs.	3.6 ,,
8.	Soil and Water Conservation	Rs.	4.0 ,,
9.	National Highways	Rs.	20.0 ,,
10.	Exploration of Groundwater Resources	Rs.	0.8 ,,
11.	Craftsmen Training	Rs.	9.0 ,,
12.	Modern Storage of Food Grains	Rs.	12.2 ,,
13.	Higher Technical Education	Rs.	6.9 ,,
14.	Elementary Education	Rs.	42.0 ,,
15.	Smallpox Eradication	Rs.	1.0 ,,
16.	Primary Health Centres	Rs.	7.0 ,,
17.	Medical Educator Training	Rs.	5.4 ,,
18.	National Productivity Council	Rs.	0.1 ,,
	TOTAL	Rs.	178.5 crores

LOANS TO THE INDIAN GOVT FROM U.S. PL 480 SALES PROCEEDS

The eight agreements between the United States and India under U.S. Public Law 480 provide for loans totalling Rs. 577.9 crores from the sales proceeds of agricultural commodities to the Indian government for economic development projects.

As of January 31, 1964, a sum of Rs. 422.1 crores had become available from the sales proceeds for loans to the Indian government.

Agreements have been concluded for loans to the following projects :

1.	Refinance Corporation	Rs.	26.2 crores
2.	River Valley Development	Rs.	178.8 ,,
	Chambal—Rajasthan & M.P.	Rs.	30.8 crores
	Hirakud—Orissa	Rs.	5.8 ,,
	Damodar Valley Corporation) Bihar & West Bengal	Rs.	7.5 crores
	Mahi Right Bank Canal, Gujarat	Rs.	2.9 crores
	Kakrapar, Gujarat	Rs.	4.7 ,,
	Nagarjunasagar, Andhra	Rs.	43.7 ,,
	Kosi, Bihar	Rs.	32.3 ,,
	Bhadra, Mysore	Rs.	13.2 ,,
	Tungabhadra, Andhra	Rs.	14.1 ,,
	Mahanadi Delta Irrigation, Orissa	Rs.	10.6 ,,
	Kundah, Madras	Rs.	7.6 ,,
	Koyna, Maharashtra	Rs.	11.5 ,,
	TOTAL	Rs.	184.7 ,,
	LESS GRANTS	Rs.	5.9 ,,
	LOANS	Rs.	178.8 ,,
3.	Sharavathi Hydro-electric Project, Mysore	Rs.	34.5 ,,
4.	Industrial Credit and Investment Corporation of India	Rs.	20.0 ,,
5.	Industrial Finance Corporation	Rs.	20.0 ,,
6.	Chandrapura Thermal Power Project, Bihar	Rs.	20.5 ,,
7.	Barauni Thermal Power Project, Bihar	Rs.	1.3 ,,
8.	Durgapur Thermal Power Project, West Bengal	Rs.	3.4 ,,
9.	Kanpur Thermal Power Project, Uttar Pradesh	Rs.	1.0 ,,
10.	Barapani Hydro-electric Power Project, Assam	Rs.	6.4 ,,
11.	Trombay Fertilizer Plant, Maharashtra	Rs.	13.4 ,,
12.	Rihand Valley Hydro-electric Project, Uttar Pradesh	Rs.	5.6 ,,
13.	Cambay Thermal Power Project, Dhuvaran, Gujarat	Rs.	9.0 ,,
14.	Birsinghpur Thermal Power Project, Amlai, Madhya Pradesh	Rs.	6.7 ,,
15.	Bandel Thermal Power Project, West Bengal	Rs.	8.4 ,,
16.	Talcher Thermal Power Project, Orissa	Rs.	8.5 ,,
	TOTAL of loan agreements	Rs.	363.7 crores

Commitments have been made for loans to the following projects :

1.	Pamba-Kakki (Sabarigiri) Hydro-electric Project, Kerala	Rs.	18.4 crores
2.	Satpura Thermal Power Project, M.P.	Rs.	14.8 ,,
3.	Delhi "C" Thermal Power Project	Rs.	8.3 ,,
4.	Ramagundam Thermal Power Project, Andhra	Rs.	3.7 ,,
	TOTAL commitments	Rs.	45.2 crores
	TOTAL of loan agreements and commitments	Rs.	408.9 crores

COOLEY FUND

The Cooley Amendment to U.S. Public Law 480 (named after Congressman Harold D. Cooley, Chairman of the Committee on Agriculture of the U.S. House of Representatives) provides that up to 25 per cent of the local currency proceeds from the sale of American agricultural commodities shall be made available for lending in the private sector to two categories of borrowers :

(1) American firms or their subsidiaries operating in the host countries (India) or indigenous (Indian) firms having an affiliation with an American firm ;

(2) Indigenous firms of the host countries with no American affiliation but which are facilitating the disposal of American agricultural products, e.g. local private warehouses storing grain or flour mills processing the grain, etc.

The eight agreements between India and the United States under Public Law 480 provide for a sum of Rs. 80.1 crores to be allocated to the Cooley Fund.

As of January 31, 1964 a sum of Rs. 61.4 crores (Rs. 614 million) had become available to the Cooley Fund.

The following loans have been extended from the Cooley Fund :

		(Rs. crores)
1.	Otis Elevator of India Ltd., Bombay (elevators)	0.10
2.	Goodyear Tyre & Rubber Co. of India Ltd., Ballabgarh, Punjab (rubber products)	2.25
3.	Mysore Cements Ltd. (M/s. Sarangapani Mudaliar/ Kaiser Inc.), Ammasandra, Mysore (cement)	1.00
4.	Hindustan Aluminium, Ltd. (M/s. Birla/Kaiser Inc.) Pipri, near Rihand dam, U.P. (aluminium)	1.00
5.	Synthetic & Chemicals, Ltd. (M/s. Kilachand/Firestone Inc.), Bareilly, U.P. (synthetic rubber)	6.50
6.	Ex-Cell-O (India) Pte. Ltd. (M/s. Amerind Engineering Co./Ex-Cell-O Inc.), Bombay, Maharashtra (machine tool parts)	0.20
7.	Premier Tyres Ltd. (Joint enterprise with Daytor Rubber Co. Inc.), Cochin, Kerala (rubber tyres)	0.30
8.	Seshasayee Paper & Board Ltd., Erode, Madras (M/s. Seshasayee/Parsons & Whittemore Inc.) (bagasse pulp and paper mill)	2.00
9.	Lederle Laboratories (India) Pte. Ltd., Bombay, Maharashtra (American Cyanamid Co. of New York) (antibiotics)	0.25
10.	Gabriel India Private Ltd., Mulund, Bombay, Maharashtra (M/s. D.C. Anand/Gabriel of Detroit) (shock absorbers)	0.05
11.	Madras Rubber Factory Ltd., Madras (factory has been set up in collaboration with Mansfield Rubber Co. of Ohio) (rubber tyres)	0.25
12.	East India Hotels Ltd. (M/s. Oberoi/Intercontinental Hotel Corporation Inc.), New Delhi (construction of hotel in New Delhi)	0.76
13.	Wyeth Laboratories, Pte. Ltd. (American Home Products Corporation), Bombay, Maharashtra Steroid compounds and hormones)	0.17
14.	Victor Gasket India (Pte.) Ltd., Mulund, Bombay, Maharashtra (gaskets)	0.08
15.	Union Carbide (India) Ltd., Calcutta, West Bengal (chemicals and plastics)	2.16
16.	McNally-Bird Engineering Co. Ltd., Calcutta West Bengal (manufacture of coal washeries and allied equipment)	0.50
17.	Harig-Malik Manufacturing Co. Pte. Ltd., New Delhi (tools, dies, gauges, etc.)	0.03
18.	India Precision Bearing Ltd. New Delhi (ball and cylindrical bearings)	0.30
19.	Wyman-Gordon Ltd., Bombay, Maharashtra (precision forgings)	0.25
20.	Arbor Acres Farm India Pte. Ltd., Delhi (Poultry breeding)	0.25
21.	Mandya Paper Mills, Ltd. Bangalore, Mysore (affiliated with Parsons & Whittemore, Inc., New York) (paper mill)	1.50
22.	Kirloskar-Cummins, Ltd., Poona, Maharashtra (affiliated with Cummins Engine Co., Columbus, Indiana) (engines)	1.25
23.	Napco Bevel Gear of India, Ltd., Faridabad, Punjab (affiliated with Napco Industries Inc., Minneapolis, Minnesota) (gears, joints and allied parts)	0.40
24.	Coromandel Fertilizers, Ltd., Visakhapatnam, Andhra (affiliated with California Chemical Company, Inc. and International Minerals & Chemicals Corporation	10.76
	TOTAL	32.31

U.S. EXPORT-IMPORT BANK LOANS TO INDIA

Loans given by the U.S. Export-Import Bank are repayable in dollars.

	Name	Amount (in thousands of dollars)	Rupee equivalent (crores)	Date Authorised
1.	Sundatta Foods & Fibres Ltd., Bombay, Maharashtra	60	0.03	Mar. 29, 1957
2.	National Rayon Corporation, Kalyan Maharashtra	1,800	.86	Oct. 5, 1957
3.	First line of Credit to Govt. of India	150,000	71.43	Feb. 27, 1958
4.	Hindustan Aluminium, Ltd., Pipri, Uttar Pradesh	13,650	6.50	Jan. 7, 1960
5.	Air India International (first loan)	4,080	1.95	Sept. 8, 1960
6.	Second Line of Credit to Govt. of India	50,000	23.81	Dec. 23, 1960
7.	Orient Paper Mills, Ltd., Amlai, Madhya Pradesh	18,500	8.81	Jan. 6, 1961
8.	Air India International (second loan)	6,936	3.30	June 8, 1961
9.	East India Hotels Ltd., New Delhi	717	0.34	July 13, 1961
10.	Third Line of credit to Govt. of India	25,000	11.90	Aug. 3, 1962
11.	Union Carbide India Ltd., Calcutta	7,650	3.64	Jan. 17, 1963
12.	Hindustan Aluminium Ltd. Pipri, U.P. (second loan)	5,000	2.38	Mar. 28, 1963
13.	Indian Rayon Corporation Ltd., Veraval, Gujarat	4,700	2.24	Apr. 4, 1963
14.	Varanasi Diesel Locomotive Factory (Indian Railways) U.P.	19,000	9.05	Mar. 28, 1963
15.	Bharat Forge Co. Ltd., Poona, Maharashtra	3,908	1.86	Apr. 9, 1963
16.	Coromandel Fertilizers, Ltd., Visakhapatnam, Andhra	27,000	12.90	Sept. 25, 1963
17.	Mysore Acetate Chem. Co. Ltd., Mandya, Mysore	2,100	1.00	Nov. 27, 1963
18.	Chemicals Plastics (India) Ltd. Mettur, Madras & Bombay, Maharashtra	3,150	1.50	Dec. 11, 1963
	TOTAL	343,251	163.50	

U.S. A.I.D. MISSION'S TECHNICAL COOPERATION PROGRAMME

Project and Title	In Thousands of dollars		
	Loan	Grant	Total
Agriculture and Natural Resources:			
1. Acquisition and distribution of of Fertilizers		17,310	17,310
2. Acquisition and distribution of Iron and Steel for Agricultural purposes		19,739	19,739
3. Plant Protection and Locust Control		584a	584
4. Soil Fertility and Fertilizer use		1,029	1,029
5. Expansion and Modernization of Marine and Inland Fisheries		2,902	2,902
6. Groundwater Irrigation		18,284	18,284
7. Agricultural and Home Science Extension and Training		2,460	2,460
8. Groundwater Exploration		4,092	4,092
9. Training in Agricultural Machinery Utilization		206	206
10. Agricultural University Department		11,919	11,919
11. Foodgrain Storage		1,667	1,667
12. Technical and Engineering Advisory Services to Central Water and Power Commission		43	43
13. Animal Husbandry		794	794
14. Agricultural Information, Production and Training		371	371
15. Agricultural Economics Research		289	289
16. Crop Production		1,279	1,279
17. Farmers Organization		275	275
18. Dairy Development		994	994
19. Co-operative Marketing and Warehousing of Agricultural Produce		20	20
20. Calcutta Milk Scheme		519	519
21. U.P. Agricultural University		1,110	1,110
22. Co-operative Membership Education		93	93
23. Soil and Water Conservation		601	601
24. Agricultural Extension		8	8
25. River Valley Development		7,187	7,187
26. Water Resources and Minor Irrigation Works		477	477
27. Forest Research and Desert Afforestation		356	356
28. Engineering Services to the Damodar Valley Corporation		95	95
29. Augmenting Fertilizer Supply	3,800		3,800
30. Citrus Fruit		17	17
31. Assistance to Ministry of Food and Agriculture		33	33
32. Fertilizer	5,054	2,808	7,862
33. Fertilizer	5,262b		5,262
34. Agriculture Programme Direction		162	162
Total Agri. and Nat. Resources	14,116	97,723	111,839

a—Includes $28,500 from Regional Allotment.
b—Triangular Trade Activities.

Project and Title	In Thousands of dollars		
	Loan	Grant	Total
Industry and Mining:			
1. Development of Forest Research and Desert Afforestation		189	189
2. Training Construction Equipment Operators and Mechanics		491	491
3. Rihand Valley Development		6,009	6,009
4. Assistance to Industrial Research and Technical Services Organizations	489	2,522	3,011
5. Hot Lines Maintenance		405	405
6. Water and Power Development		1,075	1,075
7. National Productivity Council		3,158	3,158
8. Delhi Thermal Plant	175	3,825	4,000
9. Geological Survey of India		537	537
10. Oil and Gas Commission		106	106
11. Line Industry		1	1
12. Assistance to Coal Industry		239	239
13. Assistance to Council of Scientific & Industrial Research		19	19
14. Steel Training		1,249	1,249
15. Assistance to Phosphorus Industry		13	13
16. Orissa Iron Ore	18,366		18,366
17. River Valley Development		730	730
18. Mineral Development		1,149	1,149
19. Building Material Development		34	34
20. Lignite Excavation		606	606
21. Steel Supply	10,399	30,655	41,054
22. Rajasthan Power Plants		1,046	1,046
23. Sindri Fertilizer Factory		17	17
24. Industrial Technical Services		2,056	2,056
25. Mineral Survey Development		103	103
26. Flood Control		315c	315
27. Industrial Programme Development		154	154
28. Irrigation Research Institute		92	92
29. Steel Casting Foundry		1	1
30. Steel Standards		141	141
31. Tele-communication Development		47	47
32. Marketing Corporation		5	5
33. Machine Tool Industry		18	18
34. Natural Resources Programme		10	10
35. Steel Industry		17	17
36. Bokaro Steel Plant Survey		686	686
37. Non-Metallic Minerals and Productions		47	47
38. Tubewell Casting	1,955		1,955
39. Cement Manufacturing Equipment	6,231		6,231
40. Rural Electrification	2,945		2,945
41. Export Expansion		370	370
TOTAL Industry and Mining	40,560	58,137	98,697

c—Includes U.S. FY 1955 Allotment of $109,000 for Flood Control.

U.S.A.I.D. MISSION'S TECHNICAL CO-OPERATION PROGRAMME (Contd.)

Project and Title	In Thousands of dollars		
	Loan	Grant	Total
Power:			
1. Power Generation and Distribution		79	79
2. Construction Equipment Training and Utilization		261	261
TOTAL Power		340	340
Transportation:			
1. Expansion of Aviation Ground Facilities		2,877	2,877
2. Highways and Bridges		52	52
3. Indian Airlines		3	3
4. Railway Rehabilitation	45,105	29,404	74,509
5. Highway Transport		27	27
TOTAL Transportation	45,105	32,363	77,468
Labour:			
1. Trade Union Services		13	13
2. Labour Ministry Training		145	145
3. Bombay Central Training Institute for Craftsmen and Instructors		1,013	1,013
4. National Safety		29	29
5. Central Labour Institute		83	83
6. Training Construction Equipment Operators and Mechanics		425	425
7. Study of Effects of Thermal Environment conditions		63	63
8. Trades Training		661	661
9. Foremen Training		37	37
10. Labour Programme Development		47	47
TOTAL Labour		2,516	2,516
Health:			
1. Water Supply and Sanitation	—	6,450	6,450
2. Medical Educator Training	—	1,518	1,518
3. Nursing College Development	—	995	995
4. Public Health Education	—	272	272
5. Official Health Agencies	—	178	178
6. Malaria Institutes	—	131	131
7. Malaria Eradication	6	62,390	62,396
8. Malaria Control	9,526	18,164	27,690
9. Health Instruction Training Centre	—	27	27
10. Assistance to Medical Colleges	—	1,056	1,056
11. Control of Filaria	996	1,429	2,425
12. Venereal Disease Control	—	6	6
13. Health Programme Development	—	81	81
14. Science Equipment Training	—	12	12
15. Communicable Disease Control	—	81	81
Total Health	10,528	92,790	103,318

Project and Title	In Thousands of dollars		
	Loan	Grant	Total
Education:			
1. Technical Education Institutes	—	4,164	4,164
2. Assistance to Home Science Education	—	1,045	1,045
3. Multipurpose Secondary Education	—	2,534	2,534
4. Rural Institute	—	222	222
5. National Institute of Education	—	29	29
6. National Professional Education Centre	—	391	391
7. Indian Institute of Technology, Kanpur	—	4,276	4,276
8. Teachers Training in Engineering Education	—	2,229	2,229
9. National Institute of Education	—	1,157	1,157
10. Teachers Training in Audio-Visual Education	—	166	166
11. Education Adviser	—	58	58
12. Foundry Training	—	171	171
13. Educational Programme Direction and Development	—	189	189
14. Assistance to Educational Administration	—	60	60
15. School Building Improvement	—	62	62
16. Assistance to Training Adult Education	—	51	51
17. Central Institute of Education	—	14	14
18. Delhi Regional Secondary School	—	136	136
Total Education	—	16,948	16,948
Management:			
1. Indian Statistical Institute	—	128	128
2. Government Operation	—	334	334
3. Procurement Consultation Service	—	2	2
4. Economic Planning	—	37	37
5. Improved Operating Statistics and Reports	9	13	22
6. Training in Public Administration	—	55	55
7. Public Service Programme Development	—	42	42
8. Investment Programme and Technical Study	—	9	9
Total Management:	9	620	629
Community Development, Social Welfare and Housing:			
1. Social Welfare	—	581	581
2. Community Development Programme	1,991	11,710	13,701
3. Building Material Development	—	165	165
4. Low Cost Housing	—	47	47
Total Comm. Dev., Social Welfare and Housing:	1,991	12,503	14,494

U.S.A.I.D. MISSION'S TECHNICAL CO-OPERATION PROGRAMME (Contd.)

Project and Title	In Thousands of dollars		
	Loan	Grant	Total
General and Miscellaneous:			
1. Nuclear Engineering	—	793	793
2. Small Industries Development	—	807	807
3. Nuclear Research	—	662	662
4. Life Insurance Corporation	—	3	3
5. Banking and Investment	—	74	74
6. Mass Communication Training	—	270	270
7. Procurement Consultation Services	—	11	11
8. Procurement Services	—	160	160
9. Participant Training	—	34	34
10. Indian Investment Centre	—	578	578
11. Electrical Apparatus and Clay Products	575	—	575*
Total General and Misc:	575	3,392	3,967
1. Agriculture and Natural Resources	14,116	97,723	111,839
2. Industry and Mining	40,560	58,137	98,697
3. Power	—	340	340
4. Transportation	45,105	32,363	77,468
5. Labour	—	2,516	2,516
6. Health	10,528	92,790	103,318
7. Education	—	16,948	16,948
8. Management	9	620	629
9. Community Development, Social Welfare and Housing	1,991	12,503	14,494
10. General & Miscellaneous	575	3,392	3,967
11. Wheat and Cotton Supplied under Section 402 of P.L. 665	41,317	26,350	67,667
12. Technicians, Programme Direction and Technical Support Activity	—	21,971‡	21,971
Grand Total	154,201	365,653	519,854

‡ Technical support activity ($12,464) and cost element not included in projects ($9,507).
* Triangular Trade activities.

OUTSTANDING FOREIGN BUSINESS INVESTMENTS IN INDIA: 1948-60

(Industry - wise)

(Rs. crores)

Industry	1948	1955	1956	1957	1958	1959	1960
1. **Manufacturing**	70.7	131.8	147.6	184.0	218.6	250.6	289.4
	(27.6)	(28.9)	(29.9)	(33.9)	(36.2)	(41.0)	(41.9)
Food, beverages etc.	8.6	29.3	30.0	30.4	30.7	31.8	34.5
	(3.4)	(6.4)	(6.9)	(5.6)	(5.3)	(5.2)	(5.0)
Textile Products	0.2	21.8	21.9	21.1	21.1	24.5	29.1
	(0.1)	(4.7)	(4.4)	(3.9)	(3.7)	(4.0)	(4.2)
Transport Equipment	..	4.1	5.2	5.6	6.4	13.9	21.8
	(..)	(0.9)	(1.1)	(1.0)	(1.1)	(2.3)	(3.2)
Machinery and Machine tools	..	5.0	5.4	5.6	6.0	8.3	11.0
	(..)	(1.1)	(1.1)	(1.0)	(1.0)	(1.4)	(1.6)
Metals and metal products	6.1	11.1	20.5	51.5	76.2	85.0	93.8
	(2.4)	(2.4)	(4.2)	(9.5)	(13.3)	(13.9)	(13.6)
Electrical goods & machinery	4.8	14.6	15.8	16.5	17.1	18.4	20.5
	(1.9)	(3.2)	(3.2)	(3.1)	(3.0)	(3.0)	(3.0)
Chemicals and allied products	3.3	20.9	22.7	23.6	26.5	32.1	38.2
	(1.3)	(4.6)	(4.6)	(4.3)	(4.7)	(5.3)	(5.5)
Miscellaneous	47.7	25.0	26.1	29.8	34.6	36.5	40.6
	(18.5)	(5.6)	(4.5)	(5.5)	(6.1)	(5.9)	(5.8)
2. **Mining**	11.5	9.6	10.8	9.8	12.4	13.0	13.7
	(4.5)	(2.1)	(2.2)	(1.3)	(2.2)	(2.1)	(2.0)
3. **Petroleum**	22.3	104.0	116.4	134.1	118.4	120.9	152.4
	(8.7)	(22.8)	(23.7)	(24.7)	(20.7)	(19.8)	(22.1)
4. **Plantations**	52.2	87.2	87.9	86.6	96.0	95.1	99.5
	(20.4)	(19.1)	(17.8)	(15.9)	(16.8)	(15.6)	(14.4)
5. **Services**	99.1	123.5	130.3	128.5	127.2	130.9	135.5
	(38.8)	(27.1)	(26.5)	(23.7)	(22.1)	(21.5)	(19.6)
TOTAL	255.8	456.1	493.0	543.0	572.6	610.5	690.5
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note: Figures in brackets are percentages to total.

Source: Reserve Bank of India.

OUTSTANDING FOREIGN BUSINESS INVESTMENTS IN INDIA: 1948-60

(Country - wise)

(Rs. crores)

Country	1948	1955	1956	1957	1958	1959	1960
U.K.	206.0	376.8	392.5	398.8	398.8	400.3	446.4
	(80.5)	(82.6)	(79.6)	(73.4)	(69.6)	(65.6)	(64.6)
U.S.A.	11.2	39.8	47.1	57.5	60.0	84.2	112.7
	(4.4)	(8.7)	(9.6)	(10.6)	(10.5)	(13.8)	(16.3)
Switzerland	5.4	6.6	8.2	6.7	6.7	7.6	8.9
	(2.1)	(1.4)	(1.7)	(1.2)	(1.2)	(1.2)	(1.3)
Germany, West	0.1	2.5	2.8	3.5	3.8	5.4	6.8
	(..)	(0.5)	(0.6)	(0.6)	(0.7)	(0.9)	(1.0)
Japan	0.2	0.2	0.2	0.6	0.6	1.4	3.4
	(0.08)	(0.04)	(0.04)	(0.1)	(0.1)	(0.2)	(0.5)
I.B.R.D.	..	2.7	14.8	46.9	72.2	80.4	78.1
	(..)	(0.6)	(3.0)	(8.6)	(12.6)	(13.2)	(11.3)
TOTAL (incl. others)	255.8	456.1	493.0	543.0	572.6	610.5	690.5
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note: Figures in brackets are percentages to total.

OUTSTANDING FOREIGN BUSINESS INVESTMENTS IN INDIA: 1955-60

(Country - wise and Industry - wise)

(Rs. crores)

	1955	1956	1957	1958	1959	1960
U.K.	86.2	87.0	85.7	95.1	94.2	98.6
Plantations	9.3	10.5	9.5	12.1	12.7	13.6
Mining	79.1	86.2	94.6	77.9	75.1	108.1
Petroleum	100.9	104.6	106.8	112.9	118.7	129.2
Manufacturing	101.3	104.2	102.3	100.7	99.6	100.5
Services						
TOTAL	376.8	392.5	398.8	398.8	400.3	446.4
U.S.A.	0.1	0.1	0.1	0.1	0.1	0.1
Plantations	0.1	0.1	0.1	0.1	0.1	0.1
Mining	24.8	30.2	39.3	40.4	45.7	47.2
Petroleum	10.8	12.7	13.9	15.9	34.7	61.2
Manufacturing	4.1	4.1	4.1	3.7	3.6	3.9
Services						
TOTAL	39.8	47.1	57.5	60.0	84.2	112.5
Switzerland	4.4	4.7	4.9	5.5	6.0	7.0
Manufacturing	2.2	3.5	1.8	1.2	1.6	1.9
Services						
TOTAL	6.6	8.2	6.7	6.7	7.6	8.9
West Germany	2.5	2.8	3.3	3.9	5.3	6.9
Manufacturing	..	..	0.2	—0.1	0.1	—0.1
Services						
TOTAL	2.5	2.8	3.5	3.8	5.4	6.8
Others	0.9	0.8	0.8	0.8	0.8	0.8
Plantations	0.2	0.2	0.2	0.2	0.2	0.2
Mining	0.1	0.1	0.1	0.1	0.1	0.1
Petroleum	13.2	22.8	55.1	80.4	86.0	85.6
Manufacturing	16.0	18.5	20.2	21.8	26.0	29.4
Services	30.4	42.4	76.5	103.3	113.1	115.7
TOTAL						

Source: Reserve Bank of India.

FOREIGN COMPANIES AT WORK IN INDIA

(As on March 31, 1963)

State	No. of companies
West Bengal	287
Maharashtra	183
Madras	28
Delhi	28
Assam	27
Kerala	12
Mysore	4
Andhra Pradesh	3
Punjab	2
Orissa	2
Bihar	1
Uttar Pradesh	1
Madhya Pradesh	1
Tripura	1
TOTAL	580

Country of origin	No. of companies
1. U.K.	390
2. U.S.A.	72
3. Pakistan	13
4. Germany, West	12
5. France	12
6. Japan	11
7. Italy	8
8. Switzerland	8
9. Canada	7
10. Sweden	6
11. Netherlands	6
12. Australia	6
13. Hong Kong	4
14. Panama	4
15. New Zealand	3
16. Bahama Islands	3
17. Ceylon	3
18. Yugoslavia	2
19. British East Africa	2
20. Burma	2
21. Belgium	1
22. Holland	1
23. Singapore	1
24. Philippines	1
25. Lebanon	1
26. Republic of China	1
TOTAL	580

Source: Company Law Division, Ministry of Finance.

COMPANIES REPRESENTED BY VISITING AMERICAN BUSINESSMEN AND THEIR RELATIVE POSITIONS IN U.S. INDUSTRIAL HIERARCHY IN 1962

(In millions of dollars)

Company	Rank* (According to sales)	Assets (1)	Sales (2)	Net Profits (3)	Invested Capital (4)	Employees (in thousands) (5)	Profit as percentage of: Sales	Profit as percentage of: Invested capital
1. Standard Oil (N.J.)	2	11,488	9,537	841	7,610	150†	8.8	11.1
2. Standard Oil of California	13	3,353	2,151	314	2,696	43	14.6	11.6
3. Union Carbide	27	1,792	1,631	160	1,070	59†	9.8	14.9
4. Firestone Tire & Rubber	31	931	1,278	60	643	84	4.7	9.3
5. International Telephone and Telegraph	41	1,236	1,090	41	484	157	3.7	8.4
6. Dow Chemical	52	1,021	926	73	699	31	7.9	10.4
7. Allied Chemical	56	1,022	889	58	612	32	6.7	9.5
8. Deere	97	643	542	36	392	23†	6.7	9.3
9. Kaiser Industries	168	396	313	10	228	19	3.3	4.5
10. Koppers	173	222	301	8	157	11	2.6	5.0
11. Mack Trucks	199	224	265	9	125	11	3.3	6.9
12. International Minerals and Chemical	322	184	149	8	110	5	5.6	7.6

*Based on the "Fortune" Survey of the 500 largest U.S. Industrial Corporations.
(1) Total assets employed in the business at year's end, *less depreciation and depletion* but including government securities held as offsets against tax liabilities.
(2) Sales figures given here do not include excise taxes collected by the manufacturer and sales of subsidiaries are included when they are consolidated.
(3) After special charges and taxes. (4) Includes capital stock, surplus and retained earnings at year's end. (5) Year end employment unless followed by a dagger (†) in which case average for the year.

INDUSTRY-WISE DISTRIBUTION OF U.S. DIRECT FOREIGN INVESTMENTS: 1950-62

(In millions of dollars)

Industry	1950	1957	1961	1962	Percentage increase 1961-62
Transportation Equipment	485	1,204	2,312	2,631	13.8
Chemicals and allied products	512	1,378	2,048	2,252	10.0
Machinery (except electrical)	420	927	1,476	1,634	10.8
Primary and fabricated materials	385	941	1,326	1,444	8.7
Electrical Machinery	387	731	989	1,072	8.4
Food Products	483	723	1,000	1,095	9.5
Paper and allied products	378	722	904	939	3.9
Rubber products	182	401	547	608	11.2
Other products	599	983	1,380	1,537	11.4
TOTAL	3,831	8,009	11,984	13,212	10.2

Source: "Survey of Current Business", U.S. Department of Commerce.

COUNTRY-WISE DISTRIBUTION OF U.S. DIRECT FOREIGN INVESTMENTS: 1950-62

(In millions of dollars)

Area and country	1950	1962*
All areas, total	11,788	37,145
Canada	3,579	12,131
Latin American Republics, total	4,445	8,472
Costa Rica	60	63
Dominican Republic	106	108
Guatemala	106	127
Honduras	62	99
Mexico	415	873
Panama	58	556
Other countries†	681	109
South America, total	2,957	6,536
Argentina	356	797
Bolivia	11	32
Brazil	644	1,088
Chile	540	768
Columbia	193	456
Peru	145	451
Uruguay	55	53
Venezuela	993	2,826
Other Countries	20	65
Other Western Hemisphere	131	1,056
Europe, total	1,733	8,843
Common Market, total	637	3,671
Belgium-Luxembourg	69	283
France	217	1,006
Germany, West	204	1,472
Italy	63	540
Netherlands	84	370
Other Europe, total	1,096	5,172
Austria	13	56
Denmark	32	115
Norway	24	107
Portugal	16	37
Spain	31	85
Sweden	58	176
Switzerland	25	555
Turkey	16	108
United Kingdom	847	3,806
Other countries	34	128
Africa, total	287	1,246
North Africa total	56	366
Algeria	5	45
Libya	**	263
Other countries	51	58
East Africa	12	60
West Africa, total	42	359
Liberia	16	178
Other countries	26	181
Central and South Africa, total	177	461
Rhodesia and Nyasaland	26	83
South Africa	140	353
Other countries	26	181
Asia, total	1,001	2,496
Middle East	692	1,326
Far East, total	309	1,169
India	38	196
Indonesia	56	160
Japan	19	369
Malaya	18	46
Pakistan	8	48
Philippines	149	374
Other countries	19	42
Oceania, total	258	1,261
Australia	201	1,091
New Zealand	25	82
Other countries	30	88
International	356	1,641

*Preliminary. **Less than 5,00,000.
†Including 642 million dollars for Cuba for 1950.
Source: "Survey of Current Business", U.S. Department of Commerce.

EARNINGS RATIOS OF U.S. FOREIGN INVESTMENTS

(In millions of dollars)

Country	1959		1960		1961				1962				Increase in total 1962 over 1961	
	Total investment	Earnings Ratio	Total investment	Earnings Ratio	Total investment	Earnings Ratio	Manufacturing	Earnings Ratio	Total investment	Earnings Ratio	Manufacturing	Earnings Ratio	In million dollars	%
Canada	10,310	6.9	11,198	6.4	11,614	6.3	5,093	7.1	12,131	6.9	5,340	8.6	517	4.5
Latin America	7,164	10.8	7,431	11.2	8,255	11.7	1,655	9.2	8,472	12.1	1,893	8.8	217	2.6
Argentina	366	6.6	472	9.7	656	15.2	283	17.0	797	10.0	404	7.9	141	21.5
Brazil	828	6.5	953	8.4	1,008	7.0	543	7.9	1,038	7.9	611	10.5	80	7.9
Chile	729	10.6	738	9.8	748	7.0	27	11.1	768	9.4	29	10.3	20	2.7
Columbia	401	4.2	424	6.1	425	7.8	94	4.3	456	4.6	102	6.9	31	7.3
Costa Rica	62	..	62	..	63	1.6	..	..	63	6.3	..	..	Nil	Nil
Dominican Rep.	104	4.8	105	9.1	107	15.9	..	..	108	17.6	..	..	1	1
Guatemala	132	Loss	131	Loss	127	Loss	..	..	127	1.6	..	..	Nil	Nil
Honduras	110	5.5	100	1.0	95	9.5	..	..	99	7.1	..	..	4	4.2
Mexico	758	6.9	795	6.8	826	6.2	414	6.8	873	7.2	448	7.8	47	5.7
Panama	327	18.0	405	15.3	498	19.7	12	16.7	556	20.5	10	30.0	58	11.6
Peru	428	6.1	446	13.0	436	14.0	37	13.5	451	11.5	44	11.4	15	3.4
Uruguay	45	2.2	47	8.5	49	8.2	22	18.2	53	5.7	24	12.5	4	8.2
Venezuela	2,690	15.8	2,569	16.7	3,012	15.5	196	6.1	2,826	17.9	191	6.3	—186	—6.2
Other Western Hemisphere	768	12.4	884	16.0	954	12.1	23	4.3	1,056	16.0	47	14.9	102	10.7
Europe*	5,323	12.5	6,681	11.5	7,713	10.9	4,212	12.6	8,843	9.6	4,826	10.2	1,130	14.7
Austria	..	..	48	..	52	7.7	..	..	56	10.7	..	..	4	7.7
Belgium-Luxembourg	211	10.4	231	15.2	261	17.2	169	21.9	263	14.5	174	19.5	22	8.4
Denmark	48	2.1	67	6.0	96	6.3	21	38.1	115	1.7	20	20.0	19	19.8
France	640	7.5	741	9.7	857	6.8	460	6.3	1,006	5.9	582	4.8	149	17.4
Germany, West	796	16.5	1,006	14.7	1,177	15.6	747	20.2	1,472	13.4	956	15.2	295	25.1
Italy	315	9.8	384	9.4	483	5.8	187	7.5	540	5.6	232	7.8	57	11.8
Netherlands	245	5.3	283	6.7	310	9.4	95	5.3	370	9.2	119	6.7	60	19.4
Norway	62	3.2	83	6.0	93	5.4	23	13.0	107	4.7	25	8.0	14	15.1
Spain	53	7.5	59	8.5	74	10.8	29	13.8	85	14.1	36	13.9	11	14.9
Sweden	125	5.6	116	6.0	141	7.1	21	9.5	176	6.8	24	12.5	35	24.8
Switzerland	164	14.0	254	18.9	389	21.6	123	18.7	555	19.1	105	12.4	166	42.7
Turkey	44	Loss	65	Loss	98	Loss	3	33.3	108	Loss	5	20.0	10	10.2
United Kingdom	2,477	14.9	3,231	11.6	3,542	10.1	2,305	10.9	3,805	8.4	2,512	9.0	263	7.4
Africa*	833	6.6	925	3.6	1,058	2.9	113	16.8	1,246	6.4	141	22.7	188	17.8
North Africa	145	Loss	195	Loss	259	Loss	6	..	366	0.2	7	14.3	107	41.3
Libya	..	Loss	99	Loss	177	Loss	..	..	263	1.9	..	..	86	48.6
East Africa	43	7.0	46	Loss	56	1.8	..	..	60	Loss	..	..	4	7.1
West Africa	228	14.0	290	12.7	327	3.4	2	..	359	Loss	4	..	32	9.8
South Africa	416	12.5	394	17.3	416	17.3	106	17.9	461	17.8	129	24.0	45	10.8
Central African Fed.	72	16.7	82	23.2	85	14.1	..	..	83	10.8	..	..	—2	—2.4
Rep. of South Africa	323	13.0	266	17.5	309	19.7	103	17.5	353	20.4	126	24.6	44	14.2
Asia*	2,237	35.1	2,291	38.9	2,477	39.6	321	15.6	2,495	42.0	348	14.1	18	0.7
Middle East	1,213	51.0	1,139	62.0	1,243	61.9	28	10.7	1,206	70.6	31	9.7	—37	—3.0
Far East	1,024	16.2	1,152	15.7	1,234	17.2	293	16.0	1,289	15.2	317	14.8	55	4.5
India	134	11.9	159	8.8	188	13.3	63	20.6	196	11.7	73	19.2	8	4.3
Indonesia	163	33.1	178	39.3	147	44.9	12	25.0	160	45.6	14	14.3	13	8.8
Japan	209	11.0	254	12.6	303	11.2	110	9.1	369	8.9	119	10.1	66	21.8
Malaya	..	..	46	..	47	14.9	..	..	60	11.7	..	..	13	27.7
Pakistan	..	..	34	..	41	7.3	..	..	48	6.3	..	..	7	17.0
Philippines	387	15.5	414	12.6	440	14.3	89	18.0	374	11.2	89	15.7	—66	—15.0
Oceania*	879	12.7	994	11.6	1,107	8.3	518	12.7	1,261	10.1	618	16.5	154	13.9
Australia	742	13.7	856	11.8	956	8.1	501	11.8	1,091	10.3	586	16.0	135	14.1
New Zealand	54	16.7	53	20.8	64	20.3	17	35.3	82	17.1	32	25.0	18	28.1
Non-National	1,357	3.0	1,418	3.3	1,486	4.5	..	..	1,641	6.7	..	..	155	10.4
World Total	28,871	11.3	31,822	11.1	34,664	11.0	11,936	9.9	37,145	11.4	13,212	9.9	2,481	7.2

*The sum of country figures may not equal area totals since some small countries are omitted.

Source: U.S. Department of Commerce.

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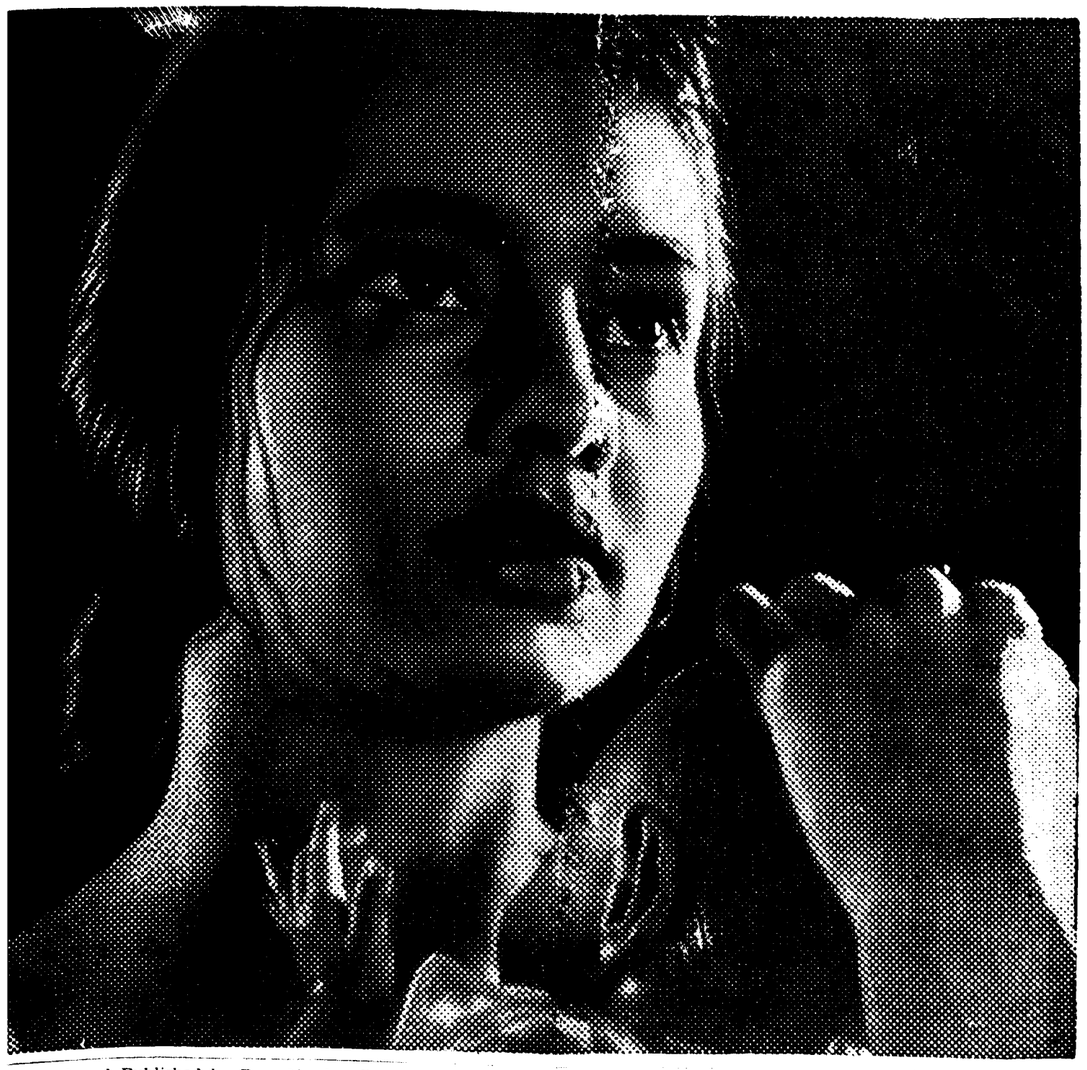
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Now all the dreams we dreamt together have
been shattered by one cruel moment of fate.
It killed you, and left me with a living death.

The real tragedy of road accidents
is that we can prevent so many of them.
These accidents do not just happen,
they are caused. By human error,
carelessness and selfishness.
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the road tragedy.
Surely, WE CAN be brave and prevent
many lives saved = [illegible]

Road Safety
is a matter of life...and death

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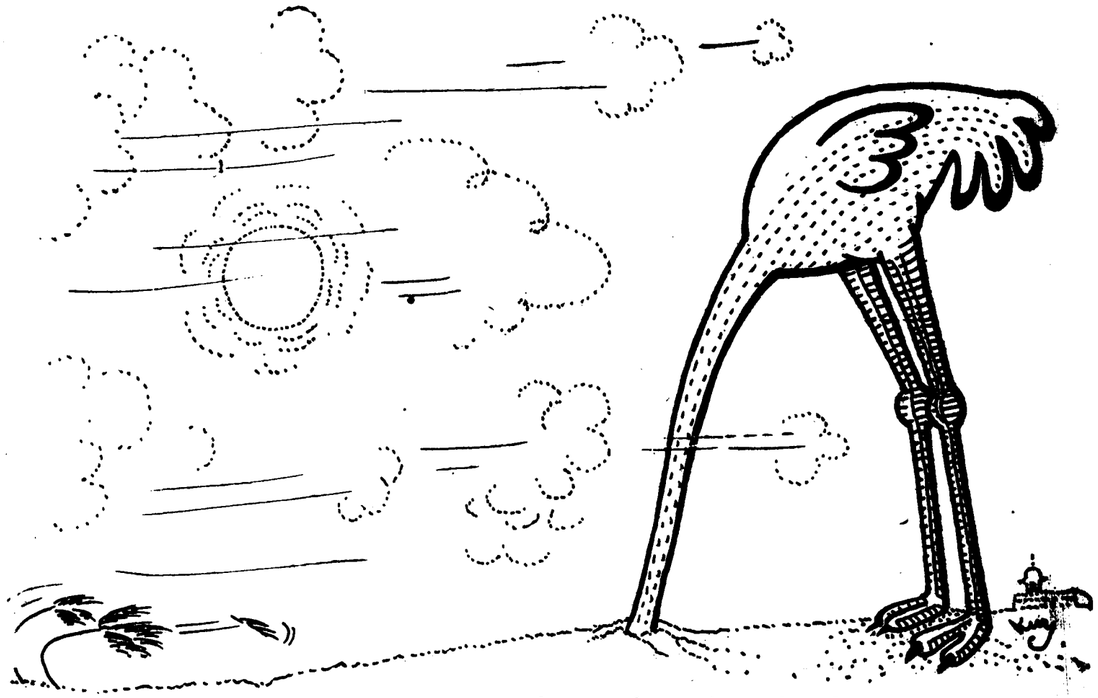


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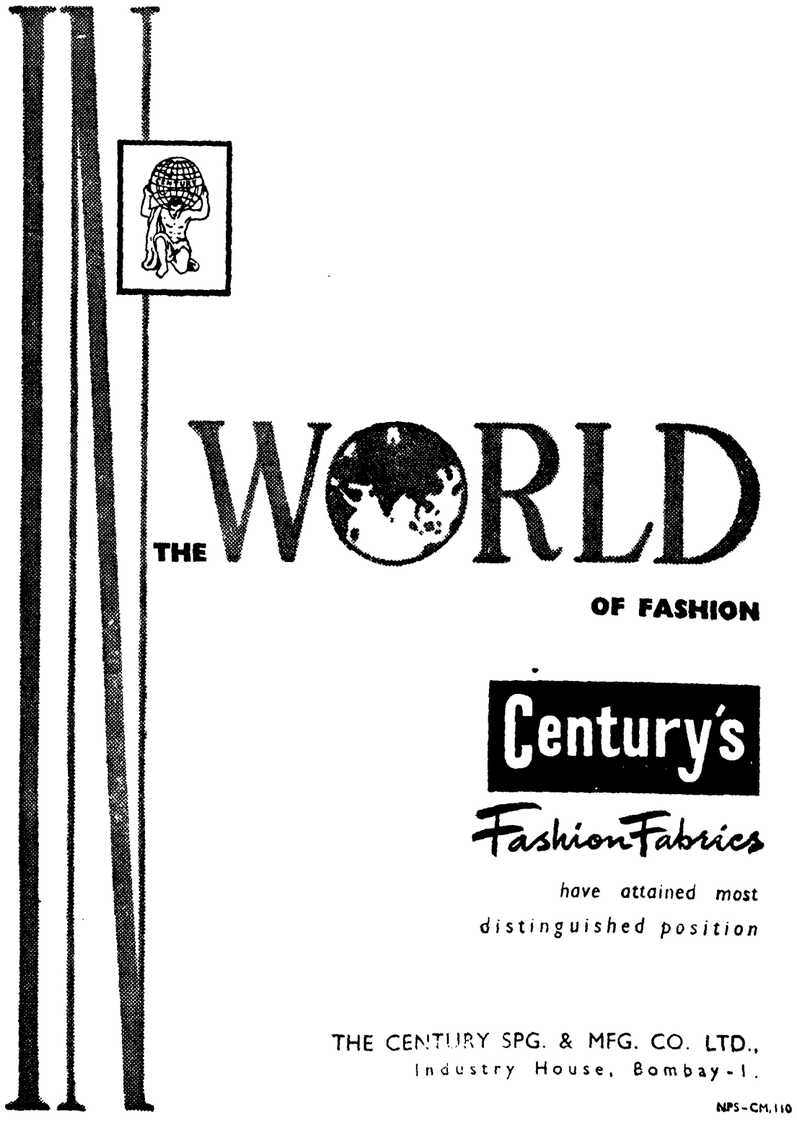
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After and Beyond the Budget

TOWARDS THE end of his speech moving for consideration of the Finance Bill in Lok Sabha last week, Mr. T. T. Krishnamachari said: "In conclusion, I would like to point out that, while the amendments proposed by the Government seem to be formidable and indicative of revised thinking, in fact, they are not so as I have mentioned before." This observation is evidently intended to reassure the wild men of Bhubaneswar, both within his Party and outside. After this confession by the Finance Minister himself that the changes and concessions effected in the Budget proposals do not, and are not intended to, amount to anything of significance, it is unnecessary on our part to say anything further than to draw the obvious inference that the capital market and the investment climate depressed by the original Budget proposals, are unlikely to improve as a result of the modifications. We doubt that the Finance Minister will quarrel with this conclusion. Has he not himself prepared the ground for the persistence of bearish conditions in the stock exchanges by asserting in advance that the economic policy of the country cannot be geared towards making conditions bullish for the share market?

While we may certainly agree with the Finance Minister that market quotations do not always reflect accurately the economic health of the nation, the fact remains that, over a period, market trends are at least as reliable an indicator of the investment climate and the industrial outlook as is a series of daily weather readings covering the seasons of the physical climate of a region. It cannot certainly be said that the economic policy of the Government should be dictated by what is good for stock exchanges, but so long as the Government does not propose to finance industrial expansion in its entirety through State institutions or agencies, it is difficult to see how it can dispense with or even ignore the normal market mechanism for inducting capital into industry. Mr. Krishnamachari is not the first Finance Minister, nor, we suspect, will he be the last, to adopt a highly subjective attitude to the stock exchanges. In any case, those who had criticized his original budget proposals as being adverse to economic expansion and who might consider the modifications he has made as marginal and inadequate are not necessarily obsessed with the stock exchanges as he seems to think. Market quotations, we readily admit, are only an indicator but the question, surely, is whether, at this particular time, they are discharging this function properly. We do not know whether it is the Finance Minister's contention that the budget proposals, whether in their original form or in their revised state, will have the effect of implementing his own declared purpose of stimulating the economy. For our part, we believe that the budget is not positive enough to do the job. The issue, of course, will not remain one for academic debate. If the Finance Minister is right, the coming months should see a high level of activity in investment, particularly in new capital issues.

The American business men who are in this country have no doubt taken a constructive view of the economic climate. But they are naturally and necessarily concerned, in the main, with the steps taken by the Government of India in fiscal and other matters to facilitate the entry of foreign capital and know-how. Facilities for the foreign investor, however, are only one part of a complete programme for stimulating industrial expansion. The rest is no less relevant and it is here that there is this problem of rupee finance. Government institutions may, no doubt, provide part of it. But a good deal of it may still have to be mobilized by normal market agencies. The Finance Minister has said that it is not

the Government's policy to rely on the continuance of large personal fortunes for the provision of development capital. But while Mr. Krishnamachari's budget proposals will quite certainly be effective in dispersing large family fortunes within a few generations, there is surely very little elsewhere in his fiscal policy to encourage habits of saving and investment in the community at large. All that he has done is to make a massive and compulsory draft on the resources of the public without evidently asking himself seriously whether the means by which and the manner in which he has done this do not amount to a war of attrition on the sources of capital in the community.

We have mentioned earlier that, in view of the Finance Minister's own statement that the modifications in the budget proposals do not indicate any rethinking on his part, it may not be useful to discuss in detail the various amendments he has effected. Nevertheless, it would be churlish on our part to fail to take note of the few liberal tendencies which Mr. Krishnamachari has been persuaded to entertain. It is particularly gratifying to note that the widespread criticism of his proposals relating to the disclosure to the members of the public of information containing tax records has had the effect of making him incorporate certain safeguards for the assessee. Secondly, the Finance Minister has added a few more industries, such as electronics and petro-chemicals, to the list eligible for preferential tax treatment. Since this concession is of great value in the context of the heavy incidence of the general level of corporate taxation, the Finance Minister ought to explore further the possibilities of extending its scope. In this connection, it would obviously be a mistake to assume that only the so-called basic industries or new industries should be shown this fiscal favouritism. On the contrary, other major industries should not be neglected simply because they are traditional. Their value to the economy is great because they provide consumer and other goods which are essential to the maintenance of the price level or turn out goods for export which are valuable for earning foreign exchange. Many of these industries are in great need of internal finance either for building up reserves as an insurance against market fluctuations in the values of their outputs or for financing the rehabilitation or modernization of their equipment. Now that the Finance Minister has not found it possible to give up the surtax on companies, or the new dividend tax, the least that he ought to do is to make liberal use of the discretion he has wisely reserved to the Government to add from time to time to the list of industries eligible for favoured fiscal treatment. In our view industries, such as, cotton textiles and synthetic fibres in the consumer goods field, and jute goods and transport equipment elsewhere, seem to be deserving candidates for early inclusion in the preferred list.

Now that the dust of the budget controversies is due to settle down, it is only fair to make it clear that, while the Finance Minister's budget proposals have been fiercely criticized, there has never been at any time any serious or extensive questioning of his intentions or purposes. It has always been clear that Mr. Krishnamachari desires economic expansion as sincerely and fervently as anybody else in this country. It follows that, differences over the budget proposals apart, there may be broad agreement on what may be done to stimulate the economy and make it more dynamic. One way, as we have already suggested, is to use the discretion in the matter of preferential tax treatment of selected industries as generously as possible. Secondly, the Government's monetary and credit policies should not function in such a way as to reinforce the depressing or restrictive impact of its fiscal policies. While it is quite true that, in view of the inflationary potential, the Government cannot contemplate cheap money or unregulated bank credit for business activity, it should still be possible for it, while maintaining a reasonable level of interest rates as well as some restrictions on the nature of bank advances, to ensure that adequate credit is available for all legitimate and productive business activity. While it may be periodically necessary for the Reserve Bank to restrict or prohibit advances against specified commodities or for specified transactions, it is difficult to see why individual advances made by banks should be scrutinized in detail before Central banking accommodation is made available to that bank. Once advances of certain type have been restricted or banned and the limit for rediscounting facilities is fixed,

Eastern Economist 20 Years Ago

APRIL 21, 1944

At the fourth All-India Pharmaceutical Conference held recently in Calcutta trenchant criticisms were made of the industrial policy of the Government which hampered the progress of the pharmaceutical industry among other industries of the country. Dr. B. C. Guha, Professor of Applied Chemistry in the University of Calcutta, expressed the view that all manufacturers' associations should combine to form a representative committee with a view to bringing to the notice of the Government the handicaps under which the Indian industries have been working. Speaking at the Conference, Mr. G. L. Mehta referred to the uncertainty facing the pharmaceutical industry on account of the failure of the Government to give any assurance that a proper policy of protection would be adopted in respect of these industries in the post-war period. The pharmaceutical industry of India has proved its potentialities; 60 per cent of medical stores are now produced in India as compared with 15 per cent before the war. But this industry is still in the struggling phase and will be more so in the post-war period. The want of proper planning, encouragement and assistance by the Government of this country by way of introducing a modern system of pharmaceutical training as was introduced in England over a century ago was criticized at the Conference by Mr. P Das, member of the Central Drugs Technical Advisory Committee.

it is desirable, and it should be possible, for the Reserve Bank to discount bills submitted to it without going into the details of each and every advance. Considering the fact that the deposit resources of the banking system have been stretched to the limit in their meeting the credit needs of the business community, it is surely essential that bank resources should be sufficiently supplemented by re-discount facilities to the extent, say, of 25 per cent of the advances, without, let us repeat, detailed scrutiny of individual advances, so long as they do not contravene any particular statutory requirement or directive issued by the Reserve Bank for the purpose of selective credit control or for any other purpose. The Government, no doubt, has been assuring the public that its credit restrictions are not intended to curtail legitimate bank finance for productive industrial or commercial purposes. The fact, however, is that whatever may be the policy of the Government, its implementation has certainly not been consistent with the intentions professed. There seems to be a case here for the Finance Ministry to assume possible direction of policy so that its intentions are not frustrated in the day-to-day application of policy.

Finally, there is the problem of administrative delays and procedural obstructions. Following the report of the Swaminathan Committee and its acceptance by the Government, there was a shortlived hope that the Government would learn to do business more smoothly and more quickly, but such improvement as there was seems now to have exhausted itself and there is a feeling in the business community that government departments and agencies are now going back to business as usual. The visiting American industrial leaders have mentioned procedural delays as one of the significant difficulties still to be reckoned with by the foreign investor. The Indian business man is not placed any better. If the immense demands made by defence, development and rehabilitation on the productive resources of the community are to be met at all, it is evident that the Government, now free to turn its mind to problems other than those of annual budgeting, should interest itself actively in promoting industrial expansion by removing obstacles for which its own departments and agencies may be responsible.

Back from Geneva

BRIEFING THE Press on his return from the Geneva Conference on Trade and Development, the Minister for International Trade claimed that some solid gains had been made even during the early weeks of a discussion which is scheduled to last for about three months. In Mr. Manubhai Shah's view, among the more important of those gains was the emergence of a consensus in favour of the present conference being given a more permanent form. In his statement at the ministerial session of the conference, Mr. Shah had backed the proposal in the Prebisch report that the conference should become a permanent feature meeting periodically — once in two or three years, as may be necessary — and that it should have an adequate, permanent and full-time secretariat, with such standing committees and committees of a permanent nature as will review and push forward the work of the conference.

This proposal was amplified in a subsequent statement by one of the members of the Indian delegation, Mr. Vohra, who explained that there should be a standing committee on trade and development to be appointed by the UN General Assembly so that, assisted by the secretariat of the conference, it could review and carry forward the work and programmes endorsed and initiated by the conference in co-operation with GATT and other agencies and institutions. Mr. Vohra, proceeding, said that the standing committee should co-ordinate the work of its other committees and bodies in different directions along with the work of the other specialized agencies. The standing committee could appoint four or five sub-committees for as many specialized subjects, such as commodities, financing the expansion of trade, shipping and other invisibles, regional trade and economic co-operation. At his Press conference, Mr. Manubhai Shah seemed to give the impression that these proposals could be expected to go through substantially, but this does not seem to be quite certain if we are to judge from the reported reactions of some of the other national delegations. Mr. Allott, speaking for Britain, for instance, made it clear that, although the UK Government was prepared to concede the need for a standing committee and for further periodic conferences, it was not in favour of creating any new organisation which could come to be regarded as constituting the first step towards the establishment of an International Trade Organisation. The British conception of the standing committee, Mr. Allott explained, was that of a co-ordinating body rather than that of a policy-making or executive authority and he further said that the main function of the standing committee should be to act as the focus within the UN for problems of commodity trade and its importance to the developing countries.

This emphasis on the commodity aspect is evidently due to the fact that the GATT, as at present constituted, has very little specific responsibilities in this particular area of world commerce. As Mr. Wyndhan White, Executive Secretary of GATT, himself put it to the conference, the criticism that one of the inadequacies of the GATT is that it does not deal with the problem of commodity trade, is "a good, valid criticism". Consequently, the notion that the proposed standing committee could supplement the GATT in this area of international trade has naturally found large acceptance. But at the same time, on the important question of the independent authority — either policy-making or executive — of the conference converted into a permanent body or

its standing committee, the consensus obtained might not have been as clear as the Minister for International Trade evidently thinks it is. On the contrary, there has been a fairly firm presentation of a different point of view that the standing committee should be responsible to the UN Economic and Social Council and work closely with the UN department concerned. What the final decision will be remains to be seen. Meanwhile, all that can be claimed at this stage is that while the proposal for an International Trade Organization on the lines advocated, for instance, by the Communist bloc, proved to be still-born, some support has been gathered for a compromise proposition that in addition to the GATT and to the various specialized UN agencies already functioning in the economic field, there is also need for another processing and co-ordinating agency which might carry on the work of the present conference on a more permanent and regular basis.

On the future of the GATT again, the Minister for International Trade seems to have been rather over-ready in anticipating decisions. While it is true that the need for framing international institutional arrangements for commerce between countries with market economies and those whose economies are based on central planning and state control has been recognized at the conference, it is not by any means certain that the essentially multilateral character of the GATT charter is in the process of being liquidated. What is happening is that, with the growth of trade contacts between market economies and centrally planned economies, attempts are being made within the GATT charter to explore the terms on which a country which organizes its economy on other than the market basis could accede to the General Agreement. Some success has already been achieved in this direction. Yugoslavia which had acceded provisionally to the General Agreement is due for full accession shortly. The provisional accession of the United Arab Republic has been negotiated and Poland, which has had an arrangement of association with the GATT may be expected to become a full member as a result of the consultations which are currently being held.

While these are considerable advances, it still remains to be seen whether Mr. Manubhai Shah is quite justified in assuming that a general formula which could bring about a procession of such entrants has been invented or is on the point of being invented. Indeed, it is doubtful that among the Communist countries themselves there is universal enthusiasm for the GATT. The Soviet Union, for instance, has at no time made a secret of its desire that the GATT should be scrapped and in its place, a new international trade organization set up. While the Soviet Government must necessarily accept for the time being the reality that its proposal for an International Trade Organization has failed to muster enough support at Geneva, it may be assuming too much too soon to take it for granted that it will agree to do business with a reformed or even a transformed GATT.

On the issue of commodity agreements, Mr. Manubhai Shah has perhaps more reason to be justified. It is true that there has been widespread support for the stabilization of the prices of primary commodities through international agreements. There are five such agreements in existence now, covering tea, coffee, wheat, sugar and olive oil. Mr. Manubhai Shah has proposed that the aim should be to deal with from 20 to 25 principal products over the next five or seven years and the list he has suggested in this connection includes rice, cocoa, copra and vegetable oils, jute and jute goods, cotton, wool, spices, iron ore, manganese ore, natural rubber, meat and meat products, shellac and tobacco. How widely his view of the scope of commodity agreements is shared in Geneva will be revealed in due course. But it is certainly encouraging that spokesmen of industrially advanced countries, such as the United States and the United Kingdom, have given guarded support to the notion of bringing more commodities under international arrangements. Here it is interesting to note that Mr. George D. Woods, President of the World Bank and its allied institutions, has come out strongly in favour of liberal international trade policies with regard to primary commodities. Addressing the Geneva conference, he said: "Some 30 countries, accounting for nearly half the trade of the developing countries, are dependent on a single commodity for more than half their export earnings; and many other countries are dependent on only two or three. Despite the overall increase in world trade, the demand for primary commodities has grown only slowly and prices have faltered. The value of the exports of the under-developed nations as a group has increased since the War at a rate only of some three to four per cent a year. This is less than the growth in the volume of such exports and, more significantly, less than enough to support the level of developmental imports needed for a satisfactory growth of income. To use but one striking example, the Latin American countries increased the volume of their exports of primary commodities by 25 per cent during the period from 1956 through 1962, but they actually earned less foreign exchange in the last year of the period than in the first."

A relatively new development in discussions of international commodity problems is the notion of compensatory financing, a concept to which Dr. Prebisch, the Secretary-General of the conference, has given keen and reasoned expression in his report to that body. A well-reasoned statement on the subject made by Dr. N. A. Sarma of the Indian delegation envisages the building up of stocks and market operations based on them, both of which are to be financed through contributions by developed countries, particularly the principal consuming countries. Recommended also is an arrangement within each commodity agreement for a "trade, development and price fluctuation fund". The statement points out that the International Monetary Fund adopted in February, 1963, a limited scheme for

compensatory financing of export fluctuations in the sense that it agreed to finance export shortfalls of a short-term character, up to 25 per cent of a member's quota, normally, by waiving the limit of 200 per cent on Fund holdings of a member's currency. Dr. Sarma suggests that the Fund could explore in the future the possibility of further widening of its scheme. The remarks of the President of the World Bank on this point have been most helpful. He said: "This conference will be discussing over the weeks ahead whether the answer or part of the answer is to seek greater price stability through commodity agreements, or to try to mitigate the effects of price fluctuations through some new form of compensatory financing or to try some new approach altogether. The important thing for our present purposes is the increasing awareness on the part of the industrial nations that the problem is serious and that practical solutions must be sought."

For the rest, Mr. Manubhai Shah, at his Press conference, seemed inclined to take a rather roseate view of the prospects for a deep and wide programme of trade and tariff concessions as well as preferential treatment by the advanced countries where the export trades and the export commodities of developing economies were concerned. In particular, Mr. Shah sounded hopeful of an early disappearance of trade quotas and other quantitative restrictions on primary commodities significant to the export trade of developing economies. He also expressed confidence in prospects of the abolition of tariffs by advanced countries on such items of trade. The Minister for International Trade further reported that the climate of opinion in Geneva was tending to favour reduction of tariffs in the granting of preferences by the advanced countries to exports of semi-manufactured and manufactured goods from developing economies.

It must be pointed out, however, that so far as good intentions or even formal declarations go, fairly advanced positions were taken up by the industrialized countries in all these respects as early as in November, 1961 when, under the auspices of the GATT, there was a declaration of Ministers regarding trade problems of developing countries. Among the points made in this declaration was the recognition that restrictions hindering access to markets for the export products of less developed countries should be removed and that tariffs should be reduced in order to step up their exports of manufactured and semi-manufactured goods. It is important to add that the declaration did not merely stop with expressing pious thoughts, but proceeded to indicate how governments could contribute to these general objectives, taking into account facts regarding tariff and non-tariff measures affecting access to markets under the heads of quantitative restrictions, tariffs, revenue duties, state trading, preferences, subsidies and disposal of commodity surpluses. The real issue, therefore, is whether present talks at Geneva would manage to proceed further in the direction of concrete implementation of this general understanding. Here again, to the extent that the Minister for International Trade is speaking from his experience of the proceedings in Geneva, his hopeful outlook may be allowed to spread an infectious optimism. At the same time, it is necessary to bear in mind that specific commitments and actions are yet to be assumed by the countries which are supposed to make concessions.

Three Bags Full

A VERITABLE storm in a tea cup has been raised by a section of the Indian Woollen Industry in an unfortunate attempt to establish that Indian wool can be used for making apparel. The attempt is unfortunate because this claim is hardly tenable and may lead to avoidable injury to the country's raw wool exports. As it is, traditional importers of India's raw wool are believed to be unhappy that they cannot get all the wool they need, by reason of the ceiling placed on our wool exports. The seriousness of the position should be evident by the reported experiments in certain of these countries to create "dead hair", which is available in natural form in Indian wool. Incidentally, it is the presence of "dead hair" in our wool that makes it ideal for carpet-making. It may also be noted here that, although our raw wool is being imported for a number of years now by several countries, especially the UK and Japan, none of them is known to have ever used it to make apparels. Were it possible to do so, they would have done it long ago and entered into trade deals of the pattern prevailing in pre-independence days, when Japan, for instance, had an agreement with India to import a given quantity of short-staple cotton in exchange for permission to export to this country a specified quantity of textiles.

However, it should not be necessary for us to look for all these evidences. Sufficient convincing evidence has been available in the country itself. Some time ago, the Government of India had appointed a team of foreign experts to give their considered view on the suitability of Indian wool for apparel-making. This team has given its unequivocal verdict on the question. So also the International Wool Secretariat. And, more recently, our defence forces, who have had occasion to use apparel made of Indian wool, have given their reactions. Immediately after the Chinese attack in late 1962, earnest efforts were made by all the interests concerned to produce woollen goods out of indigenous wool only and the finished goods were rushed to the borders. The armed forces, which took them when anything that was called woollen seemed acceptable, were thoroughly disappointed with the supplies, it is stated. Mr. Kanungo, Union Minister of Industry, told Parliament a few days ago that the defence authorities were so dissatisfied with the hosiery yarn produced out of Indian wool for making jerseys that they now insist on the

use of imported wool only for the purpose.

This is not to condemn Indian wool as altogether unusable. It is not without many sound uses. In fact, if it is so desired, the entire supply of Indian wool could be used in India itself. But this would mean India going in, in a big way, for mechanised carpet-making, instead of exporting raw wool and importing wool carpets, and export India-made carpets and thereby earn not only more foreign exchange but also add to the country's existing employment potential. The apprehension in certain circles that this might lead to the disappearance of hand-made carpets and the extinction of small-scale carpet manufacturers is somewhat exaggerated, in that there will always be a demand for hand-made carpets by those who have a fancy for them. In fact, both the sections could exist and flourish side by side. Meanwhile, that is, until we take to mechanised carpet-making, we need not insist on any ceiling on our wool exports and lose our foreign exchange earnings. For pound for pound, the imported clothing wools are said to be cheaper than Indian carpet wool and for every pound of carpet wool exported, we can import comparatively more of apparel wools from abroad, convert them into finished goods which save foreign exchange if these goods are consumed within the country or earn foreign exchange if exported.

Save for this solitary excuse of scarcity of foreign exchange, no convincing argument has been put forward, whether by official spokesmen or by those who have been ill-advisedly opposing imports of foreign wool. This unimaginative policy has given rise to many unauthorised combing units which, it is alleged, have been clandestinely manufacturing wool tops and selling them at fancy prices. It is not clear how those in authority who must have surely known about the 30 per cent rise in foreign raw wool prices, could reconcile themselves to a drastic cut in the foreign exchange allocation for wool imports from Rs. 15 crores to Rs. 5 crores during 1963-64. Anyway, their action has resulted in the utilisation of the industry's capacity to less than 20 per cent. Forcing the industry to work far below its installed capacity thus and then to blame it for higher prices is only to give the dog a bad name to hang it. This is apart from the effect on employment consequent on the industry working below capacity.

There seems to be an impression that the import of raw materials is not a sound policy. If this were so, the UK and Japan, which primarily depend on imported raw materials even to this day, would not be the industrially advanced countries they are today. To manufacture quality woollen goods acceptable alike to our Defence Forces and to our customers abroad, it is imperative to import merino wool, and not every country produces this wool. But merely because they do not produce merino wool, these countries have not opposed its imports by their respective woollen industries. For that matter, they do not at all feel ashamed to import any raw material that they do not possess themselves. It is high time, therefore, that the mistaken belief that the Indian raw wool is an all-purpose wool and the more mistaken policy, being based on it, of banning our raw wool exports and imports of foreign wool are given up.

EASTERN ECONOMIST BUDGET NUMBER

March 6. 1964

THE BUDGET NUMBERS of "Eastern Economist" are a popular and valued annual feature of the Journal. This year's Number should be of special interest and importance in view of the complexity as well as ingenuity of the economic and fiscal policies presented through the Central Budget.

An attempt has been made in the Budget Number to analyse the various aspects of the Budget proposals and study the Budget documents with a view to bringing out the larger and deeper implications of Government policies for the future course of the national economy. The result is an objective and critical evaluation of the economic situation and outlook at a significant turn in the course of national development.

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Minor Changes in Tax Proposals

THE UNION Finance Minister, Mr. T. T. Krishnamachari, announced some changes in the tax proposals on April 17, which, according to him, will cost the exchequer not less than Rs. 66 crores. The loss from the alterations in the personal tax structure was estimated by him at Rs. 36 crores. The abolition of the super profits tax will cause a loss of Rs. 30 crores. A clause by clause discussion of the Finance Bill, however, brought about some more changes (which are not contained in the speech reproduced below).

An important amendment related to the clause on penalty for hiding income. The bill had stipulated that where the income returned by an assessee was less than 90 per cent of the assessed income, the assessee would be deemed to have concealed his income and would be liable to the penalty clause unless he provided evidence to prove his bona fides. By an amendment of the relevant clause, this percentage was lowered from 90 to 80. It was a sizable softening of the rigour of the original provisions which brought the penalty clause into play when the difference between the income revealed and the income assessed was only 10 per cent. At this juncture in the discussion on tax evasion, the Finance Minister said that the Government estimates on evasion were somewhat on the lower side. An estimate prepared by Mr. Kaldor some years ago put the increment in the tax evaded each year at about Rs. 200 crores. Has the Finance Minister come to the conclusion that the volume of tax evasion has grown beyond Rs. 200 crores per annum? Have the Ministry of Finance made any study in this regard? No research agency in the country has attempted researches into this highly problematical sphere. There is no doubt that tax evasion is a "social evil" which needs to be eradicated but this is also a fact that its volume has been exaggerated out of proportion.

Prosecutor as Judge

There is need for proper collection of taxes. The Finance Minister may be right when he says that if the present taxes were collected efficiently, then, there would be no need to impose new taxes. However, in his enthusiasm to eradicate taxes evasion, he has made imprisonment mandatory where it is found that the assessee had "deliberately" concealed his income. "The placing of onus of proof on the assessee made the income tax officer the prosecutor, judge and executor", rightly remarked Mr. R. R. Morarka, a Congress member.

Speaking in support of his Annuity Deposit Scheme, the Finance Minister made the point that it would immobilise funds which might otherwise add to inflation. As only five per cent of the income of higher brackets was being mopped up, no harm would be done. He commended particularly the benefits of the Scheme to film artistes whose income over the years was not steady. Regarding distress sales of estates in order to pay for estate duty and capital gains tax, the Finance Minister said that he was prepared to adopt changes which would set a ceiling at 85 per cent on the total amount of taxes levied on an estate passing from one generation to another. Pressed by Mr. M. R. Masani of the Swatantra Party to bring about this change immediately, the Finance Minister held out the promise that the necessary change would be effected in the course of the next two years. Mr. Krishnamachari also conceded that charitable institutions which were running companies and declared dividends had certainly a case for being excluded from the purview of dividend taxes. He declined to do anything "on the spur of the moment". After careful examination only will he take some measures to protect them.

The text of the Finance Minister's speech is reproduced below :

"It is now more than six weeks since the Finance Bill was presented to the House along with the Budget for 1964-65. Government's policies as reflected in these proposals have been very fully discussed in both Houses of Parliament. In my replies to the general debate, I had explained the broad economic and social objectives of the tax proposals. Elucidations of the detailed implications of these proposals have also been furnished to hon. Members. I would, in particular, draw attention to the document "Rationale of the tax proposals" circulated a few days ago which relates to the basic economic objectives with the specific tax measures in the Finance Bill. It is not, therefore, necessary for me now to go again into the economic basis of the budget.

Active Resistance

"The tax proposals have evoked a considerable amount of active and well-informed interest and perhaps also active resistence among certain sections not only in this House but also outside, in the Press and among the public at large. Some of the interests concerned have made specific representations to Government. This wide discussion that has taken place has been very useful and has helped us to formulate certain amendments to streamline the proposals in the Finance Bill to give a measure of relief where it was deserving and to remove some unintended hardships and anomalies. The official amendments that have been tabled are as a result of this process. I place them before the House in the hope that the provisions of the Finance Bill, as modified by these amendments, will serve to implement more effectively the basic objectives of the Budget, namely, growth with social justice, and I shall confine my remarks, in the main, to explaining how the amendments proposed fit into the overall rationale of the provisions in the Finance Bill.

"Sir, at the time of introducing the Budget, I gave some thought whether it was necessary for me to inroduce the Finance Bill as it related to direct taxes at the same time and whether I should not follow the practice followed in the United Kingdom of introducing a Bill later on after outlining the provisions. Finally, I stuck to the convention but in the light of my experience this year, I do hope — if I am Finance Minister next year — to be able to make the departure, namely, to announce the proposals first and bring in the Bill later so that the Bill will not be subject to minor amendments such as this Bill has been subjected to.

"The new structure of personal taxation in the Finance Bill is a considerably simplified one. The main changes introduced in this year's budget aim at a simplification of the rate structure of income-tax and super-tax, relieving persons in the lower and small income groups from the burden of compulsory deposits, moderating and readjusting the incidence of tax consistently with the interests of revenue and introducing the advantage of tax savings in mobilising greater private savings in the middle and higher income groups. Over-lapping surcharges on income-tax and super-tax have been abolished and replaced by a single surcharge for purposes of the Union. This surcharge operates in respect of unearned income only when such income exceeds Rs. 10,000 and in regard to earned income when such income is over Rs. 1 lakh. In carrying out these changes in the structure of personal taxation, a some-

what higher incidence of tax might have arisen at some income levels when compared with the incidence of net tax for 1963-64 exclusive of the element of compulsory deposit. This has been criticised in the House and outside and I have been considering whether some concession could be given to lower income groups in the income range up to Rs. 20,000. In the nature of things, no large concession is possible but it is now proposed that the initial tax-free slab of income for this group should be raised from Rs. 3,000 to Rs. 3,200 in the case of a married individual with no child or a Hindu undivided family with no minor co-parcener; from Rs. 3,300 to Rs. 3,600 for an individual with one child or a Hindu undivided family with one minor co-parcener and from Rs. 3600 to Rs. 4000 for a married individual with more than one child or a Hindu undivided family with more than one minor co-parcener. The effect of these changes on married individuals with more than one child, which is the most important category of assesses, will be to lower the tax payable on earned as well as unearned income as compared to 1963-64 rates excluding the compulsory deposit at all levels of income up to about Rs. 8500. On incomes above this level also, there will be a reduction except at a few points where the tax payable now will be slightly higher but in no case exceeding one-fifth of one per cent of the total income. These concessions will provide a measure of further relief to these income groups.

Alternative to Annuity Scheme

"The Annuity Deposit Scheme, in the new scheme of taxation. is an important instrument for mobilising private savings and to counter inflationary trends. The provisions reating to this scheme have already been fully explained and I need not go into them again. I would, therefore, confine myself to the changes that are proposed to be made. I had already indicated in my reply to the general discussion in the Lok Sabha that the deposit is proposed to be made optional in the case of persons who are more than 70 years of age. Such persons, under the amendment proposed, may exercise the option not to make the deposit in the first year of assessment in which they are liable to make a deposit. Any such option, once exercised, will be final and will not carry with it any extra tax liability. It has been suggested that the Annuity Deposit Scheme should be made optional for others also. In the case of others, there will be an option not to make the deposit but the exercise of such an option will, naturally, have to be made unattractive if the basic objective of mobilising private savings is not to be defeated. In such cases, therefore, an additional amount of income-tax of 50 per cent of the difference between the Annuity Deposit amount and the extra tax payable when the deposit amount is not deducted from the assessee's income, is proposed to be imposed.

"Two other changes have also been proposed in regard to the Annuity Deposit Scheme. It is proposed that income of the nature of capital gains or of compensation received for loss of employment, etc., will not be taken into account in calculating the amount of annuity deposit since such income cannot be classified as part of regular earnings and is already taxed at concessional rates under the Income-Aax Act. The other change proposed is to allow playwrights, authors, artists, musicians or actors to make an additional deposit of 25 per cent of their income instead of 15 per cent provided in the Finance Bill. There has been a request from some of the associations of artists that the limit may be increased. I am glad that artists are interested in voluntarily availing themselves of the benefits of the Annuity Deposit Scheme and the raising of the limit will be an encouragement for them to do so.

"As part of the same objective of encouragement to private savings, the rate of deduction of income-tax and surcharge at source from interest on securities in the case of resident assessees is proposed to be fixed at 20 per cent as in respect of dividends instead of 29 and odd per cent as it is today. This will ensure similar facilities for investment in Government securities as in shares of joint stock companies.

"One other change that is proposed in personal taxation is to exempt stipends or remunerations received by foreign students and professors from foreign Governments or institutions for carrying on research work in India under an approved programme. This exemption will be available for a period of two years for each such individual.

Corporate Taxation

"I now turn to the proposals relating to corporate taxation. The basic objectives in the Finance Bill in the matter of company taxation are to provide general incentives for stimulating investment, specific incentives for priority industries, and while encouraging growth to induce diversification of ownership in industry. The general incentives provided for the generation of greater savings in the corporate sector are mainly the replacement of the superprofits tax by the Companies (Profits) Surtax, which will have a generally lower and more equitable incidence, and the exemption of inter-corporate dividends from super-tax.

"In addition, the development rebate incentive is proposed to be extended to second-hand plant and machinery newly imported from abroad. In the budget speech I had referred to the need for a fuller utilisation of capacity that exists in Indian industry. And as a specific incentive for securing this, it is proposed to revive the additional depreciation allowance for a third-shift working of plant and machinery at 50 per cent of the normal rate of depreciation. This concession was in force from 1949-50 to 1954-55, and would be given effect to by an amendment of the Income-tax Rules which will take effect from the assessment year 1964-65.

"It is necessary that the savings generated in the corporate sector should be increasingly utilised for industrial investment and growth. This is the primary object of the extra amount of tax on companies on the dividend distributed by them on their equity capital. The exemption to certain categories of companies from the requirement of compulsory distribution of dividends also proceeds from a similar rationale. This exemption is now proposed to be extended to such companies as are mainly, although not wholly, engaged in manufacturing or processing of goods or in mining or in the generation and distribution of electricity. It is also proposed to extend this exemption to Indian companies, the book-value of whose machinery or plant used for the purpose of their business, exclusive of office appliances and road transport vehicles amounts to or exceeds Rs. 50 lakhs. This will benefit Indian companies which may not be engaged in manufacturing

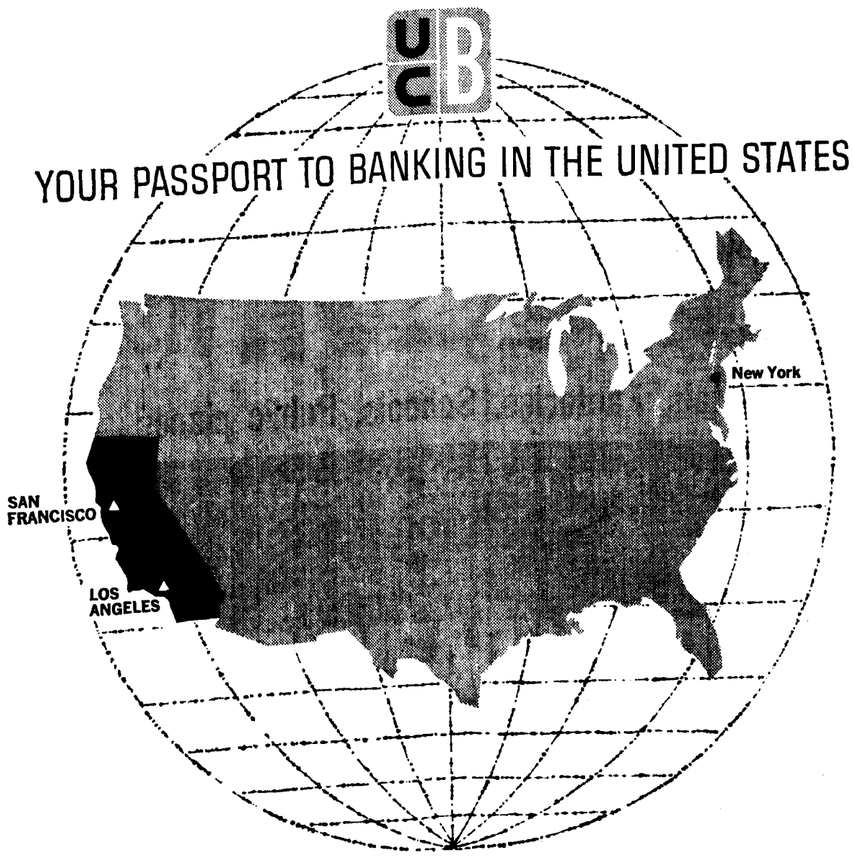
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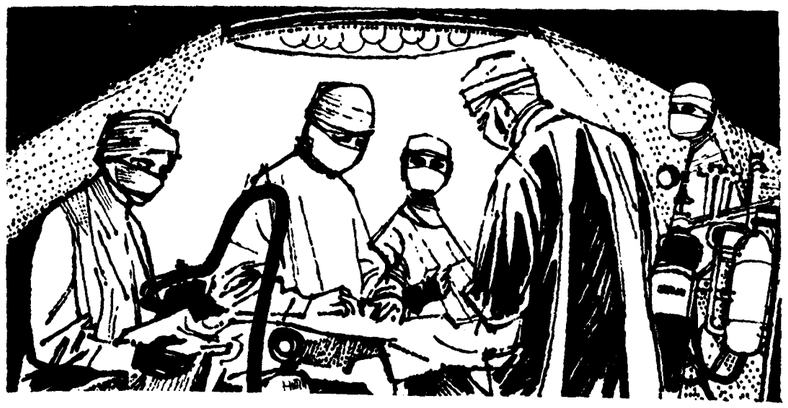
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industries but in engineering and other constructional activities or in other services and are capital-intensive, and will enable them to build up sufficient resources for expansion. The next change, I propose is to remove a specific anomaly. At present, a company in which not less than 40 per cent of the shares are held by the Government is treated as a company in which the public are substantially interested. This condition is, however, not satisfied by the Industrial Finance Corporation or a few State Finance Corporations, as the Reserve Bank of India and not the Government holds a substantial block of their share. The result is that these financial corporations are, for the purpose of the Income-tax Act, as it now stands, treated as companies in which the public are not substantially interested. It is patently incongruous that such corporations should be equated with closely held private limited companies in the matter of tax treatment. In order to remove this anomaly, it is proposed to amend the relevant provisions in the Income-tax Act, 1961, so as to provide that a company in which the Government or the Reserve Bank of India or a corporation owned by the Reserve Bank singly or taken together hold at least 40 per cent of the shares, will be treated as a company in which the public are substantially interested. This will free such companies from the higher rate of taxation applicable to companies in which the public are not substantially interested as also from the requirement of compulsory distribution of dividend.

"Under the proposed scheme of taxation, companies in which the public are not substantially interested bear a heavier tax burden, as they are closely held by a few controlling interests. The Finance Bill has a provision to increase the super-tax on such companies from 25 per cent to 35 per cent. 'This measure is necessary if the present devices of preventing abuses in closely held corporations, like obligatory distribution of profits and dividends, are to be varied.' By the same reasoning, it is necessary to encourage small companies formed by 'entrepreneurs' of the small or middle income groups. In this behalf, I have given notice of an amendment providing that, in the case of companies in which the public are not substantially interested and which are wholly or mainly engaged in manufacturing or processing of goods or in mining or in the generation and distribution of electricity and whose total income does not exceed Rs. 2 lakhs, the overall rate of tax on the first Rs. 1 lakh of the total income is proposed to be fixed at 50 per cent as against the normal overall rate of 60 per cent provided in the Finance Bill.

"I have since given some further thought to this matter and I am now prepared, subject to the approval of the House, to further extend this concession and to liberalise this provision so that in the case of such companies whose total income does not exceed Rs. 5 lakhs, the overall rate of tax on the first Rs. 2 lakhs of income will be 50 per cent. An amendment in this behalf will be tabled

Rebate for Basic Industries

"In the scheme of the Finance Bill, certain specific incentives have also been provided for directing corporate savings to priority investments. Basic industries which are capital-intensive and have a relatively low profitability and longer periods of gestation have been chosen for these incentives. The articles of manufacture concerned have been listed in Part IV of the First Schedule to the Finance Bill. The profits derived from the manufacture or production of these articles qualify for a rebate of 10 per cent of the overall normal tax on companies. I now propose certain changes in this list. Electronic equipment and petro-chemicals, in which we foresee a large expansion in the fourth Plan, are two important additions. Manganese ore, dolomite, magnesite and mineral oil are to be added under 'mining industries'. The entry relating to 'electrical equipment' has been modified and will be applicable to equipment for the generation and transmission of electricity including transformers, cables and transmission towers. The entry of 'fertilisers' has been spelt out. Coffee and rubber are the only deletions since the income derived by the companies engaged in these plantation industries falls under the category of agricultural income which is exempt from the purview of the Income-tax Act.

"There are two other changes in Corporation taxation which are not of major character. Under one of the provisions in the Finance Bill, the expenditure incurred by companies on providing perquisites to employees in excess of 20 per cent of the employees' salary will not be allowed as a deduction in computing the taxable income of companies. It is proposed to exclude from the purview of this, any expenditure incurred by companies in providing free or concessional passages or travel concessions to their employees for going on leave to their homes abroad or in India. The other amendment is in respect of the rate of deduction at source in the case of resident companies from dividends and interest on securities. It is proposed to reduce this rate from 25 per cent to 20 per cent as in the case of resident non-company assessees. While involving only a deferment of tax collection for a short period, this change will facilitate transactions in securities in public debt offices and in shares in the stock exchanges.

Capital Gains

"Certain changes have been proposed in regard to the taxation of capital gains accruing to equity shareholders from the issue of bonus shares and of capital gains other than short-term capital gains accruing to non-company assessees. In respect of bonus shares, the amendments proposed are the following :

"The fair market value of bonus shares as on the 31st day from the date of their allotment will be taken as the amount of the capital gains.

Such capital gains will be charged to tax in the case of non-company assessees at one-half of the average rate of the tax applicable to the assessee's income other than capital gains, subject to a minimum tax of 15 per cent thereof. The first Rs. 5,000 of such capital gains will be exempt from tax.

"Companies will be charged only to income-tax (and not super-tax) on such capital gains at the rate of 12½ per cent thereof. This concession is in line with the other concession of exemption of companies from super-tax on intercorporate dividends.

"I had promised in my closing speech on the general discussion of the Budget to treat issues of bonus shares from share premium account on a different footing and exempt them from the tax on capital gains. 'A fortiori' the tax on companies on bonus share issues from share premium account should also be eliminated. This has been done in the proposed amendment. But the clause relating to relief from taxation of companies on the issue of bonus shares from the share premium account looks like having a retrospective effect for issues in the year 1963-64. This is not the intention and an amendment will be moved to remedy this possible interpretation. As I am giving no retrospective relief to companies in this regard, I also propose not to give retrospective effect to the exemption of shareholders from tax on capital gains in respect of bonus shares issued to them wholly out of the share

premium account of companies during 1963-64. A suitable amendment for this purpose will be tabled.

"In respect of capital gains other than short-term capital gains arising to non-company assessees, the following changes are proposed. This has been found necessary because the changes in this section made in 1962 are so complex that interpretation of a revised scheme of capital gains tax into them would lead to a variety of interpretations. The first Rs. 5,000 of such gains will be wholly exempt from tax. No tax will be chargeable on such capital gains if the assessee's total income does not exceed Rs. 10,000. Tax on such capital gains will be charged at a specified percentage of the average rate of tax applicable to the assessee's ordinary income exclusive of any capital gains other than short-term capital gains or any income by way of compensation for termination of managing or selling agency etc. If the capital gains relate to lands or buildings, tax would be charged thereon at 75 per cent of this average rate, and in other cases at 50 per cent of the average rate. However, the minimum amount of tax payable on long-term capital gains will be 15 per cent of the amount of the gains.

Tax Evasion

"While indicating these revisions in the scheme of capital gains taxation, I would like to highlight clause 13 of the Finance Bill which is designed to check evasion of tax on capital gains through an under-statement of the consideration received on the transfer of capital assets. It is commonly known to hon. Members that when sales are made, the value in many cases is an under-statement. According to this provision, the capital gains shall be computed with reference to the fair market value on the date of transfer, if in the opinion of the income-tax officer, the fair market value exceeds the value declared by an assessee by an amount not less than 15 per cent of the declared value.

"Another provision in the Finance Bill which is of importance, in our many-pronged attack on the problem of tax evasion, is the clause relating to disclosure to the members of the public of information contained in tax records.

"Some misgivings have been expressed in Parliament about these provisions and I agree that they should not be capable of being used for personal ends or for malicious harassment. They should also not result in an excess of administrative discretion in the tax authorities with a potential for abuse. With these ends in view, the following changes are proposed: (i) The application asking for the information will have to be in a prescribed form, but no fee will be required to be paid. (ii) The Commissioner of Income-Tax will furnish the information only if he is satisfied that its disclosure would be 'in the public interest'. His decision in this matter would be final and not subject to question in any court of law. (iii) The protection available under the Income-tax Act, 1922, relating to assessments made prior to 1-4-60 will be maintained. (iv) The Central Government will have the power to notify classes of assessees in respect of whom disclosure of information would not be made, having regard to the practices and usages customary or any other relevant factors. At the moment, for instance, we have in mind banking companies, which under sec. 34A of the Banking Companies Act are protected from being compelled to disclose information in any proceedings under the Industrial Disputes Act in regard to their secret reserves or secret provisions for bad and doubtful debts. In such cases, it would be agreed that it would not be desirable to have a disclosure of information. There may be similar cases in the future and this enabling provision has, therefore, been proposed. (v) It is also proposed to amend sec. 280 of the Income-Tax Act, 1961, to provide for the punishment of any public servant who makes any unauthorised disclosure of information. This again, it would be agreed, is a necessary safeguard.

"As part of our policy to reduce the concentration of wealth, particularly that arising from unearned prosperity passed on from generation to generation, the rates of estate duty have been sharply enhanced in the Finance Bill. It has been represented that the rate of tax of 85 per cent at the highest slab may in some cases have the effect of taking away as duty and taxes the full value of the estate. In partial mitigation, it is therefore proposed to allow the full amount of the probate duty to be deducted from the estate duty payable instead of one half of the probate duty allowable under the present provision.

Expenditure Tax

"In respect of the expenditure tax, two amendments are proposed. These are merely to effectuate the intentions as explained in part B of my budget speech. It is proposed to amend clause 51 of the Bill so as to omit the provision to the charging section of the Expenditure Tax Act, 1957, in order that the expenditure tax is attracted on all expenditure above Rs. 36,000 per annum, no matter from what source the money for expenditure came. This will make the provision in the Bill conform to the announcement in the budget speech. The other change is in the matter of customs duties or taxes paid by a person on importing or purchasing articles for his personal use. In line with the policy to reduce to the minimum the exemptions and deductions in the computation of the expenditure tax, an amendment has been proposed which will have the effect of such expenditure not being allowed as a deduction from taxable expenditure for the purposes of the expenditure tax.

"In my reply to the general debate on the Budget in this House, I had also mentioned that steps were being taken to move an amendment to the Gift Tax Act for reducing from Rs. 10,000 to Rs. 5,000 the existing monetary limit up to which gifts are exempt from tax under the Gift Tax Act. An amendment in this behalf is also being moved.

"I now turn to indirect taxes. In both Houses of Parliament, I have explained the reasons why it is not possible to give any concessions of a substantial nature in excise duty. Considerations of revenue and the need to conserve foreign exchange by restraining the demand on imported articles have, no doubt, weighed with us. But even more strongly, what has prevented me from making any substantial reduction in indirect taxation has been the firm conviction, which I have often expressed, that any such reduction is not likely to be passed on to the consumer and will only go to increase the margins of traders. I came across a very queer instance of this in one of the government companies. When a concession was given in regard to caustic soda in respect of the duty, the prices were maintained, but when the duty was altered the prices were raised — by one of our own concerns. The amendments proposed in regard to excise duties, therefore, represent only marginal reliefs.

"The first part of my proposals relates to textiles. Taking into account the needs of the handloom and the smaller powerloom sectors, I am extending further the total exemption on yarn in the form of hanks, to new French counts below 29 and halving the duty on such yarn of 29 counts but below 34. Corresponding reliefs to the extent of 5 nP. per kg. in each case is also to be given on these two groups of cotton yarns in forms other than in hanks, and the ceiling rate is also slightly proposed to be readjusted.

"Secondly, on the analogy of a similar concession already in operation in respect of 'independent processors' and for the same reasons, a concession of 1/5th of the special excise duty payable on sized yarn is being given to 'independent' sizing units.

"Thirdly, considering that the duty liability at the existing compounded rates for fine and superfine fabrics payable by small powerlooms which are hit by the anti-fragmentation clause is somewhat high, relief is also being given to them by re-fixing the compounded levy rate at one-third of the present figure. This, together with the reduction in the yarn duty mentioned earlier, should give them sufficient additional assistance.

"Fourthly, the effective rate of duty on industrial rayon yarns (mainly tyre cords) is being reduced from Rs. 4 to Rs. 2.67 per kg.

Minor Adjustments

"Certain relatively minor adjustments are being made with regard to tyres and paper boards, manufactured in certain new units set up during the third Plan period. Extruded aluminium rods are being put on a par with the rolled product. I am also making certain minor adjustments in the manner of fixing the effective rates of duty on the different categories of match factories. These changes, I feel, will have the desired effect of preventing fragmentation of larger units and at the same encouraging higher production in, and consolidation of, the smaller units.

"All these reliefs would be given effect to by notifications which are being issued separately.

"In conclusion, I would like to point out that while the amendments proposed by Government seem to be formidable and indicative of revised thinking, in fact they are not so. As I have mentioned before, the re-drawing of the sections relating to capital gains has been found necessary because of certain confusion that might arise unless the subject matter of the sections is specifically stated. Secondly, the import of certain concessions in regard to section 104 or the old section 23-A companies also needs spelling out. Another set of amendments relating to Annuity Deposits, while they seem extensive, are comparatively simple amendments in order to provide the concessions I had already indicated. I am circulating to hon. Members a brochure showing the clauses of the Finance Bill as they will read if the amendments proposed to be moved by me are accepted by the House. Hon. Members will find that the amendments proposed are underlined in the brochure. It will be evident to them that the bulk of these amendments are of a drafting nature, and are intended to clarify the position better than originally stated in the Bill. One paricular amendment in regard to Expenditure Tax is the change in a provision of the Act to which I had referred in my Budget Speech, but which had not found a place in the Bill.

"I hope hon. Members will appreciate that the changes proposed by the amendments will go to show that an attempt has been made to simplify the tax structure, to rationalise it and to make the burden more equitable. The criticism outside the House has been largely on two items of tax proposals. One is the dividend tax of 7½ per cent. Suggestions have been made for varying it for providing a slab and so on. In actual fact, the dividend tax will not, as it applies to the income of companies, be more than 2¼ to 3 per cent of profits, and it is impossible to give any concessions for ploughing in of income into reserves without at the same time putting a check on indiscriminate distribution of profits as dividends. There may be many people who are not concerned about building up reserves of companies, and to them the dividend tax will certainly look harsh. But that is not the view of the Government, and the dividend tax base, if it is altered, will become far more onerous than it is at present.

"The other complaint is about the tax on bonus issues which has been highlighted in the press, and in the criticisms by the concerned interests. The tax on bonus issues now proposed will have a low incidence, if actually the large mass of the shareholders, as is often made out, is the middle-income group. In the case of the less affluent of the middle-income group, and I do not know if they have any shares, the exemption of Rs. 5,000 will take care of them. In the case of the better off sections of the middle-income group, the incidence may not exceed more than the 15 per cent limit now imposed. In the case of people who have invested large amounts of money in shares, the House will agree with me that they should pay a progressively higher rate of tax even on bonus issues. I hope the hon. Members will study the changes as proposed and accept the proposals in entirety and help in the creation of steady conditions in the markets which have been subject to scares and alarms every now and then.

"Another fact I would like to refer to, with all apologies to the interests concerned, is the undue emphasis on the importance of the share market that seems to have crept into our concept of economic growth. I do not say that the share market is not necessary, nor do I say that it is not useful. What I would like to say is that it does not represent the views of the large majority of the people in this country who want to buy shares for investment.

Share Market

"I am sure many people make the share market their profession. I have no doubt they are honourable people, but the economic policy of the country cannot be geared towards making conditions bullish for this section of the community, which is but a microscopic section of the community as a whole. On a closer examination, one would find that the quotations in the share market do not always represent the reality. For instance, in the case of the shares of a concern, which we may call "X", which, on the basis of the last issued balance sheet will make Rs. 26.4 lakhs more on the basis of the proposed taxation, the shares are hammered down, so that the price would not rise anything beyond Rs. 25. The break up value of the share is several times the current quotation. What does this figure of Rs. 25 really represent, when the company's earning capacity is greater, when its break up value is several times more than the market quotation? I think this instance should show to intelligent people in India that while the share market might provide one of the indicators, it is by no means a reliable indicator of the prevailing economic trends.

"I recognise that many people are angry with the Budget and also perhaps with me. They have a perfect justification to be so angry. Members of Government would be greater fools than they are expected to be if they did not recognise that with the Estate Duty as proposed, along with the ancillary levies like Gift Tax etc., they would not be resisted by persons affected. They would be. But the basic philosophy behind these duties is that they serve to promote the objectives accepted as imperative by the Congress Party. I am afraid, while I have every sympathy for the people who are angry with me and I do not at all reciprocate their feelings, I am unable to do anything to assuage or lessen their anger with these proposals. We as a Government have no doubt that we are proceeding on the right lines, and the proposals contained in the Budget and in the Finance Bill are an earnest effort in that direction."

Highlights of the Week

TOWARDS CLIMAX OR ANTICLIMAX

WE EXPRESSED in these columns last week an apprehension that Sheikh Abdullah would set out to seduce the Valley with the slogan that New Delhi had betrayed Kashmir. His speeches in Srinagar and elsewhere have borne out this foreboding. Although Sheikh Abdullah continued to keep up adroitly the pretence of treating India and Pakistan as two equal parties to the dispute and claimed that he was the natural arbiter in this quarrel, he did not, at the same time, fail to insinuate that if the threat to Kashmir's existence came from Pakistan in 1947, the threat which Kashmir faces today and has been facing for some time now is undoubtedly from the Indian side. Addressing Srinagar audiences, he charged the Government of India generally, and the Prime Minister in particular, with attempting to resile from the pledge of self-determination which, he claimed, had been given to the people of Kashmir.

Sheikh Abdullah's strategy, at the present time, seems to be to utilise the period before his meeting with Mr. Nehru in whipping up for himself political support in the Valley through the exercise of all the demagogic arts. In tactical terms, he is asserting and re-asserting the demand for a plebiscite but at the same time, he has been throwing hints that other means of ascertaining the wishes of the people of Kashmir need not be ruled out. On his notion of what the status of Kashmir should be, or what Kashmir's political relations vis-a-vis the rest of India, or Pakistan could be, Sheikh Abdullah has adopted the conveniently virtuous attitude that he would not like Kashmir to continue to be an apple of discord between India and Pakistan; and he has magnanimously suggested that, allowed his way in Kashmir, he might even condescend to serve as an instrument for bringing about amity between India and Pakistan. On one point, however, Sheikh Abdullah has left neither friend nor foe in doubt, and that is the matter of accession. He has not only denied the finality of the accession of Kashmir to India, but he has also demanded that there should be a reversal of the process of integration which has been going on all these years.

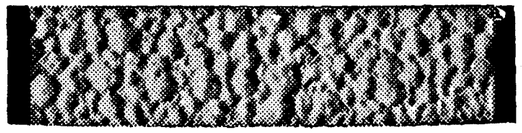
Given this mood of Kashmir's self-proclaimed Man of Destiny, his forthcoming meeting with Mr. Nehru could as easily peter out into an anti-climax as it might culminate in a climax. Everything would depend on the capacity of Mr. Nehru at this critical hour to avoid doing a Hamlet. From this point of view it is all to the good that the meeting has been postponed by a few days. At the Prime Minister's instance, Sheikh Abdullah will be coming to the Capital on April 29 instead of April 26. It has been suggested in some quarters that the latter date has been chosen because the Prime Minister desires that Mrs. Indira Gandhi, who has gone to the World Fair at New York, should have returned to New Delhi when Sheikh Abdullah arrives as Mr. Nehru's guest. There is also some speculation that the Prime Minister desires Mrs. Indira Gandhi's presence on the occasion not wholly on social grounds, but also because it has lately become his practice to keep her fully in the picture when important political developments take place or important political decisions are to be made.

What Price "Gushtawa"

Whatever may be the substance in speculations of this kind, it is certainly desirable that, at this momentous hour, when national unity and national security are gravely threatened, Mr. Nehru should act in full consultation with colleagues and confidants. This is particularly important because indications are not wanting that Mr. Nehru and Mr. Lal Bahadur Shastri are not disinclined to do a deal with Sheikh Abdullah on terms which might fall far short of the complete integration of Kashmir with the rest of India. Thus, in his characteristically vague and wandering manner, the Prime Minister confessed to a General Body meeting of the Congress Parliamentary Party on April 21, that the Kashmir question had become more complicated of late. Whether this is his way of suggesting that the Government of India is coming round to the view that it must reconcile itself, on grounds of sheer necessity, to an acceptance of a settlement on Kashmir which may not satisfy or, indeed, be inconsistent with its declared policy in this regard is a point for uneasy contemplation and thanks to the atmosphere of uncertainty which has thus been created, it has become difficult for public opinion to be impressed by bold talk in other quarters. It is true that the Kashmir Premier, who arrived in Delhi on April 18, had been reassuring Congress M.Ps. and others that the State Government was quite capable of meeting any political challenge that might be posed by Sheikh Abdullah. It is true, again that, as Mr. Sadiq says, Sheikh Abdullah's is not the only voice that matters in Kashmir. But it is also true, unfortunately, that his is the voice that has come to be magnified out of all proportions. As a result, the absurd situation has arisen where a settlement of the Kashmir problem is now being talked of not so much in the sense of a settlement with Pakistan as of a settlement with Sheikh Abdullah. In other words, the only valid argument that there ever has been for a reconsideration of the Government of India's Kashmir policy, viz, that it might be a price worth paying for buying peace with Pakistan, is now being quietly discarded. The significance of this is that even if we were to succeed in appeasing Sheikh Abdullah, we might still have failed to satisfy Pakistan. The prospects then are anything but cheerful, for it might come to pass that Kashmir is sold for a mess of "gushtawa".

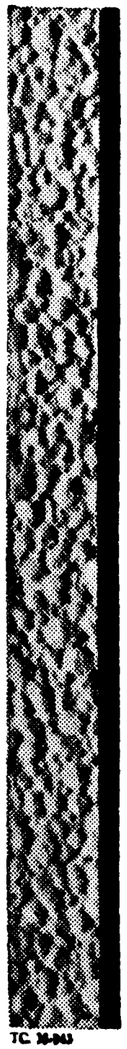
COMRADES NO MORE

THE CONGRESS Party, it would appear, not only harbours factions within itself, but is also the inspirer of factions in other parties. That, at any rate, is an allegation made by the "Leftist" leaders in the Communist Party of India, who, on April 14, issued a statement repudiating the present CPI leadership on the ground of its "reformist line of general united front with the Congress". Bristling at this denunciation, the CPI National Council first took a decision to expel the seven "Leftist" leaders, but ultimately adopted a less heroic resolution on April 15, merely suspending the offenders. Along with the errant seven were suspended 25 other members of the party, including some "Centrists". The sin of the 25 was that they had joined the "seven" when the latter walked out of the meeting of the National Council on April 11 in protest against the rejection by the Party Establishment of their demand that Mr. Dange should step down from the Chairmanship of the Party pending the completion of a full inquiry into the authenticity of the "Dange letters". Although the now notorious "Letters" have thus precipitated a formal split, there is little doubt that a real and deep division in the leadership as well as in the rank-and-file of the Communist movement in this country has existed far longer than has been generally suspected. A unanimous report of the Party's Control Commission has, in fact, contended that the Left faction has been running a rival party centre in Delhi since November, 1962. In the circumstances, the National Council's ultimate decision to suspend and not expel the "Leftist" leaders can only mean that the "Rightists" are far from confident of their own relative strength within the

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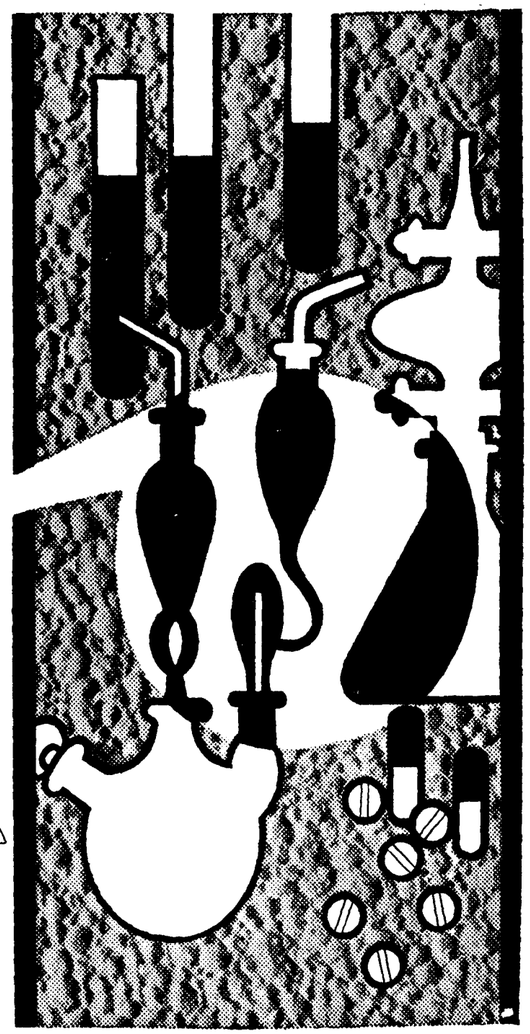
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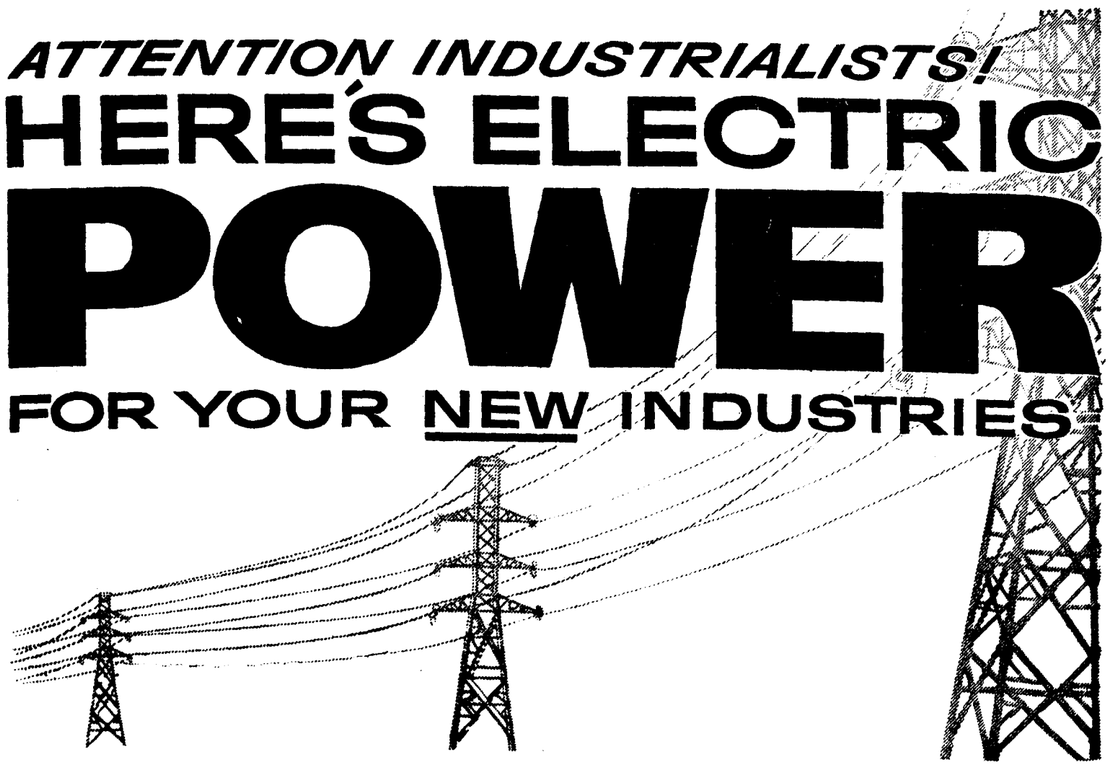


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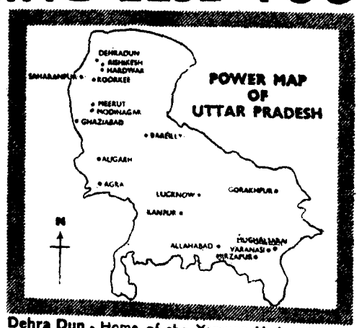
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Yamuna Hydro-electcic Scheme, Stage I	**86,000 KW Scheduled June '65**
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Communist movement in this country.

As a matter of fact, although Mr. Dange has described the coalition of the "Leftists" and the "Centrists" as a group which is factionally united but politically divided, it is not at all unlikely that his own group of "Rightists" is anything but a happy family. Much would depend, of course, on the outcome of the labours of the seven-man committee which the National Council has set up to inquire into all aspects of the "Dange letters". More than the prestige or the political future of the Chairman of the Communist Party is involved in this country; and it may well be the case that the Committee's report may herald a further breakaway from the establishment. So far as the "Leftists" are concerned, they are more likely to engage themselves actively in bringing about this further split than in rehabilitating themselves with the present party leadership in order that their suspension may not mature into expulsion. There is no doubt still some talk on the part of the mediators in the party of the two factions being brought together. But the Chairman of the CPI does not seem to entertain any illusions on this score. According to Mr. Dange, a war of some sort has broken out within the Communist movement in this country. Some of its earliest repercussions may be seen in West Bengal where the State Council is dominated by the Left. Side effects of the split should also be felt in Parliament where the Communists, because of the division in their ranks, may cease to be the largest opposition group. The beneficiary from such a development would be the Swatantra Party which, as a result of recent elections to the Rajya Sabha, has already come to be the main opposition group in that House. It might score a similar position in the Lok Sabha as well, thanks to the ill wind which is blowing through the Communist crowd.

DYNAMICS OF AID

THE UNION Government has decided to effect a number of far-reaching changes in the import policy and procedures in the light of the recommendations of the Rao Committee on Utilization of External Assistance. The changes proposed will provide greater flexibility to industrial entrepreneurs in importing equipment, components and raw materials.

One of the most significant changes being made is that the Director-General of Technical Development would be required to take a broad view of the foreign exchange requirements of industrial units having fixed assets less than Rs. 25 lakhs. Such units will be allotted a certain overall amount of foreign exchange after a careful assessment of the indigenous availability of the equipment required, and within this overall ceiling, subject to banned items not being imported and the capacity as proposed being established, will be allowed to import equipment as they choose. The actual users also will be given somewhat greater flexibility for meeting their import requirements within the overall foreign exchange allocations made to them. The exchange allocations in their case too will be determined on an overall basis after allowing for the supplies available in the country. In the case of bulk imports of components, equipment and raw materials by public sector units, the need to secure clearance of the Administrative Ministry/Ministry of Finance before placing orders is also proposed to be done away with. It has also been decided to dispense with the requirement of prior clearance by the D.G.T.D. from the point of view of indigenous availability in regard to the imports of components and raw materials. But this decision is proposed to be implemented in the first instance in the case of public sector projects on an experimenal basis. It will be extended to the private sector later after detailed examination

In the case of maintenance imports by public sector units, the Government has also decided to examine the possibility of making exchange allocations on an annual instead of half-yearly basis. For projects requiring specialised components and raw materials with long delivery periods, the release of foreign exchange for longer periods against detailed foreign exchange budgets will also be considered. When these imports are to be financed against external assistance, this will, however, be subject to the agreement of the country or institution providing assistance. In the case of the private sector units whose import entitlements are licensed on a yearly basis, the Government has accepted the Rao Committee's plea that it should indicate to such units some minimum percentage of the exchange allocations made to them during the first half of a licensing year for utilisation during the second half.

Other Rao Recipes

Among the other recommendations of the Rao Committee accepted by the Government are: (1) the Government should publish periodically statistics of ordering against available assistance from abroad, in addition to data regarding disbursements; (2) considerably greater attention should be paid to geological, meteorological, soil, water and forest resources studies; (3) no project should be proposed for aid unless a feasibility report for it has been completed; (4) frequent changes in the scope of a project at late stages should be avoided; (5) after the overall financial estimates of project have been reasonably assessed, the project authorities should be given complete freedom within the overall amount placed at their disposal, to order supplies, subject, of course, to their adhering to the scope of the project and the suitable timetable drawn up for its execution; (6) the private entrepreneurs should be assisted in drawing up projects acceptable to financing institutions; the Indian Investment Centre should expand its activities in this field; (7) the possibility of laying down standards of foreign collaboration terms for different industries should be examined; and (8) Government should review the legal position in regard to acquisition of land etc.

The Rao Committee has also made a number of suggestions for speeding up matters at the end of the aid-giving countries and institutions. Its main observations in this regard are: (a) non-project assistance should form a larger part of the total aid made available by a friendly country and project assistance should be defined to include components needed for the manufacture of capital equipment and the initial stock of components of machinery manufacturing industries whose equipment is financed by aid; (b) for avoiding delay between pledges at a Consortium meeting and actual commitments, selection of programmes and projects should be made a part of the Consortium exercise; alternatively, such a selection should be made within a specified period of, say, two months after a Consortium meeting (this pre-supposes that projects and programmes put forward at Consortium meetings will be at an advanced stage of readiness); (c) the delay in placing of orders can be reduced if it is agreed in advance that all orders placed after the date of Consortium pledge will be picked up for financing in the event of loan agreements being concluded; (d) the commitment of the entire foreign exchange cost of a project at the start is a major cause for apparent delay in utilisation; while partial financing is a solution, it has its limitations and it should be resorted to only for high priority projects; (e) it will be of considerable help if at least 10 per cent of the aid given for a project is made available for purchase in third countries; (f) the World Bank and the I.D.A. should agree to relax the requirement that the lowest tender should be accepted in order to permit placing of orders on indigenous suppliers who may charge higher prices but who would require less foreign exchange; (g) the U.S. authorities may be requested to relax the requirements that there should be tendering confined only to the United States if American assistance is to be forthcoming; the results of global tenders should be accepted; and (h) the minimum value restriction on use of external assistance should be done away with to the extent feasible.

FROM THE PRESS GALLERY

TTK Concedes But Little Ground

THE FINANCE Bill received the assent of the Lok Sabha on April 21 after a heated clause by clause discussion. The Finance Minister's speech of April 17 embodying some of the salient amendments has been reproduced elsewhere in this issue. The important changes in the Bill are put together here.

In personal taxation, the initial tax-free slab of income has been raised from Rs. 3,000 to 3,200 in the case of a married individual with no child, from Rs. 3,300 to Rs. 3,600 for an individual with one child and from Rs. 3,600 to Rs. 4,000 for a married individual with more than one child. These concessions will reduce the tax payable on earned and un-earned income in relation to the rates prevalent in 1963-64.

The annuity deposit scheme has been made optional in the case of persons more than 70 years of age. For others an alternative scheme has been provided whereby, in lieu of the annuity deposit, a person may pay by way of income tax "50 per cent of the difference between the annuity deposit amount and the extra tax payable when the deposit amount is not deducted from the assessee's income". Also, compensation for loss of employment or "income in the nature of capital gains" will be excluded in calculating the value of the annuity deposit. The playwrights, authors, artists, musicians and actors have been allowed to make an additional deposit of 25 per cent of their income instead of 15 per cent. To stimulate savings, the rate of income-tax and surcharge from interest on securities in the case of resident assessees has been slashed from 29 per cent to 20 per cent. Students and professors from foreign countries carrying on research work in India on approved programmes are exempted of taxation on stipends or remuneration for a period of two years.

Corporate Taxation

The development rebate incentive has been extended to second-hand plant and machinery imported from abroad. Besides this relief, additional depreciation allowance for a "third-shift working of plant and machinery at 50 per cent of the normal rate of depreciation" has been allowed. This concession will take effect from the assessment year 1964-65.

The exemption from the requirement of compulsory distribution of dividends has been extended to companies which are engaged in "the manufacture of goods or in mining or in the generation and distribution of electricity". This concession has also been extended to such Indian companies as have machinery or plant exceeding Rs. 50 lakhs (in book value) to provide relief to capital-intensive units.

The Industrial Finance Corporation, the State Finance Corporations and similar institutions have hitherto been treated as companies in which the public are not substantially interested because less than 40 per cent of the shares are held by the Government. In this way, these financial institutions have been clubbed with private limited companies. To remove this anomaly, the Income Tax Act has been amended so as to include in the 40 per cent share not only the Government but the Reserve Bank of India or a Corporation owned by the Reserve Bank. It will lower the incidence of taxation on these institutions. In the case of small private limited companies, the super-tax (35 per cent) has been lowered. If the income of such companies does not exceed Rs. 5 lakhs, the rate of tax on the first Rs. 5 lakhs has been fixed at 50 per cent (income tax at 25 per cent and super tax at 25 per cent as in the case of the public limited companies).

The list of basic industries qualifying for a rebate of 10 per cent of the overall tax has been revised. The industries included are electronic equipment and petro-chemicals; manganese ore, dolomite, magnesite and mineral oil have also been included in the list of mining industries. Coffee and ruboer have been removed from the list. Two more small changes have been incorporated in corporate taxation. Any expenditure incurred by a company in providing a free passage to an employee for going on leave will not be included in the list of perquisites (which has been provided at 20 per cent of the salary). In the case of resident companies, dividends and interest on securities which are taxed at 25 per cent at source currently will be charged at 20 per cent only as in the case of resident non-company assessees. The bonus shares issued from the share premium account will not attract the tax on bonus shares with effect from April 1, 1964.

Capital gains (other than short-term) accruing to a non-company assessee will be exempted from tax up to Rs. 5,000 if the total income does not exceed Rs. 10,000. The tax on capital gains arising from lands or buildings would be charged at 75 per cent of the average rate applicable to an assessee and in all other cases at 50 per cent of the average rate. The minimum tax on long term capital gains has been fixed at 15 per cent of the gain. The capital gains will be calculated on the basis of the fair market value where, according to the income tax officer it is more than 15 per cent of the declared value.

Harassment Through Disclosure

In order that disclosure of information to the public from the official records may not be abused, the Commissioner of Income Tax has been authorised to furnish the information only if he was satisfied that the disclosure was in public interest. Section 280 of the Income Tax Act, 1961, has been amended so as to punish any public servant who made unauthorised disclosure of information.

In view of the steep rise in estate duty reaching up to 85 per cent at the highest slab, it is feared that a whole estate may have to be handed over to the Government by way of taxes and estate duty. To provide some relief in such cases, the full amount of the probate duty is allowed to be deducted from the estate duty instead of half the probate duty as it present.

The Expenditure Tax Act, 1957, has been changed to attract this tax on all expenditure above Rs 36,000 per annum. Customs duty and other taxes paid in the purchase of imported articles will not be allowed as a legitimate charge for purposes of expenditure tax. The present limit of Rs. 10,000 for exemption from the Gift Tax has been lowered to Rs. 5,000.

The handlooms and the smaller powerlooms will benefit from the changes in excise duties on yarn. The exemption on yarn (in the form of hanks) has been extended to new French counts below 29. The duty on yarn of counts between 29 and 34 will be halved. For yarn not in the form of hanks, the concession has been given up to 5 nP. per kg. The independent sizing units have been given a concession of one-fifth of the special duty payable on sized yarn. Further relief has been provided to small power looms by re-adjusting the rate at one-third of the present figure. The duty on industrial rayon yarn has been cut from Rs. 4 to Rs. 2.67 per kg. Minor changes have been made in rates of duty on tyres and paper boards manufactured in new units. Similar is the case with match factories. Extruded aluminium rods and the rolled products will attract the same duty.

The Companies (Profits) Surtax Bill was passed by the Lok Sabha on April 22 with some important changes. The funds borrowed from the Industrial Finance Corporation or the Industrial Credit and Investment Corporation or from any other financial institution approved by the Government have now been allowed to be included in the capital base. The original bill had provided that the moneys borrowed from a banking institution could be included in the capital base only if they were repayable in not less than 10 years, but according to the new amendment, the borrowed sums will be included in the capital base subject to the condition that the minimum term of repayment should in all cases be seven years. The primary objective of borrowing such sums of money should be the creation of capital assets. The inclusion of borrowed money in the capital base is likely to benefit some of the steel and shipping companies. The Finance Minister also explained that Surtax would be attracted only at comparatively high levels of profits and its incidence would also be generally low. That is why he had not considered it necessary to provide for carry forward and set off of any deficiency of profits against the chargeable profits of subsequent years. [For the Finance Minister's speech of April 17 and for some additional changes in the Finance Bill, please refer to page 957].

Besides voting the Finance and Surtax Bills, the Lok Sabha last week also passed the budget demands for the Ministries of Finance, Planning and Home Affairs, the Departments of Atomic Energy and Parliamentary Affairs, Lok Sabha, Rajya Sabha and the Vice-President's Secretariat.

Dull Affair

The debate on the demands of grants for the Ministries of Finance and Planning was a dull affair. Criticism centered mainly on evasions of taxes, bureaucratic handling of its affairs by the Life Insurance Corporation and lack of proper control over administration of Plan programmes to see that the allocations made for them were properly utilised. While alleging that there was lack of co-ordination between the Planning Commission and the various departments of the Government, Dr. L. M. Singhvi suggested that a small economic parliament", consisting of M.Ps., should be created to discuss the economic and financial matters in detail. This, he said, was necessary because these matters did not claim sufficient time of the House at present. The former Minister for Oil, Mr. K. D. Malaviya, felt that in excessive zeal for stepping up production, the Government had neglected the distribution aspect, thereby contravening the spirit of the Industrial Policy Resolution. He deplored the "mad running" after foreign capital to boost industrial output. Some members also called for making the plans more agro-oriented.

Replying to the debate, the Finance Minister vehemently denied that there were any differences between him and the Deputy Chairman of the Planning Commission. His recent letters to the Prime Minister and Mr. Asoka Mehta, he said, were in connection with the strategy for the fourth Plan which was being formulated now. The next Plan would be a "big one", involving an outlay of Rs. 18,000 crores to Rs. 20,000 crores. A Plan of this massive size obviously necessitated a clear enunciation of the strategy, he emphasized. The Finance Minister further stated that in view of the heavy indebtedness of the States to the Centre, the Union Government had now to decide whether it should take over all the major projects such as those for power generation. The States might be asked to incur the working expenses on such projects out of their revenues and when these projects started yielding profit, the interests on the loans advanced by the Centre could be collected. The Finance Minister also indicated that he would seek the permission of the House during the current session to amend the Income-tax Act, in order to make it more effective and to remove some legal defects in the way of easier collection of income-tax. The provocation for amending the Income-tax Act obviously has been provided by the recent judgment of the Supreme Court that when alterations were made in assessment on appeal, the assessment had to be made de novo. In regard to the relationship between the Finance Ministry and the autonomous bodies like the Life Insurance Corporation as well as between Parliamentary Committees and such organisations, the Finance Minister expressed the view that the whole matter had to be studied again and the Government had to decide how far it could intervene in the working of the autonomous bodies. Defending the Government's policy to attract foreign investments, Mr. Krishnamachari asserted that without progress, standard of living of the masses could not be raised. Foreign money did not destroy the social set-up India had.

Unusual Pandemonium

The debate on the demands for grants for the Ministry of Home Affairs was marred by an unprecedented pandemonium which prevailed in the House following Mr. Frank Anthony's observation that minorities in India faced danger from the revival of religious and caste feelings in the majority community. He alleged that all the political parties were conniving at this revivalism and this had resulted in the Muslims walking in the shadow of death. Such serious allegations naturally could not go unchallenged and various members made a demand for expunging them. The other matters which figured prominently in this debate were the plight of the landless labour, high costs of litigation, infiltration of Pakistani Muslims into India, rooting out of corruptions, the Kashmir situation, Sheikh Abdullah's utterances and the need for administrative reforms. In regard to checking of corruption, it was urged that the Santhanam Committee's report should be implemented without delay.

The Minister for Home Affairs, Mr. G. L. Nanda, in his reply, stoutly refuted the allegations made by Mr. Anthony and characterised them as a traversity of the truth. He assured that all the resources of the State would be used to protect the minorities and pointed out that the communal disturbances in India were the repercussions of persecutions of minorities in East Pakistan. Dwelling at length at the steps taken by the Union Government for quelling communal disturbances, he said that no stone would be left unturned to maintain peace in the country; the Government would use the Defence of India Rules and other powers without hesitation to round up all the anti-social elements. Mr. Nanda rejected the demand for ending the emergency and renewed his pledge that if substantial progress was not achieved in eradicating corruption within two years, he would go. Regarding Kashmir, Mr. Nanda reiterated that the State's accession to India was irrevocable.

Intervening in the debate, the Minister of State for Home Affairs, Mr. Jaisukh Lal Hathi, and the Deputy Minister, Mrs. M. Chandrasekhar, made several important announcements. Mr. Hathi revealed that the Government had decided to set up special cells in the Ministries of Law and Home Affairs for studying the question of judicial reforms. A department of administrative reforms was also proposed to be created. Mrs. Chandrasekhar disclosed that the Government proposed to amend the Untouchability Act to make it more effective. The State Governments were being asked to cancel the licences of the cinemas, hotels and other commercial establishments which practised untouchability. Mrs. Chandrasekhar also revealed that the Government was thinking of having a national service of doctors, etc., so that the requirements of the defence forces could be speedily met in times of emergency.

Question Hour

Aid-India Club: The Deputy Minister for Finance, Mrs. Tarakeshwari Sinha, revealed in Lok Sabha on April 16, that India had pressed its case for further untied aid at the meeting of the Aid-India Club held in Paris in March last. The response from the members of the Consortium, she added, had been good. The decisions of the various participants, however, would be available only at the Club's pledging session to be held on May 26. Availability of untied loans, she point-

ed out, would enable purchase of equipment for various projects from the most competitive sources.

Steel Controller's Office: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, assured the Lok Sabha on April 17 that the staff that may be rendered surplus in the main office of the Iron and Steel Controller in Calcutta by the implementation of the Raj Committee's recommendations, would be absorbed in suitable existing vacancies or those that may arise in future in the other Central Government offices in Calcutta. No estimate, he said, however, was available as yet of the number of the employees likely to be rendered surplus because of the re-organisation of the Steel Controller's Office.

Manufacture of Tractors: Mr. Subramaniam also revealed in the House on April 17 that the Union Government was considering the establishment of a big public sector project for the manufacture of tractors. Some States had written to the Central Government suggesting that this project should be located in their jurisdiction. The Punjab Government had even suggested that it should be allowed to start a tractor manufacturing unit of its own. The various requests were under the consideration of the Union Government. The need to set up a tractor manufacturing plant in the public sector arose because the progress made by the private sector units licensed in this line was not considered satisfactory. Mr. P. C. Sethi, Deputy Minister in the Ministry of Steel, Mines and Heavy Engineering, told the House that with a view to rectifying the situation, the Union Government had also lifted the ban on licensing of further capacity for the production of tractors. A number of new schemes had been received. These were being examined. Efforts were also being made to step up production in the existing units through larger allocation of foreign exchange for import of components and raw materials as well as capital goods.

Cement Research Institute: The Minister for Industry, Mr. Nityanand Kanungo, told the Lok Sabha on April 17 that a Cement Research Institute was proposed to be established near Delhi as a co-operative venture in which all the cement producers in the country and CSIR would participate. For providing finance for the institute, the industry would contribute 10 nP. per tonne of cement sold in India. The CSIR had agreed to sanction grants up to an amount equal to the contribution made by the industry. The blue-print for the institute would be finalised in about six months.

Management Cadre: Mr. Kanungo also revealed in the House on April 17 that the Government had rejected the suggestion for constituting an all-India managerial cadre for employment in public sector undertakings. There were about 60 public sector enterprises in the country, he said, and each was an independent unit, legally and constitutionally. It was not thought proper to interfere with their working. The Government, however, was considering certain model rules of recruitment. When finalised, these would be sent to the managements of the public sector companies for their guidance.

Protection to Plants: The Minister of State for Home Affairs, Mr. J. L. Hathi, told the Lok Sabha on April 15 that the Government would be prepared to extend the benefits of the proposed industrial plant protection scheme to the private sector establishments. The broad outlines of this scheme, he said, had been communicated to the States, but details had not been worked out as yet. The scheme envisaged raising of a security force to protect the national plants. The decision was taken at a recent conference between the Union Home Minister and the Chief Ministers of States.

Sugarcane Price: The Minister of State for Food, Mr. A. M. Thomas, told the Lok Sabha on April 14 that there was no proposal under consideration at present for further increasing the price of sugarcane for the 1964-65 crushing season. The minimum price fixed for the ensuing season was Rs. 4.96 per quintal at the factory gate for a recovery of 9.4 per cent or below. For every 0.1 per cent increase in recovery above 9.4 per cent, the minimum price was to be increased by 4 nP. per quintal. The prices payable by individual factories for cane supplies to them during the next crushing season would be notified after the recovery from the supplies effected to them during the current season were known. Mr. Thomas, however, indicated that the Government might consider the situation further in August as to wheher it was necessary to give any further incentive to the canegrower. The Minister added that attempts were being made to pay each grower according to the sugar recovery from his cane.



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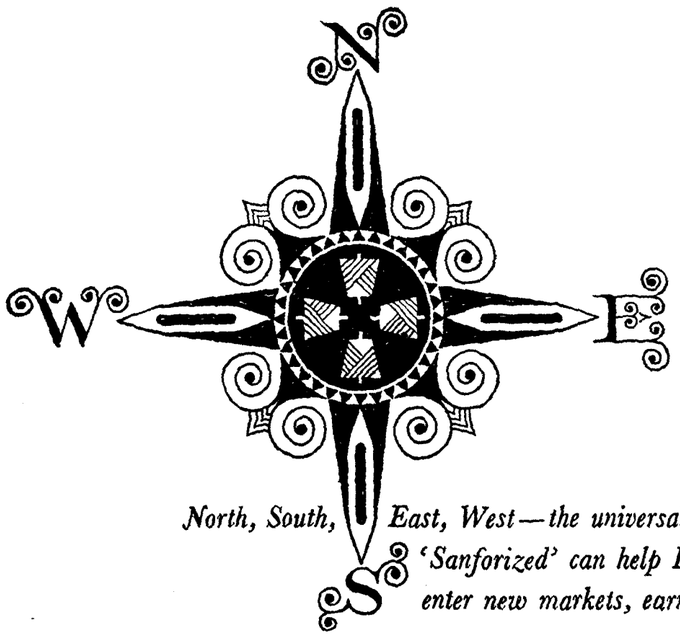
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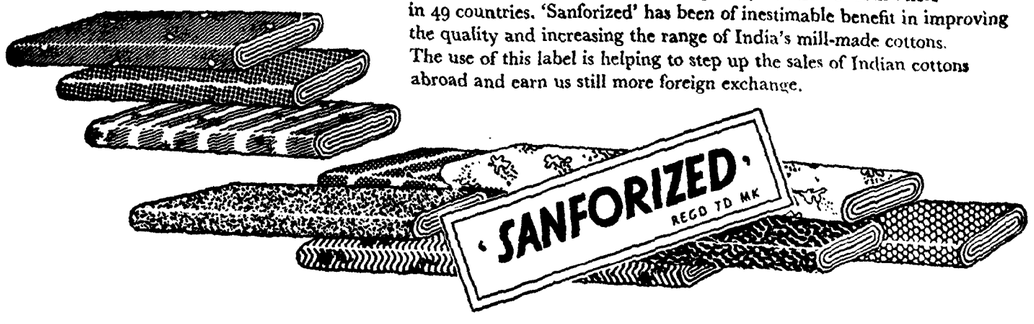


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OUR POPULATION PROBLEM—V

Essentials of A Strategy

R. CHOPRA

AFTER 16 years of freedom and 12 years of planned economic progress, we are slowly realising that the exploding population is our most serious problem and the only obstacle in the way of rapid economic growth. But the realisation has not yet been matched by the will and determination to bring the population growth under control. We still feel that some time, somehow the population will stabilise. We are hoping for a miracle to take place, to make the people suddenly conscious of the evils of large families. Otherwise how else can we explain the insignificantly small budget allotment for Family Planning?

To achieve results, both short-term and long-term, it is essential that the problem of population control should be tackled on a war footing and immediately. Mobilisation of all our resources and very generous budget allotments are necessary. The programme should be manned by the best people we can lay our hands on in the country as well as abroad. "For, no matter what we do in other fields, if the population is not controlled and soon, it will most assuredly frustrate our prospects for self-fulfilment.

Outline of Plan

It is now proposed to discuss an outline of a plan for an all-out attack on the population problem. The plan is based on the following basic assumptions:

(a) There should be no limit to the budget allotment for Family Planning. Before the reader rejects this assumption he is requested to study the financial implication of this programme for family planning (which will be discussed later on) compared to the capital investment that will be required if the population is allowed to grow unchecked.

(b) The democratic method of popularising family planning and the voluntary and conscious acceptance of it by the people is the best way both in the short and the long run. It is only the initial resistance which is most formidable. Hence a programme as vital and as sensitive as family planning should be massive and intensive in its educational approach and leave nothing to chance.

(c) The work on the programme should start immediately to recruit, train, organise and plan. It will be launched as a full scale attack on the problem along with the fourth five-year Plan and will last till the end of the fifth five-year Plan.

The plan which is aimed at cutting down the actual number of births is based on the following fundamentals:

(a) **Contraceptives:** They form the core of the plan.

(b) **Sterilisation**

(c) ***Abortion:*** *This is a controversial* point and may or may not be accepted. But it is worth considering soberly and rationally. After all a country as civilised as Japan has legalised abortion and practically every country has hundreds and thousands of illegal abortions every year which are really harmful to the health of the mother and would be minimised if abortion is legal and open.

(d) **Organisation:** A large, dedicated and disciplined organisation of professional men (and women) working whole time is very essential. Voluntary help is most welcome provided it is dedicated. The usual part time social workers (ladies, particularly wives of important people who "dabble" in social work) are worse than useless. They tend to use such programmes as stepping stones to social success.

(e) **A comprehensive propaganda machinery:** Every type of modern communication aid such as television, films, radio, newspaper, seminars, talks etc. should be pressed into service to show the advantages of Family Planning from social, economic, health, political etc. angles.

(f) A programme like this which aims at changing the centuries-old traditions and customs and in fact questions some of the basic axioms of society and touches the most intimate part of a person's life, can only succeed if each individual is given individual as well as group attention.

(g) Motivation without the means to practise Family Planning is of little or no use. Studies have shown that even where motivation for family planning exists, if the means, i.e., contraceptives etc., are hard to get or expensive the people quickly lose interest in family planning. Motivation backed by ample and easy access to the means for family planning is essential.

(h) The programme, which would require the combined effort of thousands of people at a pitch as high as say, during the war, must necessarily be over during as short a period as possible. That is why the period 1966-76 i.e. 10 years is considered as the maximum for sustained effort. The programme, therefore, must be massive and fool-proof and nothing should be left to chance so that we are able to accomplish what we set out to do within ten years or less.

Central Theme

The central theme of the family planning organisation as envisaged is that individual attention will be given to every married couple. Experience has shown that any plan which deals with such an intimate part of a person's life must aim at providing attention for each person if success is desired. Group psychology and "extension approach" are also very important but cannot replace individual attention. Remember, that each human being likes to be treated as a self respecting individual and not as "one of the crowd."

Family planning is for married couples. It is estimated that at the start of the programme there will be about 12.00 crores married couples in the child-bearing span of life. At

the lowest level of the organisational chart, say at the village or field level, the plan aims at providing one village/field level worker for every 600-700 married couples or a population of 2,500-2,800 people. Hence we require nearly 2,00,000 village/field level workers. The entire country will be suitably divided into groups of 600-700 married couples with one village/field worker in-charge. Above him will be the block, district, divisional, regional, State, zonal and central level officials and workers.

The organisation chart above the village/field level worker will be as given below:

Village/field level	1 for 600-700 couples	200.000
Block level	1 for 6 village/field level	33,000
District level	1 for 6 Block level	5,500
Divisional level	1 for 6 District level	1,000
Regional level	1 for 5 Divisional level	200
State level	1 for 5 Regional level	40
Zonal level	1 for 5 State level	8
Central level	1 for 8 Zonal level	1
	TOTAL	239,749

The "span of control" at each level has been deliberately kept at one boss controlling six subordinates. In this connection, the following statement attributed to an Army General, from the writings of Lyndall F. Urwick is worth quoting:

"The average human brain finds its effective scope in handling from three to six brains. If a man divides the whole of his work into two branches and delegates his responsibility, freely and properly, to two experienced heads of branches he will not have enough to do. The occasions when they would refer to him would be too few to keep him fully occupied. If he delegates to three heads he will be kept fairly busy whilst six heads of branches will give most bosses a ten hours' day. Those data are the results of centuries of the experiences of soldiers, which are greater, where organisation is in question, than those of politicians, business men or any other class of men.

Politician Running Business

"Of all the ways of waste there is none so vicious as that of your clever politician trying to run a business concern without having any notion of self-organisation. One of them who took over munitions for a time had so little idea of organising his own energy that he nearly died of overwork through holding up the work of others; i.e. by delegating responsibility coupled with direct access to himself to 17 sub-chiefs! Now it will be understood why a Battalion has four companies (and not 17); why a Brigade has three or four battalions (and not 17).

"Organisations are run by rule then; a rule whereby from three to six 'hands' are shepherded by one 'head', each 'head' in turn being member of a superior group of from three to six who are being wheeled into line one by one....

"As to whether the groups are three, four, five or six, it is useful to bear in mind a by-law; the smaller the responsibility of the group member, the larger may be the number of the group and vice versa. That is to say, one NCO in charge of three private soldiers would be too idle; one lieutenant general in charge of six divisional generals would be too busy. The nearer we approach the supreme head of the whole organisation, the more we ought to work towards groups of six"

The above organisation will be purely a "Line" organisation on the lines of a military organisation. In addition to it there will be nearly 20,000 more at various levels to provide propaganda, advertisement, accounts, personnel, welfare, office work, procurement, distribution and other specialised and general services including the upkeep of the audio-visual and other aids. In short, they will be similar to the General Staff and other specialised agencies of the Armed Forces.

The population control programme is so vast and so vital to the country's progress that the entire organisation needs to be headed by a Minister at the Centre. To avoid any lack of co-ordination between the Centre and the States, the entire programme shall be under one authority and that of the Central Ministry. Many of the present-day ills of lack of co-ordination, waste of money, dissipation of effort, indiscipline etc. will thus be avoided.

Attractive Salaries

The personnel at various levels should be paid salaries which are attractive enough to attract the best talent in the country. This is very important since the entire success of the plan depends upon the type of persons in the organisation.

(a) As the staff will be very widely dispersed and living kept in mind:

(a) As the staff will be very widely despersed and living under comparatively difficult conditions, discipline should be strict. In fact, Army personnel would be desirable at the lower levels provided they meet the other requirements. But in any case, discipline should be as strict as in a Military Organisation.

(b) Adequate incentive for good work and punishment for delinquency should exist and everyone should be aware of it. Targets to be achieved should be set and rewarded when achieved. These will be discussed later in more details.

(c) Up to the Block or District level, no income tax, house rent, provident fund shall be deducted. This will be an added incentive at those levels. In addition, the PCP staff at all levels shall be paid a bonus up to a maximum of half the total wages earned during the ten-year period of the PCP. The bonus will be proportional to the loyalty, conduct and initiative of each individual, the achievement of targets and the individual's overall contribution to the success of the PCP.

(d) The staff at lower levels must know the local language, customs and traditions. They should be from the same locality and thus acceptable to the populace.

(e) The staff at all levels must be adequately educated to effectively carry out the programme.

(f) The duties and responsibilities of each individual in the organisation at all levels shall be laid down in as great details as possible. This will ensure that the minimum effort required for the success of the PCP is put in, while leaving enough scope for the development of a person's initiative.

(g) The personnel should be married with not more than two children. It is desirable that they should volunteer for sterilisation, but it is not compulsory.

(To be continued)

WINDOW ON THE WORLD

Disinflation Without Tears

From our Special Correspondent

PARIS:

THE PERFORMANCE of the French economy in the past six months is sufficiently remarkable to warrant attention, for it has belied the many pessimistic forecasts made with great assurance last autumn. At that time, and indeed from last summer, the signs of a dangerous inflation were all too evident. Prices were rising faster than anywhere else in the West with the possible exception of Italy. The competitive advantage that French exports had gained in the generous devaluation of December 1958 seemed to have been wiped out; the trade surplus that had been constant for over four years had narrowed and eventually been replaced by a small deficit; and the payments surplus was dwindling. Both these latter developments looked like being accentuated by the liberalisation of imports, firstly in the tariff disarmament within the Common Market, and then in the unilateral duty cuts decided upon in order to restrain domestic price increases.

Apart from these statistical indicators, the inflationary psychology looked to be returning: savings diminished, retail sales shot up, and labour agitation for higher wages began, assisted by an acute manpower shortage. The regime's political opponents concluded that the much vaunted virtues of strong stable government had failed to save the Fifth Republic from the inflationary disasters of all its predecessors. They found the explanation of this failure not only in the present government's reluctance to modernise the country's credit and retail systems (all previous governments had shrunk from that, because it entails attacking powerful vested interests), but also in its pursuit of military independence. The great and growing cost of the national nuclear deterrent, in other words, was the root cause of the return of inflation in France.

Dangerous Situation

By September of last year, the dangers of this situation were admitted even by a Finance Minister who had till then chosen to explain away alarming symptoms of inflation as the backwash of such accidents as the cruel winter of 1962-63 and the long coalminers strike. Thereupon corrective action was undertaken, was intensified in November and further completed by new measures announced periodically since. The battery of weapons used is impressive; with a fine disregard for economic doctrine, it includes almost every sort of measure ever tried, by liberal or socialist governments, to curb inflation — from the classic increase in bank rate to the subterfuge of a price-freeze that concenrtates on goods entering into official cost-of-living index-numbers. To this motley panoply is now being added (it takes time) the specifically Erhardian formula of strictly equal percentage increases in the national product and in the total size of the budget.

The curious thing is that, drawing ideas from liberal critics like Jacques Rueff as well as from socialist predecessors like Paul Ramadier, the Finance Minister applied none of them with any particular vigour. Consumer-finance was limited, but gently, on some goods one might say symbolically. The rise in bank rate was long in coming and was modest when it did. The reform of the money market was in a liberal direction, increasing competition between lenders, but stopped far short of the complete freedom recommended by theorists. The price-freeze was maintained but much less rigorously than by earlier governments who restored to this socialist measure: authorisation for increases can be obtained more simply, and there have even been cases (as with textiles) of the administration shutting its eyes to illicit increases. The volume of bank credit has been restrained, but by no means pegged: the authorities are satisfied when the pace of increase of total advances slows down, and have not tried to keep that pace down to the 5 per cent annually that the Brussels experts think safe. The budget is being brought back nearer strict equilibrium, but the job is spread out over several years: the deficit began to fall two years ago and may not have quite disappeared in the 1965 budget. Similarly, the transfer of the financing of this deficit from short-term borrowing (Treasury bills payable on presentation) to long-term government loans is being managed gradually. And so on through the long list of varied (some said confused and incompatible) steps taken in the past seven months.

Empirical Procedure

In sum, the policy decided upon last autumn was a sort of cocktail, a series of touches none of which were very firm; gaps were stopped where they drew attention to themselves but exclusive reliance was not placed on any overall formula. Naturally, this empirical procedure satisfied no school of thought and must particularly have disappointed those who expect a French Finance Minister to show some logical consistency in his ideas. Dr. Erhard, who had been loud in his praises of the Pinay reform of 1958, refrained from approving M. Giscard d'Estaing's hotchpotch as ostensibly as did the trade unions in this country. The Minister contented himself with the reply that his programme was to be judged on its success, which might take many months to emerge, and meantime if anyone had suggestions about inflationary leaks that had been overlooked they would be attended to without regard for doctrinal consistency.

Still, the commenest opinion was that this incongruous mixture of stopgaps added up to deflationary medicine: the expansion of French industry would be broken, producers of durable consumer goods, notably automobiles, would be hard hit, and a retreat from full employment was inevitable. A lakh of unemployed was forecast for late last winter, and when it did not appear, the rendezvous was pushed back to this spring. Company profits, it was said, even were bound to contract and investments to decline, so that even if French industry succeeded in keeping its prices competitive with those of imports in the short term, this would be at the cost of being left behind by expanding West German industry. Worse, this deflationary contraction of the economy would probably be accompanied by continued price-inflation, a contradictory phenomenon that has been seen recurrently in the United States in recent years.

It is no doubt too early to say that the anti-inflation operation started last September has finally succeeded (does the time ever come when one can say that an economic policy has completely succeeded, and without engendering new ills?), but one can be definite about the fact that none of the above morose prophesies has been realised, nor seems in danger of being so. The present situation in a nutshell is this: the pace at which prices were rising has been more than halved without stopping the steady expansion of industrial production, without causing the least retreat from full employment and without reducing the gold and dollar reserves. So much is fact. As to the foreseeable future, the best opinion is that the continuing rise in prices can be further curbed till it falls from the current moderate rate to one comparable with that seen in West Germany, and that the highest price that need be paid for this is that the tempo of industrial expansion decline in the second

half of 1964 while remaining well in excess of 4 per cent annually. As for the possibility of unemployment during the rest of the stabilisation operation, it is no longer even mentioned.

The battle, then, is only half won but at no cost to the community, even to the wage-earners who protested that the whole affair would be at their expense. True, the injustices that appeared during the period of incipient inflation have not been corrected; lags that accumulated while prices were soaring faster than certain wages (those in the State sector, essentially) have endured, and there is no intention of removing them until the situation is safely stabilised — for at this delicate half-way point, any general increase of wages could be interpreted (and hence really act) as a renewal of the inflationary fires. But meantime, no sector's position has worsened, and everyone agrees, including the Leftist trade unions, that the chances of real success are too great for anyone to take the responsibility of wrecking the venture at this stage.

To say that no sector's relative position has deteriorated is to say too little, because in absolute terms all continue to benefit from the constant industrial expansion. Last month, for example, steel production set a new record and the first indication for April are that it will be bettered this month; automobile registrations similarly touched a new high last month; retail sales also climbed new peaks and were 9 per cent up in the first quarter, a figure that is more significant because the rise in prices was less this year. Electricity consumption in the same period advanced 10.5 per cent, whereas 7.5 per cent is the normal gain from one year to the next; petrol sales advanced 27 per cent. And so on through all the table of economic indicators, there is plain evidence that economic progress has been maintained during the course of a successful if unconventional campaign to eradicate inflation. This is a new experience for the French, and for that matter is not so familiar elsewhere either.

While reserving judgment on the government's ability to bring the movement of French prices strictly into line with that of West German prices, its interim achievement deserves note. To decry inflation is not to attack economic expansion, even in the short term. A stabilisation operation is not, as all trade unionists and many employers suppose, synonymous with an unpleasant spell of industrial stagnation and reduced employment.

Maudling's Lenient Budget

PAUL BAREAU

LONDON:

IT MUST at first sight seem unduly severe to criticise Mr. Maudling's second Budget as soft and lenient. It was certainly not the piece of electioneering, which one might have expected with the approach of a General Election. New taxes were announced to yield about £100 million and the choice (alcoholic drinks, tobacco) ensured that they hit as many voters as any increase in indirect taxation would have done. This is not the kind of budget that will turn the tide which has been running so strongly against the Conservative Party recently.

If, therefore, the Budget is to be criticised as inadequate it must be on the ground of the general arithmetic and not of the nature of the tax changes. The widely held view is that an increase in taxation by £100 million is not enough to secure the objective of this particular budget exercise, namely, a retardation of the rate of economic expansion in Britain from the somewhat giddy six per cent per annum which has recently obtained, to a more sustainable four per cent. A very few figures will illustrate the basis of this argument.

Shot in the Arm

A year ago, with his first budget, Mr. Maudling had to give the economy a much needed shot in the arm. There was a considerable margin of unused resources and unemployment was still relatively high. He decided to inject an additional £280 million of additional purchasing power into the economy, disregarding advice that was being showered on him from all quarters at that time, to make it £400 million. His judgment proved much better than that of his critics and it is to be hoped that in the offices of the eminent weekly journal which greeted the budget with the headline "Half-Speed Ahead" the faces to-day are appropriately red.

The outturn of Mr. Maudling's first budget was a current surplus of £73 million, a deficit on capital account of £551 million, leaving an overall deficit of £478 million. In his second budget the Chancellor has to deal with an economy which has taken up nearly all the slack that existed a year ago and which is now virtually at full stretch. Despite these changed circumstances, the Chancellor is again budgeting for a large overall deficit, which on a basis comparable with that of 1963-64 is in fact larger by about £120 million. It is very difficult to believe that this will secure the deceleration of the economy which the Chancellor said was his objective. He may, of course, once again prove more right than are his critics. Alternatively, he may here have provided a budget attuned to the timing of a June election which would have enabled him to take the more appropriate corrective measures after the electoral contest (or to leave his victorious opponents to clear up the mess).

The financial markets have put an inflationary interpretation on the Budget. Disregarding the pro-Labour tide in the country as a whole the Stock Exchange has hoisted the prices of industrial ordinary shares and has depressed those of fixed interest Government securities. Behind these divergent movements lies the argument that whatever a Labour Government may do by way of taxing company profits, the underlying investment considerations will continue to favour equity investment in the long run, that economic expansion will continue, that prices and profits will rise and, conversely, that this spells a continuing climate of relatively dear money and, therefore, justifies a lowering in the prices of gilt-edged securities.

If this be the reasoning, it must lead to other and perhaps more disturbing conclusions. If the Budget is inadequate in restraining demand and if, with the full use of available capacity of equipment and skilled labour wages, costs and prices begin to rise rapidly, balance of payments difficulties may loom up in the near future. The fear of a sterling crisis and of still dearer money lies behind the depression in the market for Government securities.

Such fears, however, seem premature. There has, admittedly, been some diminution in the balance of payments surplus of the United Kingdom. The surplus earned in 1963 has probably turned into a modest deficit in the first quarter of 1964, but the figure remains within wholly manageable proportions. There is convincing evidence that British industry is, by and large, in a satisfactorily competitive position in the overseas trade figures which have just been published. For two consecutive months, February and March, exports of British manufactures have reached record levels. Compared with the figures for a year ago, exports in the first quarter of the year were 9 per cent higher. Imports have admittedly risen even faster; but part of the explanation lies in larger use of industrial materials by expanding British industry and in stockpiling of these materials. For the rest the greater part of this increase in imports is due to higher prices, a movement which Britain can hardly grudge to the primary producing countries, which for so long have had the terms of trade screwed tightly against them. If all goes well an appropriate proportion of those increased imports of industrial materials will in due course be converted into still larger exports of manufactured goods. The present trend of exports suggests that this will duly occur.

The other reassuring factor in the balance of payments situation lies in the fact that the inflationary trend is rather more marked in many other industrial countries than it is in Great Britain. There has been an important and highly significant meeting of the Finance Ministers of the six countries of the Common Market in Brussels this week at which their collective inflationary troubles were discussed. Some attempt has been made by the Common Market Commission in Brussels to lay down the lines of sound monetary and budgetary policy, but laying down lines is one thing, following them is another. Financial policy is still the strictest preserve of national sovereignty and there are many even unsceptical people who gravely doubt whether the sound advice which is now being showered on these inflating countries, particularly on Italy, will in fact be accepted and followed. There is, therefore, a grain of negative comfort for sterling, in the fact that other currencies are being undermined even more rapidly.

The final reassurance for sterling comes from the massive structure of available reserves. The gold reserve is still being strengthened and now amounts to about £1,000 million. No debt is owing to the International Monetary Fund or other central banks, with which Britain has mutual credit facilities. The technical position of the currency is, therefore, reassuringly strong. This strength could, however, be deceptive if, as a result of an unduly lenient Budget, the British economy, instead of slowing down to a sustainable rate of growth, were to leap forward into galloping inflation. The next few months will show whether the fears which Mr. Maudling has unleashed will be realised or whether once again he will have read the omens better than most of his critics.

Themes for Geneva

ASHOK V. DESAI

OXFORD:

THE OPENING speeches set out the themes on which the Geneva Conference will play variations in the next few weeks. M. Manubhai Shah expressed dissatisfaction with the GATT and suggested that it needed to take cognizance of trade with the Communist countries and the special arrangements that governed it. Mr. George Ball, the US Under-Secretary of State, argued for across-the-board tariff reductions by industrial countries and policies to maintain high rates of economic growth. Mr. Giscard Estaing, French Minister of Finance, set forward a plan whereby each industrial country would give special tariff preferences to particular under-developed countries and act as a guinea pig on which they might practise exporting.

In expressing doubts about the efficacy of GATT, Mr. Manubhai Shah voiced a widespread feeling of the under-developed countries; most of them would not mourn much if the GATT passed away. The basic reason for this feeling is that the GATT has done nothing towards solving the chief problem of under-developed countries — the shortage of foreign exchange resources. In the 1950's, these resources were depleted by the worsening of primary producers' terms of trade; now, while the terms of trade are improving, the Russo-American detente might lead to a contraction in the flow of aid. Even in the absence of such a contraction, the distribution of aid is very uneven and dependent on political and para-military considerations. Hence most under-developed countries have an interest in augmenting their export earnings.

Two Approaches

There are two possible approaches to the problem of raising export earnings: increasing the volume of exports and raising their prices. A choice has to be made between them since they are mutually incompatible; and very different obstacles stand in their way.

The chief obstacle to an increase in the exports of semi-temperate food products is agricultural protection in industrial countries. Elaborate systems of agricultural protection were built up in the depression of the nineteen-thirties and in the ensuing war, and arguments have been found for its continuance after the war: it has been defended on the grounds of more equitable distribution of income between agriculture and industry, and on balance of payments grounds.

The case of manufactured goods is similar to that of semi-temperate foods: their exports from under-developed countries are hindered by protection in industrial countries. All countries have given protection to their industries in the process of growth, and protection has acquired all the sanctity of a tradition.

The exports of raw materials are not generally hampered by protective policies; many of them are, however, facing the competition of synthetics. Thus, natural rubber is being replaced by synthetic rubber, jute by paper, some minerals by plastics and vegetable oils by resins. And the technological fertility of the chemical industry is such that substitutes will be found for an ever larger number of natural materials.

Competition from Synthetics

This competition of synthetics has not touched tropical foods, and beverages yet: in fact, many of them have come to be favoured by the consumers in temperate industrial countries quite recently: large-scale exports of bananas and citrus fruits from the warmer countries have developed in the last decade, and the European demand for coffee has risen sharply. For the staple tropical foods, however, the response of demand to increases in incomes is meagre, and the prospect of a rapid rise in their exports is bleak. Further, their world market is divided up by the imperial preferences of the Commonwealth and the EEC. And in industrial systems, production follows demand. It must not be assumed that industrial countries will inevitably import their tropical foods. It is chastening to know that the United States is now the biggest exporter of rice, and promises to become, in the next decade, the biggest producer of sorghum, a cereal which India could hitherto regard as its own. About the only tropical products that industrial countries would not produce are those whose production cannot be mechanised — chiefly plantation products — and the demand for them is not likely to grow rapidly anyway. Further, the distribution of industrial countries' demand for tropical products is very local: Europe obtains much of its citrus fruit

from the Mediterranean, while the Americans run orchards in Central America for their requirements.

Plans to raise prices also run into difficulties. Often the technical conditions of production rule out any long-term price increases. The prices of many raw materials are held down by the prices of their synthetic substitutes, and are often lower to compensate for the superior quality of substitutes. Similarly, the prospects of raising the prices of goods whose production can be easily expanded are not very bright. There are, for example, vast areas in Africa where the production of coffee and cocoa can be extended: their output cannot be restricted, and international price-fixing in their case would break down. It would work better in the case of labour-intensive products like jute and tea, for they require population densities which are rare outside the present growing areas in South-East Asia. The Portuguese have been trying to develop tea growing with conscript labour in Mozambique. They have not, however, made much impact on the world market, probably owing to labour scarcity. But both tea and jute have close substitutes which would limit price rises. The prices of non-ferrous metals, especially tin and copper, have turned up sharply in the past year, but the long-term prospects are not so rosy for any of them except aluminium, which is being increasingly substituted for other metals.

Divergent Interests

Two facts emerge from this review of demand conditions. First, the policies required to increase the export earnings of primary producers depend closely on the products they export, consequently their interests in this field are divergent, and in some respects such as preferential trading arrangements, conflicting. This explains why there has been little co-operative effort between under-developed countries in the matter of trade policy. In political matters they have often acted together: their protests against nuclear testing have been effective, and recently they have been engaging in a lively game of chasing South Africa out of international organisations. But they fall apart when it comes to questions of trade, for they do not see any identity of interests. This is also the reason behind the search for an international trade organisation: there is the expectation that a reformed GATT or a new institution will solve their trade problems for the under-developed countries and save them the trouble of co-operation.

Second, the exports of under-developed countries can be divided into two groups facing very different obstacles to their growth. In the first group come the raw materials and the traditional tropical beverages whose exports are limited primarily by technical and economic factors — competition of synthetic substitutes in the former case and low income-elasticities of demand in the latter. There is little scope for policy here, for no measures to stimulate demand can be contemplated. In the case of processed goods and temperate (as well as some tropical) foodstuffs, however, protection diverts demand in industrial countries to home produce, and preferential arrangements to the produce of countries within the trade blocs; this is where the scope for new policies lies.

One can proceed in two directions here. First, the tariffs and quota restrictions in industrial countries might be dismantled. This will be a difficult and tortuous process, since there are often powerful interests for protection; and even where a government is ready and able to ignore such interests, it is difficult for it to turn a blind eye to the dislocation and unemployment that follow the decline of an industry in the face of imports. Given the will, these difficulties can be met: an arrangement can be worked out, for example, whereby the rate of reduction of a tariff will be inversely related to the rate at which imports capture the home market, so that the rate of decline of home industries can be regulated. The general difficulty in the dismantling of protection is not economic and technical but political; and under developed countries must apply persistent political effort to the task of obtaining freer entry into the markets of industrial countries.

The second approach is to abolish the division of export markets by preference systems. This will not in itself lead to an expansion of these markets, unless it is accomplished by reducing tariffs in Britain and the EEC; but it will end the division of interests which hampers co-operative effort by under-developed countries. And co-operative effort between them is necessary today, not only in inducing industrial countries to reduce tariffs, but in working out trading arrangements among themselves whereby they can conserve their foreign exchange resources and grow as rapidly as possible within the foreign exchange constraint.

In fact, the hope for under-developed countries in the long run lies, not in expanding their markets of primary produce, but in building up their own capacity to produce industrial goods. For, as Maizels points out in his recent study 'Industrial Growth and World Trade', "technological changes and secular shifts in demand both tend to reduce the requirements of industrial countries for primary produce in relation to their total income", and "there seems little doubt that in the final quarter of this century international trade in manufactures is likely to be largely, or even mainly, in the 'development sector' of engineering and chemical products." So whether they want to reduce imports or increase exports, under-developed countries will have to produce engineering products and chemicals. All of them are, however, by no means capable of producing these products with equal efficiency, and they will need to specialize between themselves. In other words, they will need to have free trade arrangements between themselves, and to co-ordinate their plans of industrialization.

Prebisch Plan

It is from this long-term point of view that the merits of Dr. Raul Prebisch's plan stand out. Dr. Prebisch, who is the Secretary-General of the Geneva Conference on Trade and Development, has proposed that (a) industrial countries should give blanket preferences to imports of manufactured goods from under-developed countries, and (b) an international fund should be financed by industrial countries from which under-developed countries would receive development aid to compensate for deterioration in their terms of trade.

Blanket preferences will extend markets for manufactures of under-developed countries, and at the same time dismantle the preference systems of the EEC and the Commonwealth. They will thus serve both the ends we have outlined above. The compensation fund is designed to ensure the stability of foreign exchange flow to under-developed countries. It is uncertain, however, whether it will achieve its objective. The fund will, presumably, provide finance if the export prices of a country fall below those in a base year. The difficult question is, however, whether the compensation would be calculated from the export volume of the base year or the current year. If the base year export volumes are used, the base year export earnings will set an absolute limit to the finance a country can get, which might come to bear no relation to its current exports or requirements. If, on the other hand, compensation is based on the current volume of exports, the receipts of foreign exchange will be proportional to the volume, and there will be an incentive to export as much as possible regardless of the price. A glut of primary goods can result. Thus, the compensation scheme is likely to break down in either form.

However, controversy in the Conference is not likely to centre around Prebisch's proposals, for it has neither powerful backers among the industrial countries nor the unanimous support of under-developed countries. Discussion will turn more and more towards the American proposal of across-the-board halving of tariffs by the US and Western Europe and the EEC tendency towards special concessions to particular countries. Hitherto, the EEC line of approach would have won wide support because most under-developed countries belong to the British or the EEC preference system: Latin American and a few South-East Asian countries are the only ones without sheltered markets. Recently, however, the attraction of preferences in the British market has greatly diminished, and it is likely that many Commonwealth countries will favour the American proposals. The EEC and ex-French Africa might, therefore, find themselves isolated.

Isolation will, however, do little to change their views, and it is probable that the Conference will founder on the schism between America and W. Europe. We might expect it to set up some new committees or organisations which hurt no one; but new policies are unlikely to emerge. It is just possible, however, that the Conference might lead to a crystallization of international opinion around the Prebisch, American and European proposals, a definition of approaches the international community could follow and the degree of support they muster. This would by itself be a great step forward, for once policies were defined, world's governments would have something to grip on, and political forces might start working towards whichever solutions attract most powerful support.

Effective Use of Development Capital

GUY SIMS FITCH

WASHINGTON:

AS THE United Nations Conference on Trade and Development (UNCTAD) enters its fourth week, it faces as one of its major issues the problem of expanding the flow of capital to developing nations. This flow helps these nations not only to build farms and factories, but also to increase the foreign exchange earnings at their disposal to buy the capital goods they need. It thus has a direct bearing on the capacity of developing nations to somehow reach a balance between their earnings from exports and the cost of importing the equipment required to carry out development programmes and raise living standards.

At a recent meeting of the UNCTAD committee primarily concerned with this problem, the United States had some significant ideas to offer on how these objectives can be achieved. It should be noted, in this regard, that the United States has long based much of its foreign economic policy on the large-scale transfer of resources to developing countries under suitable terms.

Emphasis on Development

As the U.S. delegate pointed out, from 1948 to 1963 economic assistance by the United States to newly developing nations amounted to no less than $37,800 million. This is entirely apart from the $14,900 million extended for military aid in the same period. Just in the past six years, reflecting the increased emphasis on development needs around the world, U.S. economic assistance amounted to $21,200 million. Of this, some $10,000 million was in grants and the rest in loans on generous terms. The trend is amply illustrated by the fact that the level of annual U.S. economic aid of all kinds was about $4,500 million in 1962 and 1963, nearly double the $2,400 million in 1948.

Put another way, U.S. Government assistance amounted to about 12 per cent of all the foreign exchange receipts of developing countries in 1962. A principal objective of this U.S. aid has been to increase the export earnings of new nations. The United States has sought to do this in two basic ways. For one, it has provided assistance to both the agricultural and the industrial sectors of developing economies, offering a direct boost of export capacity. For another, it has encouraged indirect expansion of exports by providing capital needed to build power, transportation and port facilities, which form an indispansable basis for direct export production.

In the process, this U.S. assistance has helped developing nations finance imports of needed materials and components, has helped reduce their dependence on imports from the outside, and has contributed substantially to the general strengthening of their economies. The practical results of these U.S. assistance programmes are to be found in all parts of the world.. A few examples will suffice: construction of the massive Niger dam in Nigeria; support for national development plans of such countries as India, Pakistan and Colombia; assistance for the mining industry of Bolivia. The United States also is aware of the advantages of multilateral financing for economic development. It has, for example, played a leading role in the establishment of the International Development Association, soft-loan affiliate of the World Bank, and of the Inter-American Development Bank. It has contributed the largest share of any country—more than 40 per cent of all contributions—to United Nations agencies engaged in promoting economic growth in developing countries.

Apart from Government assistance, there is the recognized role of private investment in development. The United States has undertaken a number of initiatives to encourage American business to put money and know-how into developing areas, ranging from investment guaranties to preferential tax treatment. Legislation now is pending in the United States that would further assist borrowing by developing nations, and President Johnson has proposed a new special tax credit for investment undertaken by American companies in these nations.

How much private investment actually flows to developing countries depends to a large degree on what these countries do to attract that capital. With capital demands rising throughout the world and investment funds limited in quantity, the flow is bound to be affected by the policies and economic opportunities offered by developing nations. When these various aspects of the development picture are viewed as a whole, it is evident that solving the problems of economic progress depends greatly on the effective use of practical instruments in the related fields of trade and aid. The United States is making it clear at UNCTAD, as it has on other occasions, that it will continue to seek solutions which offer the soundest promise for raising living standards and achieving development goals.

LISTENING POSTS

PL 480 Funds to Rescue Again?

By Our Special Correspondent

NEW DELHI:

THE PL 480 counterpart funds may be utilised for underwriting capital issues of new Indo-US collaboration ventures. A proposal to this effect is understood to have been mooted during the last week's visit of the US industrial and business magnates to New Delhi. The idea, however, is still at the discussion stage. The approval of the US Congress may have to be obtained for it.

The scheme envisages creation of a Trust out of the PL 480 funds accumulated here. The Trust will undertake to provide rupee resources for any new Indo-US industrial venture, to the extent required, through participation in its share capital. But this participation will not be of a permanent nature. The Trust's holdings will be available for subscription by Indian nationals. With the Indian public taking up the share of the Trust in an enterprise, the Trust will withdraw from the scene completely. This mechanism, it is thought, will help in mitigating the rigours of the rupee finance shortage that India is facing today. With rupee funds thus assured, the flow of US private investments into this country is expressed to receive a fillip.

In case the above proposal fails to receive support either from the US Administration or from the Government of India, another scheme has also been suggested for overcoming the hurdle of rupee capital for the new Indo-US collaboration ventures. Under this plan, the collaborating US company may provide capital in dollars initially in excess of what it may be required to put in under the collaboration arrangement approved by the Government of India. The excess capital will then be offered to the Indian public gradually for subscription. The US industrialists are understood to have appreciated the Government of India's point of view in allowing only minority share to foreign investors in industrial undertakings here. They have shown willingness to participate in India's industrial development on this basis.

Fruitful Talks

The US industrial and business magnates had had very fruitful talks with the Union Government officials during their stay here and were impressed by the efforts being made to attract foreign private capital. They found India a good market for investment in view of the political stability obtainable in the country, the functioning of a "well-groomed" democratic government and the consumption opportunities offered by a population of 450 million. The ease with which Indian technicians have been learning new and complex techniques is also understood to have impressed the US industrialists. The members of the US delegation will be conveying the benefits of their discussions with the Indian officials to a comprehensive industry group in New York some time next month.

The US industrialists and business men, however, are said to have pinpointed three hurdles in the way of increased flow of foreign private capital to India. While appreciating the efforts being made to simplify licensing procedures in the light of the Swaminathan Committee's report, they are understood to have impressed upon the Union Government the desirability of doing away all the unnecessary and cumbersome controls and regulations. The recent decontrol of prices of 16 commodities was hailed by them and in this measure they saw a healthy trend of thinking in the official circles.

The second point said to have been stressed by the US delegation was the desirability of India following a reasonably long-period taxation policy. Too frequent changes in the tax structure and giving of retrospective effect to taxation measures, they are understood to have opined, would scare away the foreign investor. The third point to which they attached great importance was the tax reliefs given to foreign technicians for only a period of three years. This period of time was considered by them too short. They urged the Finance Minister to take a broad view of the matter as training of Indians for complex jobs could take as many as five to eight years.

The one concrete result of the US business men's visit has been the finalisation of the collaboration agreement between EID Parry Ltd., Madras, and the California Chemical Company and International Minerals and Chemicals Corporation of the United States on setting up the Rs. 32.5 crores Vishakhapatnam fertilizer plant, capable of producing 365,000 tonnes of complex fertilizers and 16,500 tonnes of prilled urea per annum. Negotiations were also held for a number of other undertakings. Agreements in regard to these are expected to be announced within the next few weeks.

The US industrialists evinced interest in collaborating in such vital industries as heavy machinery, tool-making, chemicals, fertilizers, electricals and electronics. They also showed inclination for starting processing industries in partnership with Indians for boosting exports

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In view of the fact that development of agriculture occupies a pivotal position in determining the tempo of industrialisation, expansion of employment opportunities, growth of exports, accumulation of savings and capital formation in this country, the Planning Commission's Working Group on Agriculture is understood to have called for a minimum growth rate of 5 per cent per annum in this sector during the fourth Plan period. This implies a substantial stepping up of efforts, as the rate of agricultural growth during the past 12 years has been of the order of only 3.5 per cent per annum. The Group is said to be of the view that a growth rate of 5 per cent is not out of reach and should be possible of achievement in view of the fairly high techno-economic potential already created.

The Working Group, it is further learnt, has emphasised the need for making the village, block and district agricultural plans a reality and has strongly urged preparation of area plans for at least one district in each State to begin with. It has suggested that the State Governments may be advised to draw up their fourth Plan agricultural programmes keeping in view a 5 per cent per annum rate of growth. If there is any likelihood of a shortfall in this regard, they should consider special measures

The Group had estimated that for achieving the suggested target, a provision of approximately Rs. 2,750 crores will have to be made for agricultural development programmes in the fourth Plan, as against Rs. 659 crores provided under the third Plan. The outlay on the major programmes may have to be of the following order: (i) minor irrigation Rs. 460 crores; (ii) soil conservation Rs. 275 crores; (iii) manures and fertilizers Rs. 490 crores; (iv) plant protection Rs. 127 crores; (v) agricultural implements Rs. 220 crores; (vi) animal husbandry Rs. 157 crores; and (vii) forestry Rs. 137 crores. The foreign exchange component in the overall Rs. 2,750 crore cultay is estimated at approximately Rs. 300 crores — nearly double the foreign exchange component of the third Plan agricultural development schemes.

The Group is also said to have made some tentative estimates of the material inputs required for a 5 per cent annual agricultural growth and is understood to have suggested that these will have to be of the following order: nitrogenous fertilizers 1.5 to 2 million tonnes (N); phosphatic fertilisers 0.7 to 1 million tonnes; potash fertilisers 0.35 million tonnes; pesticides 0.2 million tonnes; tractors 150,000 nos; power tillers 500,000 nos; steel and steel products 0.42 million tonnes and 3.6 million sq. ft. of tubular trusses; coal 2.5 million tonnes; and cement 5 million tonnes.

Although in terms of financial outlay, the agricultural development plan suggested by it is obviously an ambitious proposition, the Group is stated to have expressed the view that only minor modifications need be made in it. If there is a shortfall in the overall resources for the next Plan, it should be reflected in the development programmes of the other sectors of the economy.

The suggestions of the Working Group are understood to have been discussed at a meeting of the Planning Commission and Food & Agriculture Ministry officials last week-end. No firm decisions, however, are said to have emerged from this meeting.

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New Delhi welcomed last week the US Secretary of Agriculture, Mr. Orville L. Freeman. Though Mr. Freeman's visit is in connection with a conference being held here, of the US officials on agricultural development in South-East Asia, a great deal of significance is attached to this trip of his at the present juncture when India is passing through a difficult period on the food front. The Union Government, it is understood, will be having discussions with Mr. Freeman on extending the 1960 PL 480 Agreement for the supply of 15 million tonnes of wheat and one million tonnes of rice to India for about a year so that these supplies are completed. Discussions are likely to be held on the request India made recently to the US Administration for making available to this country another approximately 10 million tonnes of foodgrains under PL 480 during the fourth Plan period

During his stay in India, the US Secretary for Agriculture will be inspecting two Indian agricultural development districts — one in the rice zone and the other in wheat-growing area — which are receiving assistance from the Ford Foundation. He will also visit Calcutta to inspect port facilities there for receipt of US foodgrains under the Food-for-Peace Programme. Mr. Freeman will return to Washington on April 25.

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The Minister for Railways, Mr. H. C. Dassappa, announced at a Press Conference here last week the decision of the Railway Board to link Kandla port with Jhund by a 233-km. long broad gauge railway line. The project is estimated to cost Rs. 14.5 crores and is expected to be completed in about four years i.e., by 1967-68.

Jhund being on the Ahmedabad — Viramgam broad gauge section, the new line, passing through Dharangadhra, Halvad and Malia, will facilitate diversion of traffic to Kandla port instead of Bombay. It will aso help in making the proposed Free Trade Zone at Kandla a success.

The construction of the Jhund-Kandla broad gauge line will be an engineering feat as it will be passing through the Rann of Kutch, an area subjected to tides from the sea. A 10-km. causway and a 1000-metre long bridge is proposed to be constructed over the Rann of Kutch.

Overcrowding Problem

With a view to reducing over-crowding on railways, the Railway Board has also decided to introduce between June and October next, six new passenger trains. These are:

(1) An express train between Lucknow and Gauhati, expected to be introduced form August 15 to coincide with the commissioning of the Nunmati — Siliguri oil products pipeline;

(2) A broad-gauge express between New Delhi and Barauni to be introduced from October 1;

(3) Conversion from October 1, 1964, of the bi-weekly Southern Express between New Delhi and Madras, introduced from April 1 this year, into an express running on five days in a week. With the Air-Conditioned Express on the other two days, there will, thus, be an additional express train between New Delhi and Madras every day, besides the GT and the Janta Express trains;

(4) A passenger train between Tatanagar and Kharagpur —likely to be introduced from August 15;

(5) A passenger train between Bangalore and Erode from October 1 (This train may later on be extended either to Tirchi or Cochin);

(6) An additional passenger train from October 1 between Quilon and Ernakulam.

The direct broad gauge service from Delhi to Barauni will provide a connection to the metre-gauge Assam Express.

Another significant event that has taken place on our railway system during the past week has been the opening of the 160-km. broad gauge rail link between Churk and Garwah on April 19 by the Vice-President, Dr. Zakir Hussain. Constructed at a cost of Rs. 21.33 crores, this line opens up the undeveloped but mineral-rich areas of U.P. and Bihar. This line also provides an alternative route for movement of coal and other traffic from East India to western, central and northern parts of the country, avoiding the Mughalsarai bottleneck.

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The heavy engineering complex being built at Ranchi is now expected to cost much more than envisaged in the detailed project reports of its three units, the Foundry-Forge, Heavy Machine Building and Heavy Machine Tools plants.

According to the estimates prepared by the Union Department of Heavy Engineering in October last, the cost of the Foundry/Forge Project is likely to go up from Rs. 46.60 crores for the first and the second stages of this project and Rs. 15.06 crores for the first phase of its third stage to Rs. 74.75 crores and Rs. 18.75 crores, respectively. The cost of setting up the Heavy Machine Building Plant is expected to go up from Rs. 28.15 crores to Rs. 39.30 crores. The Heavy Machine Tools Plant may now cost nearly Rs. 6.25 crores more than the original estimate of Rs. 18.55 crores.

The official circles attribute the upward revision in the cost estimates of the three plants to various reasons primarily to the cost of some items not originally included in the detailed project reports of these schemes. The new items of cost are stated to be: (1) outside net-work of water works, drainage, sewerage, electric supply, railway siding and motor roads;

(2) construction of temporary storage sheds and other installations for construction purposes; (3) fees payable for the preparation of project reports, for the erection, supervision and establishment of the works as well as for consultancy and technical services to be provided by the foreign collaborators for progressive raising of production; (4) salaries, travelling allowances and other expenses of the suppliers' specialists, etc.; (5) salaries and expenditure of staff sent on deputation to the collaborating countries; (6) expendiure on training of staff and workers in India and abroad; (7) preliminary expenditure in connection with the project planning staff and establishment charges of the staff employed on civil construction and other erection work; and (8) increase in customs duties, railway freight, port clearing charges and the cost of storage and handling of materials. There has also been an increase in construction costs due to such factors as strengthening of the foundation soil in the case of the Foundry/Forge Project and the going up of the prices of structurals and other building materials. An extra expenditure of Rs. 6.27 crores is also being incurred on the Foundry/Forge Plant due to setting up of a 6,090-ton press not originally provided in the detailed project report. An expenditure of Rs. 12 crores is also to be incurred for providing some common charges for the three projects. These charges include salaries of staff at headquarters, expenditure on the training institute, construction equipment, temporary housing and other such items.

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Inaugurating the fourth annual conference of the All-India Bank Employees' Federation here this week, the Union Minister for Labour and Employment, Mr. D. Sanjivayya, opined that constitution of a wage board for the banking industry was not necessary at this stage. The continuation of the existing award, he added, would provide relief consistent with stability. On the question of amendment of the Industrial Disputes Act, Mr. Sanjivayya said he did not think it proper to proceed in the matter without a tripartite discussion at the national level. He further added that the forthcoming Labour Secretaries' Conference would consider rectification of the errors in the cost of living index. The Chairman of the Bank Employees Federation, Mr. C. L. Dudhia, in his presidential address, called for the appointment of a wage board for the banking industry, including the Reserve Bank and the State Bank, grant of an interim relief in the shape of 25 per cent increase in the emoluments of the bank employees and appointment of an expert committee to suggest suitable methods to rectify the present system of compiling consumer price index. The former Union Minister for Labour, Mr. Khandubhai Desai, also addressed the conference and urged the Government to accept the majority recommendations of the Bonus Commission.

Maharashtra Lags in Road Construction

From Our Correspondent

BOMBAY

THE INDUSTRIAL complex of Maharashtra and the fast pace of development in certain sectors of industry do not hide the inadequacies in the building up of the economic overheads, particularly evident in transport and communications. The transport and communications problem in the State is not limited to the increase in the overall road milage but also to the removal of the regional imbalances which are very prominent. According to Mr. S. B. Chavan, Minister for Buildings and Communication, the State had achieved only 50 per cent of the road construction target, as envisaged under the Nagpur plan, while many other States had not only accomplished the target of this plan but had even projected the targets for the 1961-81 period. If Maharashtra had to achieve the 1961-81 plan targets, the rate of construction would have to be stepped up to 2,000 miles a year on an average during the next 20 years. The cost of the programme would be roughly Rs. 500 crores. The Minister observed that provision of Rs. 75 crores, Rs. 150 crores and Rs. 250 crores would have to be made in the next three five-year plans for the purpose. But, unfortunately, the paucity of funds, machinery and technical staff were the three major impediments in the construction of roads in the State. While efforts were being made to overcome these bottlenecks by manufacturing some machinery indigenously, the position would require a more concerted drive to augument the resources and find the equipment necessary for increasing the pace of development in transport.

It was admitted that the conditions of the national highways in the State were far from satisfactory, particularly on the Bombay-Poona and Bombay-Nasik sections, on account of heavy traffic. It is again significant to note that the recommendation of the sub-committee headed by Dr. Rafiq Zakaria, State Minister for Urban Development, for the widening and asphalting of these highways could not be implemented because of financial stringency. In order to increase the allocation of funds for road construction in the fourth Plan period to an appreciable extent, the question of increasing the share of duty on petrol and diesel was being taken up with the Union Government. In the third Plan, there was provision of Rs. 26.5 crores for roads against the demand of Rs. 40 crores. Two-thirds of this provision was utilised for mostly spill-over works and only a little over Rs. 5 crores were available for new roads. At this rate, it would be very difficult to implement the programme of expansion of the transport system in the State.

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Dr. Otto Schiller, Head of the Department of Agricultural Economics at the South-East Asia Institute of Heidelberg University, stated in Bombay that the food situation in India was so depressing that something had to be done about it. The food deficit is growing, not diminishing, and will continue to grow until 1980. While expressing himself strongly against depending upon imports from the USA to cover the deficit, he emphasised that if we desired to avoid the catastrophe of hunger, we should direct our energies to finding other sources for agricultural production. The solution lay in adopting improved methods of farming to increase productivity so that the country might satisfy its requirements through its own efforts. In this context, he referred to the new approach in extension services which had been made in Bhiwandi and Manjri in the State which had increased production by 50 per cent and would double it in two years. Perhaps, Dr. Otto Schiller was not aware that in the Maharashtra State, as in other States, the experimental programmes which are a success, are only isolated examples and are not spread out so as to make an impression on the whole agricultural supply position.

In regard to means of increasing agricultural production, he suggested that for India the basic idea of co-operative farming was right, because the country had too many holdings — about 60 million — and the people were illiterate. But he was careful enough to draw a distinction between two kinds of co-operative farms — those in which there was joint use of land and those in which there was individual use of land though in both farming was through co-operative effort. Even in Russia, individual farms had given much better results than the collective farms. In Israel, the collective farm, the Kibutz, had worked very well because of the special conditions that

obtained there. The spirit of co-operation was stronger there but, it was his view, that even in Israel, collective farming would not work on a permanent basis. Already, there had been a tendency for a decline in the enthusiasm for the organisation of collective farms.

While the views of Dr. Otto Schiller reveal the need for an enthusiastic drive for increasing food production, the uncertainty and the state of tension that prevail in the matter of distribution arrangements arising from the new licensing order would seem to call for a quick decision so as to avoid any distortion of the already precarious food supply position. This would particularly affect States like Maharashtra and Gujarat. In the tug-of-war between the organisations representing the dealers in foodgrains and the Government, the future of the consumer seems to have been ignored. However, there seems to be a ray of hope that both the parties would work out the new licensing order in the spirit of fair trial. Mr. V. Sankar, Secretary of the Union Ministry of Food and Agriculture, who was here, had discussions with trade representatives and impressed on the trade that they should not create a deadlock by adopting a rigid attitude towards the measure which aims at providing the needs of the consumers at reasonable prices. He assured the trade that no harassment would be meted out to the business community as a result of the licensing order. The enforcement staff would resort to prosecution only after consultation with the State authorities. By exempting the retailers from the obligation of submitting the quarterly returns about stocks, sales and purchases, a large section of the trade will not be affected by the order. He also said that regarding the requirements of security deposits, the States have been asked to make suitable changes in the provision.

In this connection, it is also necessary to note how even factors external to the sphere of agriculture and trade could affect the supply position. Mr. V. Sankar was correct in pointing out that the go-slow tactics adopted by the workers in the Bombay Docks were a major cause for congestion in the docks where huge quantities of foodgrains and fertilisers were still awaiting clearance. Meanwhile, there was also the strike of the matadi workers in one of the biggest Government grain depots which affected again the movement of foodgrains.

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With the completion of the Rs. 3.6 crore Trombay plant for the production of plutonium next month, India will rank as the sixth country in the world in the utilisation of atomic energy. The plant will be commissioned into full production in July, 1964, according to Dr. H. J. Bhabha, Chairman of the Atomic Energy Commission. At a press conference, Dr. Bhabha said that the Trombay plant had been set up with the help of indigenous talent. In a workshop at the plant site, equipment worth Rs. 50 lakhs was fabricated for the 'Project Phoenix'. The purpose of this project was to treat waste fuel elements from atomic reactors, 'to separate the highly radioactive fission products and to extract plutonium, an extremely valuable fissionable material and atomic fuel for future reactors. The plant was one of the advanced type of chemical plants, using the latest techniques in chemical technology and had several unusual features. All operations were controlled and monitored pneumatically from an operating gallery.

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The non-ferrous re-rolling industry has a vast export potential and has been playing an important role in the industrial expansion of the country. But, according to Mr. S. P. Khaitan, the outgoing president of the Western India Sheet Rollers' Association, 48 per cent of the capacity of the industry remained idle for want of raw materials. The existing installed capacity of about 54,000 tons was, however, sufficient for meeting the increased requirements of the country for many years to come. The capacity, if fully utilised, could therefore contribute to the increase in exports which were so vitally necessary. This was disclosed at the 15th annual general meeting of the association which was inaugurated by Maharastra's Minister for Industry. The difficulties faced by the industry were also reviewed at the meeting. Among these, the imports under the DLF loan programme from the US posed a problem for the industry. In the last three months, it appears no offering was forthcoming from the US producers. Besides, the rates quoted were high and the dealers required a long time for deliveries. Higher prices meant reduced quantities of metals for the industry which is granted licences on the basis of value. The imports at such high costs also resulted in considerable loss to the nation. Above all, the shortage of raw materials, was responsible for the shortage of non-ferrous semi-manufactures, whose demand was expanding fast with the increased industrial activity. The Minister disclosed on the occasion that the stage was set for the early launching of the Koyna and Sharavathy aluminium projects in the State and called upon the industry to increase its export earnings.

Shareholding Habit Penalised

From Our Correspondent

CALCUTTA:

MR. T. T. KRISHNAMACHARI's reply to the Budget debate confirmed what his critics had suspected in him — a certain animus against the stock exchange. Referring to the current depression in the stock markets, the Finance Minister is reported to have said that "on a closer examination one would find that the quotations in the share market did not represent the reality. While the share market may provide one of the indicators, it is by no means a reliable indicator of the prevailing economic trends in the country". This statement was made with reference to the tax on dividends and on bonus shares as a form of capital gain, both of which Mr. Krishnamachari is unwilling to withdraw, although he tried to convince the House that the latter tax is not as pernicious in principle as it had been made out. But because of his prejudiced view of the role of the stock exchange in India's developing economy, the Finance Minister apparently did not keep himself correctly informed as to the way share values had crashed in the stock exchange or if he did, he conveniently chose to disregard it.

On the Calcutta stock market alone, investors have lost as much as Rs. 20 crores since the Budget day of 28th February, 1964. According to the figures compiled by the stock exchange authorities, the order of losses in different classes of shares belonging to the 122 companies or so which have been listed is as given in table on p. 984.

It may suit Mr. Krishnamachari's purpose to minimise the importance of the stock exchange, but as he himself has so often said that the private sector industry still accounts for 90 per cent of the country's production. If this sector is to function as a living and dynamic force, it will surely have to rely on institutions like the stock exchange to find its capital. If Mr. Krishnamachari is anxious that the shareholding habit should spread among individual savers, there is hardly any other way in which this can be done. The Unit Trust alone cannot serve the whole purpose. All talks of socialism notwithstanding, the supreme need of the country today is to increase production. The private sector is in a position to deliver the goods much better than the public sector of industry which it has been the purpose of the Government of India to boost.

at the cost of private enterprise. It would be very enlightening for the people of India to know what the performance of the public sector has been like. Quoting again from a reliable source, 46 public sector companies accounting for a total investment of Rs. 1,090 crores showed a loss of Rs. 10.60 crores in 1961-62. It is unlikely that by and large public sector undertakings will attain the efficiency of private business organisations in the near future unless a magician takes charge of them. In the circumstances, the private sector will have to remain the mainspring of economic growth, which it has been all these years.

No. of companies	Group	Loss in value (Rs.)
8 ..	Banks ..	39,10,000
4 ..	Railways ..	1,31,225
13 ..	Coal ..	29,92,776
13 ..	Cotton ..	133,51,510
23 ..	Jute ..	1,77,76,227
4 ..	Mining ..	42,47,510
3 ..	Cement ..	41,93,800
2 ..	Chemicals ..	1,31,18,000
1 ..	Electrics ..	5,04,000
8 ..	Engineering ..	3,42,15,631
43 ..	Miscellaneous ..	9,96,99,898
5 ..	Paper ..	99,73,754
1 ..	Real property ..	1,75,780
9 ..	Tea ..	13,33,324
122		20,56,23,125

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In 1963, India's jute industry — one of the major industries in eastern India — had a very successful year. With a total production of 1.3 million tons and an export of 9 lakh tons of goods, both records, it earned Rs. 160 crores of foreign exchange, that is, Rs. 5 crores more than in the previous year. The industry has been able to achieve its third Plan targets of jute goods and fibre production a year ahead of schedule, besides ensuring a minimum price to the grower throughout. Mr. C. L. Joneja, Jute Commissioner, entertains an optimistic belief about the current year's jute crop; it may rise to 8 million bales in the 1964-65 season from 7.5 million bales in the current crop year. The Jute Commissioner's optimism is based on the fact that the grower is satisfied with the price he has got — the market quotation often went beyond the prescribed minimum of Rs. 30 — and, therefore, feels enthused about producing a good crop in the next season too. In fact, sowing has started in many areas where there has been some rain. There has been some pressure to revise the minimum price upwards, but Mr. Joneja has firmly opposed the move. In his view, the minimum price of Rs. 30 a maund is a fair one. Moreover, there is the competition from Pakistan to reckon with. In that country, raw jute sells at Rs. 20 a maund. The Indian jute industry has not opposed the minimum price fixed for raw jute; in fact, it has at times paid more for it, but some of them have complained about the Jute Commissioner's quota system. Under this system they have to lift the quota fixed by the Commissioner irrespective of their actual requirements, and some are carrying excess stocks involving extra storage charges and other costs. But the authorities apparently are not inclined to revise the quota system for they feel that it has been working fairly satisfactorily.

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The strategy of industrial development followed by Bihar is different from other States, most of whom appear to have entered a contest for attracting large industries, irrespective of whether or not all the economic criteria exist. As recently outlined by the Chief Minister, Mr. K. B. Sahay, the State Government's industrial policy consists essentially in creating facilities for industrial growth more than setting up its own industrial units. With this end in view, areas are being developed near Jamshedpur (Adityapur), Ranchi, Bokaro and Barauni for the growth of anciliary industrial complexes. The area development programme includes town planning, power and water supply facilities and proper communication. The areas selected are all located around the sites, where large-scale industries are coming up in anticipation of the petro-chemical and metallurgical ancillaries.

State Ventures

Within this policy framework, the State Government itself has set up some industries, mostly of the small and medium varieties. It is setting up a creamery in Barauni. A high tension-insulation factory has already been established in Ranchi. It is also expanding the production capacity of its super-phosphate factory in Sindri. A spinning mill, with 12,000 spindles is coming up in the co-operative sector, in which the State Government owns one-third of the share capital. In the second five-year Plan, Bihar invested 30.51 per cent of its total plan in industries, transport and communications. In the third Plan, the proportion has been stepped up to 31.47 per cent. Heavy industries have been more or less confined to Central Government projects. The Sindri fertiliser factory, the Barauni oil refinery, the heavy machine building and foundry forge plants, the heavy machine tool factory and others are all Central Government undertakings. In the second Plan period, the Centre invested about Rs. 10 crores in Bihar and in the third Plan, over Rs. 15 crores of Central funds have been invested. Industrial progress has been reinforced by expansion in the private sector. Both T.I.S.C.O. and T.E.L.C.O. have taken steps to expand their production further. Most of the sugar and refractory units have also expanded. A big paper factory (in addition to the existing one) and five small ones are being installed

Even with all this activity, Bihar's economy remains overwhelmingly agricultural and, therefore, stagnant. A breakthrough will be possible with faster industrialisation, which in turn depends on an adequate supply of power — the only limiting factor at present. Bihar is trying to catch up with the arrears in this respect, but such things are inevitably time-consuming. At the end of the first Plan, the total installed capacity of power in Bihar rose to 491 MW (from nearly half this figure at the beginning) largely because of the D.V.C. and expansion of State-owned and private sector units. At the end of the second Plan, the total installed capacity of power rose to 788 MW. The target for the third Plan, is 1,338 MW, but the projects have been delayed for one reason or another with the result that there is now a shortage of power in the State. Only when the 400,000 MW Pathratu power station is commissioned, will the State's power shortage be appreciably eased.

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In common with Bihar, West Bengal and Assam, Orissa too is experiencing power shortage. A power-load survey recently carried out by the State Government shows that as against a likely demand of 614 MW by the end of the third Plan the availability from all sources has been estimated at 555.5 MW. This shortage is likely to be aggravated by the end of the fourth Plan when demand may rise to 1,280 MW as against an estimated supply of 915.5 MW. This estimate is based on the State's industrial development plans, which are ambitious. Even to rehabilitate the refugees from East Pakistan, the Government of Orissa proposes to start industries in its Koraput district close to Dandakaranya. It is expecting Rs. 34 crores from the Centre as a loan for this purpose. To utilise this sum, the State Industrial Development Corporation plans to set up a cement plant, a paper plant and a pig iron plant, all in the Koraput district. These industries will be based on local raw materials and will have the following production capacities: paper plant 150 tons per day, based on locally available rice straw and bamboo; the pig iron plant 350 tons per day, that is larger than the Barbil plant which the Corporation acquired some time ago from Mr. Patnaik. The State Government maintains that limestone deposits in Koraput are so vast that it will be possible to install a large-sized cement plant.

"Reliefs" Create No Sense of Relief

From our Correspondent

MADRAS:

THE 'CONCESSIONS' announced by Mr. T. T. Krishnamachri in Parliament a few days back have fallen considerably below the expectations of industrialists, operators and investors in the stock markets. Even though Mr. T. T. Krishnamachari had repeatedly stated that there would be no major changes in his budget proposals and that there would be only marginal adjustments, there were fond hopes that the proposals relating to the taxation of capital gains, accruing notionally on the issue of bonus shares by companies, and the dividend tax would be considerably modified. It was also expected that the annuity scheme might be revised while the severity of the estate duties and gift taxes would be minimised. These expectations have not proved correct and most of the proposals are intact. In the tax on capital gains on bonus shares there is some modification but the anomaly in regard to the determination of capital gains has not been eliminated and a new concept has been introduced which might have dangerous implications.

It is difficult to understand how the fair market value of bonus shares can be treated as "capital gains" at the hands of the shareholders while a minimum rate of 15 per cent would be levied when the total "capital gains" is in excess of Rs. 5,000. Some satisfaction has been exhibited over the exclusion of bonus shares issued out of premium reserves both for purposes of taxation at the company's end and for "capital gains". But it is only fair that this decision was taken because the return on capital in the form of scrip cannot by any stretch of imagination be considered as an additional receipt.

Indefinite View

The operators in the Madras market were unable to take any definite view as the reactions of the Bombay and Calcutta markets were not quite clear. But it was apprehended that genuine investors might not be attracted to the market until there was a definite indication that prices would stage a smart recovery and normal trading would be possible. The announcement of the rebates in respect of income-tax and super profits tax to some more industries would be helpful as a number of scrips traded on the Madras Stock Exchange would benefit by their inclusion in the list of eligible industries. Aluminium industries particularly will derive considerable relief on account of the reduced incidence of the Surtax on profits and the rebate in respect of corporate taxes as belonging to the special group of industries. Many units manufacturing electrical goods will also be benefited while it was noted that the dropping of the rubber and coffee industries from this list was made after it was realised that the earlier inclusion gave rise to wrong impression. These two industries will not benefit in any way by the rebate in corporate taxes as their incomes are wholly agricultural in character.

The mill-owners in this part of the country are happy that the Finance Minister has recognised the hardship caused to the handloom weavers and small powerlooms by the adjustments in the duties on yarn. As a result of the various representations made by the Government, following the announcement of the budget proposals, it has now been decided to exempt yarns in hanks up to 29 counts while the rate will be reduced on other varieties. As the handlooms weavers and small powerloom owners were adversely affected by the high rates of excise duty, the latest move is welcomed. There are reports that the offtake of cloth has been quite satisfactory. Yarn sales can be expected to pick up appreciably.

Capital Issues

It is feared, however, that without an appreciable recovery in prices for industrial securities and a more active capital market, many capital issues, which are yet to be launched, cannot be made very successful. Coramandel Fertilizers Limited will be approaching the market shortly for raising a portion of its equity capital from the outside public. This issue has, no doubt, been underwritten by the statutory corporations but having regard to the large size of the issue and the present state of the capital market, it is felt that the response may not be such as to result in even a reasonable over-subscription as public issue. As already indicated, the company will be erecting a large-sized fertiliser unit for producing compound fertilizers at Visakhapatnam in Andhra Pradesh in conjection with American interests. The company has received substantial assistance from the U.S. Export-Import Bank and the U.S. Agency for International Development. The American participating interests will also be taking up a large parcel and the total cost of the project will be Rs. 32 crores.

There will also be another large-sized issue of a big company which will be undertaking the manufacture of polysterene, styrene monomer, and polymers of various kinds based on alcohol. This company will be having its factory at Visakhapatnam which is now growing into a big industrial complex. The Rs. 6-crore project is being sponsored by influential Bombay interests. The promoters will see to it that the new company is provided with the required funds. It would, however, be helpful if the public can be made to take interest in a big way though conditions in the capital market are not quite propitious. There are some other new issues which are pending flotation.

In view of the special interest taken by the Madras, Andhra Pradesh and Mysore State Governments in promoting new industries, entrepreneurs have been thinking of establishing a number of paper and cement units. Efforts are being made to exploit limestone reserves in Rameswaram Island and the promoters of Madras Cements might soon be establishing a new cement factory as an entirely independent unit in Rameswaram Island itself. The sponsors have already acquired the necessary land and secured the lease of limestone deposits over a large area. If the negotiations for the purchase of machinery are satisfactorily concluded, the new company can be expected to come on the market for raising capital after some time. In regard to the promotion of paper mills, it is reliably understood that one unit having a capacity of 100 tons daily will be constructed at Bodhan in Andhra Pradesh. The bagasse supplied by the existing sugar mills will be the

basic raw material. This scheme has been under contemplation for some time and it is only now that it is assuming concrete shape. The other paper mill will be located in Mysore and the intention would seem to be to attempt to manufacture newsprint based on unconventional raw materials. It is somehow confidently felt that newsprint of acceptable quality can be produced from available resources as the technique relating to the preparation of pulp has been considerably improved recently and the yield would be very much higher. If these two paper mills can be brought into being, there will be a substantial increase in the output of paper and boards in the next few years, especially as it is also proposed to expand in a big way the paper mill near Rajahmundry in Andhra Pradesh.

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The find of lignite of quality even better than the reserves in Neyveli. near Karaikudi in Madras State, has given rise to the expectations that the State Government might make an effort to exploit vigorously the new mineral reserves. There is a sense of urgency because the State Government is anxious to establish a thermal station in this area and use lignite for the purpose. The experiences gained in Neyveli in mining lignite should prove to be quite helpful. It is not known, however, what exactly are reserves that could be commercially exploited though there are indications to the effect that fairly large quantities exist at depths which may not present any serious problem. If the new reserve of lignite can be effectively used, the problem of power development in the next few years may not prove to be a major headache.

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The sad demise of Mr. Anantharamakrishnan, a reputed industrialist of Madras State, came as a shock to everyone even though it had been known that he was seriously ill for sometime past. The unobtrusive and brilliant industrialist had been responsible for the development of numerous industries and it is a great loss, as Mr. R. Venkatarakan, Industries Minister pointed out, to Madras State, indeed, to the whole country. The cruel hand of death snatched away Mr. Anantharamakrishnan at the fairly early age of 59. His ripe wisdom and experience could have been utilised in many ways for developing further the economy of this region. In fact, he had many schemes on the anvil and it had been programmed that nearly every unit in the group would expand in a big way. Apart from the manufacture of diesel engines which are supplied as original equipment to truck producers in Bombay and Calcutta, there was a proposal to undertake the manufacture of truck chassis in collaboration with foreign interests. The production of automobile components of different kinds is also being regularly increased while the manufacture of medium-sized tractors in collaboration with Canadian interests has made good progress. As the Amalgamations Group of Indusries headed by Simpson, is owned by a small group, it is now apprehended that the heavy estate duties will have a soaking effect on the wealth of the late Mr. Anantharamakrishnan. It is not known what exactly will be the net liability under the revised arrangement but reliable reports suggest that the incidence of the new estate duties will be very heavy and that it might be difficult to preserve the same character of ownership of shareholdings. It remains to be seen how the new problems will be tackled. The new developments may also provide some food for thought to the Union Finance Minister. As the phenomenal growth of the Simpson group has been due to the dazzling personality of a great philanthropist and industrialist, it should not happen that the smooth conduct of flourishing and important industries should be rudely disturbed by egalitarian policies especially where industrialists have pursued honest practices and taken spacial pride in creating living monuments.



The moving finger writes

ADDRESSING a meeting of the Congress Parliamentary Party, the Prime Minister reportedly enumerated three knotty problems facing the country. They were, according to him, Kashmir, the influx of refugees from East Pakistan and the slow rate of economic growth. Others perhaps might state the position somewhat differently. It could be suggested, for instance, that the three knotty problems which the country faces really are: a Prime Minister who no longer seems to know his own mind on Kashmir, a Government which is capable neither of telling the Hindus of East Bengal firmly that their place is in Pakistan nor of recognizing the implications of and formulating a policy for a mass influx of the victims of religious persecution into this country, and a Finance Minister who lectures on economic growthmanship while budgeting for economic stagnation.

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Mr. Nanda, I see, is still sticking to his old time-limit of two years for the ending of corruption in the Administration. That he should continue to maintain this posture even after the Santhanam Committee's report is certainly most impressive. Our admiration, however, cannot be unqualified. If Mr. Nanda means business, he must surely give up talking of corruption as if it were only a weakness of government officials or a vice of the business community. The Santhanam report has squarely demanded of the ruling party that it puts its own house in order. I should like to know what Mr. Nanda proposes to do about it. I am yet to learn that the Congress leadership plans to take note of what the report has to say about Ministers or Members of Parliament. As the Congress leader, who has most fully identified himself with the campaign against corruption, Mr. Nanda surely ought to have taken the initiative in this respect. Instead, all that he seems to have done so far is to ask a committee of secretaries headed by the Cabinet Secretary to process the recommendations of the Santhanam Report in so far as they relate to corruption in the public services. Since Mr. S. S. Khera is obviously not going to attempt to stir the hornet's nest of ministerial malpractices, it is obvious that the Home Minister's much-advertised enthusiasm for rooting out corruption in our public life is in fact highly selective and strictly limited.

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The Finance Minister has an engaging habit of making important pronouncements in the most casual manner possible. When, in the course of the discussion on the Finance Bill in the Lok Sabha, Mr. Masani suggested that the Government should permit estate duty to be paid in the form of shares or securities so that distress selling might be avoided, Mr. Krishnamachari promptly responded that he would consider the suggestion and might even set up a department of estates in the Finance Ministry for taking over and managing estate duty payments in kind. The notion of a department of estates, it appears, has been occupying the Finance Minister's mind for some time. It seems to be his view that, apart from the question of facilitating payments of estate duty in kind, such a department is needed for the larger task of the care, maintenance and management of government properties which are at present being looked after by the CPWD.

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The Finance Minister has complained that Ministers' residences are like pigsties. There is perhaps more truth in his description than he suspects. Mr. Krishnamachari, no doubt, was thinking only of the dampness, the aging and the rather old-fashioned construction of Ministers' bungalows. But apart from this there is also the fact that far too many of his colleagues just do not seem to care how well-kept or how ill-kept their residences are. I should not be expected to particularize, but I would venture so far as to say that there are ministerial residences within a stone's throw (or thereabouts) of the Central Secretariat which could be a disgrace to any well-bred pig. And this is a state of affairs for which the blame cannot, in fairness, be thrown on the parsimony of the tax-payer. My point is that there are quite a few Ministers who are either too busy or too ignorant to live properly. The Finance Minister, of course, is one of the rare exceptions. He has style, he has taste and he has the background, and it is no wonder, therefore, that wherever he happens to be for the time being, whether it is on Duplex Road, as it was some years ago, or at No. 3, Motilal Nehru Place, as at present, or in the Madras suburb of Tambaram, as it was in-between, he could always make a little money go a long way in creating an environment of gracious and refined living.

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Talking of pigsties or pigs, I am reminded of the occasion when I had the pleasure of making the acquaintance of one of the finest members of the swine species. That was on a farm in the State of Iowa which, in the United States, is known and celebrated for its hog-and-corn agricultural cycle. The pride of this farm was an extremely prolific mother-sow who had been so successfully house-broken that its quarters presented no sanitary problems at all. I myself was so impressed with the lady-like behaviour of this extremely hygienic animal that had I happened to have some pearls with me, I would have considered it a discourtesy to throw them before it — I should have put them around its neck.

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I have wondered occasionally what Professor Ranga is professor of. It cannot surely be the English language. According to a report in the 'Indian Express' of April 22, just before the Finance Bill was put to vote in the Lok Sabha, Mr. N. G. Ranga declared: "We shall see in 1967. We throw the gauntlet at the face of the Government". I could appreciate the vehemence of the Swatantra leader, but even so I must tell him that he ought really to have thrown the gauntlet at the feet of the Government and not at its face, however much he might dislike that part of the Government's anatomy.

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Talking of the use or the abuse of the English language, I was considerably amused by a recent item in the Press which described a birth-control pill as very "potent" stuff. Incidentally, this one was a pill with a difference, or rather two types of pills, both of which are reported to be in the experimental stage; and their special quality is that they are intended to be taken by men. They are reported to have the property of suspending the production of spermatozoa and their advantage over oral contraceptives for women is that, whereas in the case of the latter a pill has to be swallowed every day for 20 days, in the case of the new men's pills, a single dose is reported to have a fairly lasting effect.

V.B.

Trade Winds

FOODGRAINS LICENSING ORDER

THE UNION Minister of Food Mr. A. M. Thomas, in a statement in the Lok Sabha, firmly rejected the foodgrain dealers' demand for a drastic revision of the Foodgrain Licensing Order which, he said, was primarily aimed at checking a rise in prices.

The regulations relating to the foodgrains trade were devised from time to time with reference to such objectives as (i) the enforcement of a minimum or a maximum price; (ii) procurement by Government at notified rates; (iii) vigilance over stock position; (iv) regulation of margins and ensuring that the trade does not make excessive profits at the expense of the community and (v) reduction in the number of intermediaries between the producer and the consumer. The system of regulations has been in force since 1958 and, according to the needs of different situations, amendments to these regulations have been made from time to time. Anticipating the difficulties that might arise from the shortfall in production in 1962-63 and in view of the broad approach to the "emergency" (settled in consultation with the Federation of All-India Foodgrain Dealers' Association) certain modifications were made by the Central Ministry of Food and Agriculture which were communicated to the State Governments in January 1963. One of the modifications required furnishing of detailed information by the licensed wholesalers in respect of their transactions including costs and profits. Subsequently, certain State Governments promulgated orders regulating margins and requiring, 'inter alia', display of prices. The abnormal rise in the price of both rice and wheat towards the end of 1963, lack of attention paid by some State Governments to the recommended regulations and the difficulties that were encountered in the maintenance of prices at reasonable levels focussed attention on the need for a review of the licensing regulations to secure strict observance. Accordingly, a revised "model" form of licensing order was circulated to the State Governments in December 1963 and the question was considered at the Food Ministers' Conference in February 1964. The arrangement was that in the model form, the State Governments could make minor changes but if they made any major changes, they were required to consult the Union Food Ministry so as to ensure uniformity.

The Federation of the All-India Foodgrain Dealers' Association has been making representations to the Government on these regulations from time to time. The requirements of, and the reasons underlying the regulationss, including the original offer of the Federation to regulate margins, have been discussed between the Federation and the Government on various occasions. Besides the apprehension of harassment by the enforcement staff, the governing consideration with the Federation has been the difficulty in submitting the detailed information required by Government. Minor changes have been made by the State Governments in the regulations to meet the difficulties of local or general type and the Union Government has not raised any objection. Again, in view of the representations received from individual foodgrain dealers as well as from the Federation, the Central Food Ministry recently suggested certain alterations in the provisions of the licensing order; the more important were: (a) exclusion of retailers and commission agents from the purview of the licensing order; (b) permitting licensed wholesalers to sell foodgrains to (or purchase from) licensed wholesalers in States or in certain circumstances in markets within the State; (c) reduction in the amount of security deposit and complete exemption to small dealers from payment of security deposit and (d) extension of the time allowed for the submission of information every quarter about average prices of purchases and sales and details of average margin of profit.

The changes are acceptable to the Federation and the foodgrain dealers in general. But on the question of furnishing information about margins and the requirement of security deposit, the Federation and the trading interests in some States have been adamant despite the Government assurance that care would be taken to eliminate harassment.

According to the Food Minister's statement in the Lok Sabha, both the provisions were essential in the scheme of regulations and could not be given up without making the scheme ineffective and unsuitable for service to the community. He pointed out that the offer to regulate margins came from the Federation itself and if the Federation and the trade were not prepared to meet the logical consequences of these regulations, it could only mean that the offer was made with mental reservations. Certain sections of the trade, he said, had not denied themselves the opportunity of exploiting situations of difficulty to raise prices unduly and without any justification. Unless the Government had the necessary power to deal with such situations under the scheme of regulations, the evil would recur and persist to the detriment of the interests of the community at large.

PAPER AND PULP CONVENTION

Inaugurating the first convention of the Indian Pulp and Paper Technical Association in New Delhi this week, the Deputy Chairman of the Planning Commission, Mr. Asoka Mehta, made a pointed reference to the acute shortage of newsprint in the country and urged upon technologists to give top priority to finding of ways and means for stepping up newsprint production.

In his presidential address, Mr. V. Podder emphasised that the main problem of the industry was the acute shortage of raw materials, particularly forest products such as bamboo. He suggested that different varieties of bamboo should be planted in small and compact blocks to avoid simultaneous flowering and in the interest of reducing transport costs. He further recommended that the U.S. pattern of farmers growing bamboo and other trees as a cash crop like tobacco, coffee or sugarcane, should be followed in India.

Referring to the acute scarcity of trained personnel in the pulp and paper industry, Mr. Podder urged upon the Government to consider the introduction of a degree course in paper technology in university education. He also suggested that the Cellulose Section of the Forest Research Institute, Dehra Dun, should be converted into a National Institute for Pulp and Paper Technology and that the industry and the Government should co-operate in running it on modern lines. He revealed that with the help of the Swedish Government, a School of Paper Technology would be established at Saharanpur to train technicians for the paper industry.

In regard to spare parts requirements, Mr. Podder pointed out that the pulp and paper industry was at present allowed to import only Rs. 3.2 crores worth of spare parts, apart from Rs. one crore worth of wood pulp. Out of the former, Rs. one crore worth of raw materials were allowed to be imported by paper converters for producing special types of paper, films, foils, inks, waxes, etc. The industry was thus left with only Rs. 2.2 crores for importing felts, wires and other essential spare parts. This worked out to Rs. 40 per ton of production. Reduction in the import entitlements of the pulp and paper industry from Rs. 6.6 crores a few years ago when production amounted to only about 3,00,000 tons of paper and board to Rs. 4.2 crores when production has gone up to about 5.00,000 tons has created difficulties for the industry. Mr. Podder suggested that some relief should be given to the industry by allocating more foreign exchange. This is, he said, would pay handsomely.

FOUNDRYMEN'S CONVENTION

Inaugurating the three-day annual convention of the Institute of Indian Foundrymen at Chandigarh, the Union Minister of Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, said that the 'craze' for foreign collaboration needed to be eliminated and that the country should become self-reliant in technical know-how. Regarding the time taken to set up new projects, he pointed out that in the Soviet Union the period for setting up a furnace had been reduced from two years to one year; in India this period should be reduced by at least six months if not one year. Referring to the demand for pig iron in the country, he stated that it was about two million tons while the production was only 1.2 million tons. The Chief Minister of Punjab, Mr. Partap Singh Kairon, pleaded with the Union Minister that his State's applications for licensing to start a coke oven plant, an alloy steel plant and a heavy electricals plant should be expedited. The Chief Minister also announced that the State Government will soon be signing a collaboration agreement with 'Davy Ashmore' — a British firm — for the setting up of a pig iron plant with 100,000 tons capacity.

In his presidential address, Dr. B. R. Nijhawan, Director of the National Metallurgical Laboratory, revealed that the Institute had decided to hold examinations on different aspects of foundry technology and to award diplomas to successful examinees. He added that with a view to introducing the latest techniques of manufacture, the Institute had decided to organise a short course in Operational Research in collaboration with the Productivity Centre, the Regional Labour Institute and the National Metallurgical Laboratory. Dr. Nijhawan also disclosed that the International Foundry Congress will meet in India for the first time in 1966.

L.I.C. HOUSING SCHEMES

Besides the "Own Your Home" Scheme announced at the beginning of the year, the LIC has now introduced two new schemes with a view to removing the acute shortage of houses for the middle classes in urban areas. Under the first scheme, loans ranging from Rs. 5 lakhs to Rs. 15 lakhs will be made available to public limited companies which have been working profitably for the last five years or more and can be considered to be approved in terms of Section 27A of the Insurance Act. The loans will be up to the value of 70 per cent of property in question and will be granted against first legal mortgage for a term of not more than 20 years provided the unexpired lease is 50 years or more. The interest rate will be 8 per cent subject to a rebate of one per cent for punctual payment.

The second scheme relates to the grant of loans to co-operative societies of employees of public limited companies for constructing houses. Such societies will admit only permanent employees to their membership. The loans will range from a minimum of Rs. 2½ lakhs to a maximum of Rs. 15 lakhs and will be granted for a period of not more than 15 years. The rate of interest under this scheme will be only 7½ per cent subject to a rebate of one per cent for punctual payment. Under this scheme it is required that the employees concerned must be covered under renewable one year temporary assurance during the period of the loan. The amount of insurance must, in the aggregate, be equal to the amount of the loan outstanding at the beginning of each year. Every member of the society must be insured for his proportionate share of the aggregate insurance.

U.S. COTTON FOR INDIA

An agreement for the supply of 367,000 Indian bales (equivalent to 300,000 US bales) of upland cotton under the US P.L. 480 programme was signed on April 17, 1964. Valued at Rs. 22 crores ($46.2 million), it will be shipped from the United States by June 30, 1964 and will help the Indian mills to increase their production and stabilise the prices of cotton goods. It will also help India to maintain a buffer stock. The agreement raises the total quantity of US cotton supplies under the P.L. 480 programme to 2.4 million Indian bales valued at Rs. 131 crores ($275 million). The eight P.L. 480 Agreements between India and the United States concluded since August, 1956, provide for the supply of wheat, cotton, maize, rice, sorghum and other agricultural commodities of the total value of Rs. 1183 crores ($2,485 million).

H.E.L. BIFURCATED

The Heavy Electricals factory at Bhopal has again started functioning after a shut-down which lasted 19 days. The Union Government has decided to bifurcate the Heavy Electricals Ltd. Mr. K. Mathulla of Hindustan Machine Tools has taken over the Chairmanship of the new company formed to run the Bhopal plant. Mr. K. B. Mathur will now look after the heavy electricals factories that are under construction at Hyderabad, Tiruchirapally and Hardwar. The decision of the Union Gvoernment to bifurcate HEL shows its concern regarding the lack of efficient management and supervision at the Bhopal factory. The plans are underway to shift the headquarters of the Bhopal project from New Delhi to Bhopal where Mr. Mathulla will stay in order to keep a vigilant eye on the progress of the plant.

STANDARDS FOR MULTIPURPOSE PROJECTS

Addressing the twelfth meeting of the Building Division Council of the Indian Standards Institution in New Delhi, Prof. M. S. Thacker, Member of the Planning Commission, said that the total outlay in the fourth five-year Plan was likely to be double of that in the third Plan, and that out of the proposed outlay of about Rs. 20,000 crores, at least 25 to 30 per cent would be spent on civil engineering constructions, in the field of river valley projects for irrigation and power, roads and railways, for transportation and communication, buildings and housing or public health projects. One of the most important aspects which the Council considered in its meeting related to the formulation of national standards for the multipurpose river valley projects and their implementation so as to achieve optimum use of natural resources coupled with economy, efficiency and speed in the execution of projects. The Council decided to set up 18 special Technical Committees and approved the appointment of a number of eminent engineers available in the country to guide the work in these fields.

INDO-VIETNAM VENTURE

South Vietnam has shown interest in securing Indian help in setting up joint ventures and also in buying more commodities from India. The possibilities of expanding trade and economic relations between India and South Vietnam were explored at a meeting last week between the Union Minister of International Trade, Mr. Manubhai Shah and the Vietnamese Industrial Delegation which is on a fortnight's tour of India, meeting industrialists and business men at Delhi, Bombay, Calcutta and Madras. At present the trade (imports plus exports) between India and South Vietnam is of the order of Rs. 2.5 crores. India exports engineering goods and imports rice, rubber and timber.

Company Affairs

DUNLOP RUBBER

TODAY, WHEN there is no overall shortage of tyres of any type in the country and competition between various indigenous producers is deepening, it is quite creditable that Dunlop Rubber Company (India) Ltd. has been able to maintain its predominant position. Mr. M. L. Bexon, Managing Director of the company, while addressing the annual general meeting held recently indicated that this success was attributed to the continued demand for its product based on its high reputation and loyal support extended by its dealers. The Chairman also informed the shareholders that the company had also done considerably well in the non-tyre range of products such as industrial rubber products and Dunlopillo. At present such non-tyre business covers nearly 10 per cent of the total turnover and further diversification is being explored. A scheme for the manufacture of PVC belting is being implemented and it is also expanding in the range of braided hose by further specialised developments.

Mr. Bexon informed the shareholders that its various units had shown considerable improvement in productivity. Ambattur factory, for instance, increased its output by nearly 17 per cent during the year under review. Apart from the continued effort at better productivity, the company has pursued its endeavour to carry through its expansion schemes. The fact that finance was comparatively scarce did not discourage it from carrying through the proposed expansion and Mr. Bexon outlined measures through which it was able to negotiate sufficient funds for a full-scale expansion programme. In the first instance, it negotiated additional bank overdraft facilities to tide over its temporary requirements. Secondly, a decision was taken to proceed with an application for rights issue and the Dunlop Rubber Company Ltd., UK agreed to advance, in the meanwhile, the necessary sterling for expansion by way of loan. Thirdly, more money was raised through a modest increase in tyre prices to the extent of 3 per cent from the end September, 1962. The expansion schemes are now well in hand and it expects to achieve higher output of its various products during the latter half of this year, although complete expansion will be implemented around the middle of 1965. The rights issue is expected to be made towards the end of this year.

Although, the company suffered a slight setback as a result of the sudden ban on exports during the latter part of 1962, total exports in 1963 were nearly 17 per cent higher than last year. A significant feature in the field of exports was the demand for special service off-the-road tyres in Europe. There was, however, a drop in cycle tyres exports due to unsettled condition in South-East Asia and the company expects to make up this damage by larger efforts in other markets.

UNION CARBIDE (INDIA) LTD.

Union Carbide (India) Ltd., has earned a higher profit of Rs. 2.69 crores, after providing Rs. 58.82 lakhs for depreciation during 1963 against Rs. 1.86 crores last year. A taxable dividend of 15 per cent, including an interim dividend of 7½ per cent, has been declared against 12½ per cent, which will absorb Rs. 42 lakhs. Provision for taxation was around Rs. 1.70 crores and for general reserve Rs. 70 lakhs. After transferring Rs. 10.50 lakhs from special reserve, profit exempt under section 84 of the Income-tax Act, 1961 and making other adjustments, a sum of Rs. 1.93 lakhs has been carried forward against Rs. 4.44 lakhs brought in. Sales during the year were higher at Rs. 14.33 crores against Rs. 12.26 crores during the previous year. During 1963, capital expenditure for modernization and replacement amounted to Rs. 27.80 lakhs against Rs. 33.80 lakhs. Major expenditure included Rs. 12.30 lakhs for improved manufacturing facilities at the existing battery plants, Rs. 8.10 lakhs for the further expansion of facilities at metal and ores plant and Rs. 3.32 lakhs for a new projector carbon and midget electrode plant under construction at Calcutta. This unit will start production by the end of this year and full capacity may be reached in 1965. Major expansion of polythylene and chemical manufacturing facilities at Trombay is being carried out and extended plant may begin production in 1966.

ANDHRA FOUNDRY ISSUE

Andhra Foundry and Machine Co. Ltd., Secunderabad proposes to enter the capital market next month to offer for public subscription equity shares of Rs. 30 lakhs and cumulative redeemable preference shares (9.3 per cent) of Rs. 15 lakhs. The present subscribed capital of the company is Rs. 20 lakhs. The company was incorporated with the object of manufacturing chemical plant equipment, sugar machinery and parts and fabricate structurals. It proposes to manufacture cast iron spun pipes and has entered into technical collaboration with a German firm. The capacity of the plant is 12,000 tonnes of cast iron spun pipes per year on a single shift basis.

TIWAC INDUSTRIES ISSUE

Tiwac Industries Ltd., of Dharwar proposes to enter the capital market some time in June to raise Rs. 10.30 lakhs by public subscription. It proposes to manufacture 'Swito' alarm watches before the end of the current year and has secured technical and financial collaboration of two firms — one Swiss and the other British. The total capital outlay of Rs. 37 lakhs will be met by long and medium-term loan of Rs. 16 lakhs including a foreign exchange loan of Rs. 9 lakhs from ICICI and equity capital of Rs. 21 lakhs. Of the issued capital, shares worth Rs. 8.5 lakhs will be taken by the directors and their friends and Rs. 2.20 lakhs by foreign collaborators. The balance of Rs. 10.30 lakhs, as indicated above, will be offered for public subscription.

KIRLOSKAR ELECTRIC

Kirloskar Electric Co. Ltd., proposes to increase its authorised capital from Rs. one crore to Rs. 2.50 crores by creating additional 1,000,000 equity shares of Rs. 10 each and 50,000 preference shares of Rs. 100 each. The proposed increase in capital has become necessary to meet the company's financial requirements. On one hand it has taken in hand several expansion schemes including one for the manufacture of transformers of up to 20,000 KVA at voltages of 132 KV. Of the present authorised capital of Rs. one crore divided into 1,000,000 equity shares of Rs. 10 each, the company has already issued equity shares worth Rs. 62.53 lakhs leaving a balance of Rs. 37.47 lakhs for further issue. The company has also sought permission to issue redeemable preference shares carrying a cumulative dividend of not more than 10 per cent, subject to tax.

DEVIDAYAL CABLE

The directors of Devidayal Cable Industries Ltd., have recommended the payment of a dividend of 15 per cent on equity shares. The gross profit of the company was Rs. 13.94 lakhs. After providing Rs. 3.39 lakhs for depreciation, Rs. 4.80 lakhs for taxation and Rs. 38,730 for development rebate reserve, the net profit was Rs. 5.35 lakhs. The proposed dividend will absorb Rs. 3.38 lakhs. A sum of Rs. 4.41 lakhs has been transferred to general reserve.

The turnover of the company increased from Rs. 115.08 lakhs to Rs. 126.18 lakhs. It incurred during the year, a capital expenditure of the order of Rs. 5.77 lakhs so that net fixed assets increased considerably. The total capital employed went up from 79.53 lakhs to Rs. 103.52 lakhs. The percentage of the net profit to the capital employed has gone up from 9.5 per cent to 10.1 per cent.

SHREENIWAS COTTON

The directors of the Shreeniwas Cotton Mills Ltd. have recommended the payment of higher dividend at 16 per cent for the year ended December 31, 1963 as against 14 per cent last year thereby restoring partially the cut made last year from 20 per cent. The sales crossed the 5 crores mark to a peak of Rs. 5.14 crores — nearly Rs. 41 lakhs more than last year. Gross profit was also higher. After making provisions for depreciation (Rs. 26.72 lakhs) and taxation (Rs. 24.34 lakhs) there is a net profit of Rs. 30.94 lakhs. The allocation to the development rebate reserve is Rs. 5.50 lakhs and the bonus liability in respect of the previous year amounts to Rs. 6.23 lakhs. The improved results are attributed primarily to the improved efficiency on account of modernization and renovation carried out during the previous years. It made additions to machinery worth Rs. 37 lakhs during the year. Out of the sanctioned 20,000 spindles, 15,000 have been installed and have started working and the remaining 5,000 will be installed before the end of this year. Moreover the company has been granted permission to instal 6,700 spindles. The installation of automatic looms is also being considered

MAHALAKSHMI FIBRES

Mahalakshmi Fibres and Industries Ltd., proposes to enter the capital market on April 27, with a public issue of Rs. 25 lakhs comprising 10,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each and 150,000 equity shares of Rs. 10 each. It is setting up cotton spinning mill with a capacity of 25,000 spindles at Ranchi. Orders for machinery for 12,500 spindles capacity have been placed. Marubeni-Iida Company Ltd., of Japan will supply the imported machinery while the indigenous equipment will be provided by the Textile Machinery Corporation Ltd., Calcutta. Both the imported and indigenous equipment will be supplied on deferred credit terms. The loan of Rs. 30 lakhs has been sanctioned by the Industrial Finance Corporation, India. The total cost of the project is estimated at Rs. 103 lakhs. The production is likely to commence by the end of this year. The issue is fully underwritten.

NATIONAL AND GRINDLAYS BANK

The working results of National and Grindlays Bank Ltd., for the year ended December 31, 1963 reveal a profit of £679,318 after providing for taxation etc. as against £714,730 last year. After taking into account a sum of £316,941 brought forward from the previous year there was a total of £996,259 for distribution. Interim dividend of 7 per cent, less tax, paid in October 1963 absorbed £244,516 and now the final dividend of 7 per cent will absorb the same amount. A sum of £150,000 has been transferred to reserve fund and £357,227 is proposed to be carried forward. The directors have reported that the bank maintained the policy of seeking to expand its network of branches: Thana Branch, Bombay commenced operations on April 8, 1963 and a new branch at Shambazar, Calcutta will open at an early date; a branch was opened at Kingsway, Salisbury and small sub-branches were established at Essexvale (Bulawayo, Southern Rhodesia), Sheikh Othman (Federation of South Arabia), Eastlands (Nairobi, Kenya) and Bushenyi (Uganda). The Bank now has 163 branch offices overseas and continues to provide a mobile service over a wide field in Kenya, Tanganyika and Uganda

VYSYA BANK

The Vysya Bank Ltd. increased its deposits during the year ended December 31, 1963 to Rs. 2.81 crores against 2.48 crores last year. Advances also increased to 1.26 crores against 1.32 crores last year. The directors of the bank proposed the payment of dividend at the rate of 4 per cent per annum. It opened two branches, one at Gowribidanur and the other at Ulsoor, both in Mysore State, so that the bank now has 22 offices.

ESSO REDEEMS DEBENTURES

A draw of lots was carried out recently by Mr. G. L. Mehta, Chairman, ICICI, of the ten-year old Esso Refinery debentures. The total debenture issue of Rs. 4 crores was divided as nearly as possible into batches of Rs. 50,000 each for the redemption of one-fifth of the issue amounting to Rs. 80 lakhs. This redemption of debentures represents the first return to Indian investors of long-term funds lent for the construction of a modern oil refinery in India. The bonds are being redeemed at par after having paid full interest over the last 10 years. The Esso debentures are currently yielding 7 per cent per annum. The draw was made in accordance with the provisions contained in the Trust Deed entered into between the Esso Standard Refining Company of India Ltd. and the State Bank of India in July 1953 for securing Rs. 4 crores 5¼ per cent debentures.

KILLICK INDUSTRIES

During the year ended November 30, 1963 Killick Industries Ltd. recorded a profit of Rs. 19.67 lakhs. After making provision of depreciation to the extent of Rs. 2.60 lakhs and taxation Rs. 6.92 lakhs the directors have proposed the payment of dividend at the rate of Rs. 7.50 per share, subject to tax, which will absorb Rs. 9.37 lakhs. The company acquired 2,000 equity shares in Filtrona India Ltd., for which a sum of Rs. 2 lakhs was paid. By and large working of its managed companies was quite satisfactory. It was appointed managing agents of the Thana Electric Supply Co. (Pt.) Ltd., for a period of five years with effect from April 1, 1964 for which the Central Government accorded its approval.

SANKEY WHEELS

The first annual report of Sankey Wheels Ltd., which covers a period of November 21, 1962 to December 28, 1963 revealed that the contruction of the factory building at Durgapur has been substantially completed and most of the plant and machinery for the truck wheel plant, both imported and indigenous, has arrived at the site and is being installed. It has also made arrangements for power and water. Import licences for raw materials have been received. The progress made is, therefore, considered satisfactory. The company has applied for an Industrial Licence for the manufacture of truck and tank wheels and the directors feel that the production of these items can be economically combined with its existing manufacturing programme.

T.I. DIAMOND CHAINS

T.I. Diamond Chains Ltd., has started production at its factory in Ambattur, Madras, in collaboration with an American Firm Messrs. Diamond Chain Company, Inc. It has been licensed to produce 1,500,000 feet of industrial chains and it hopes to achieve the installed capacity within two years. It is a subsidiary of Tube Investments of India Ltd. and will

be the largest producer of roller chains. At present the raw material for the manufacture of chains is released from Development Loan Fund. Diamond chains in single and multiple strands will be available from the Ambattur factory for automobiles, motor cycles, scooters mopeds, textile and general engineering industries.

MYSORE KIRLOSKAR

The Mysore Kirloskar Ltd., proposes to promote a new public limited company to manufacture drilling, milling and special purpose machines in technical collaboration with James Archdale and Co., Ltd., Worcester, UK. The new Company will be registered with an authorised capital of Rs. one crore divided into 100,000 equity shares of Rs. 100 each. The initial issued capital will be Rs. 30 lakhs of which the technical collaborators will subscribe Rs. 12 lakhs or to the extent of 40 per cent and Mysore Kirloskar Rs. 9 lakhs or 30 per cent. The balance of Rs. 9 lakhs will be offered for public subscription.

CAPITAL ISSUES

Five companies have been authorised to raise capital exceeding Rs. 82.36 crores. Of these, three are issuing equity shares, one is floating equities plus preference shares and the fifth is issuing debentures. One of these companies is a Central Government undertaking. Foreign collaboration is involved in the case of one issue. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Hindustan Steel Limited, Ranchi, a Central Government Undertaking, is to issue capital of Rs. 80 crores, divided into 8,00,000 equity shares of Rs. 1000 each to be issued for cash at par. The capital will be utilised for construction and expansion of its steel producing and coal washery units.

Associated Bearing Company Limited, Bombay, is to issue Rs. 1 crore value of debenture stock carrying 7 per cent rate of interest. The debentures will be pledged with banks against loans to be granted to the company by them and would mature for repayment not earlier than 1975 but not later than 1980.

India Meters Limited, Madras, is issuing capital of Rs. 52.50 lakhs for cash at par consisting of Rs. 40 lakhs divided into 4,000,000 equity shares of Rs. 10 each and Rs. 12,50,000 divided into twelve thousand five hundred 9.5 per cent cumulative redeemable preference shares of Rs. 100 each. Preference shares are free of company's tax but subject to deduction of taxes at source at prescribed rates. The capital will be utilised for the manufacture of polyphase and single phase electric watthour meters.

Gujarat Engineering Industries Limited, Ahmedabad, is to issue Rs. 50 lakhs equity capital in shares of Rs 100 each for cash at par. The money will be utilised in the establishment of a factory for the manufacture of steel castings.

Graner & Weil (India), Limited, Bombay, is to issue Rs. 34.43 lakhs in equity shares of Rs. 10 each for cash at par, out of which Albright & Wilson Limited, UK, will subscribe in cash in sterling for shares of the value of Rs. 10 lakhs. The money will be utilised in the manufacture of compressed woollen felts, basic chemicals etc.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 11th April 1964. This list contains the names and addresses of the licensees, articles of manufacture and annual installed capacity.

COAL

The Singir - Rampur Coal Co. Ltd., Killick House, Home Street, Fort, Bombay - 1 (Distt. Sambalpur, Orissa) — Coal 1964 2,80,000 tonnes, 1965 3,00,000 tonnes, 1966 3,00,000 tonnes.

INTERNAL COMBUSTION ENGINES

Engine Valves Limited, Galendale, Post Box No. 1305, Madras (Madras) — Valves for Internal Combustion Engines 30,00,000 Nos.

AUTOMOBILES

Usha Automobile & Engineering Private Ltd., 14, Princep Street, Calcutta-13 (West Bengal) — Hydraulic and Mechanical tipping gears for automobiles 3,000 Nos.

CONVEYING EQUIPMENT

Testeels Limited, Near Idgah Gate, Ahmedabad-11 (Dehgam, Gujarat) — (1) Electric Hoists (1-5 ton capacity) 1200 Nos., (2) Light and Heavy Cranes 50 Nos.

MACHINE TOOLS

Addison & Company Limited, 158, Mount Road, Madras-2 (Madras) — Drill Point Grinders (1/8" to 1" capacity) 120 Nos.

MISCELLANEOUS CHEMICALS

J.K. Traders Ltd., Kamla Tower, Post Box No. 25, Kanpur. Name and style of: M/s. J.K. Traders Ltd. (Gorakhpur, Uttar Pradesh) — Oxygen 30.0 million cu. ft., Dissolved Acetylene 6.0 million cu. ft.

DRUGS AND PHARMACEUTICALS

Cyanamid India Ltd., The International, 16, Queens Road, Bombay (Gujarat) — Ledinac: Liver protein hydrolysate 30,000 kgs. Burroughs Wellcome & Co. (India) Private Ltd., 16, Bank Street, Bombay-1 (Maharashtra) — (1) Bephenium Hydroxynaphthoate 1560 kgs., (2) Methyl Stearate 1200 kgs.

COTTON TEXTILES

Gopichand Textile Mills Ltd., New Anaj Market, Sirsa (Sirsa, Punjab) — 13,392 spindles for manufacture of cotton yarn. Punjab Co-operative Spinning and Textile Mills Ltd., Uklana, Distt. Hissar (Uklana Distt, Hissar, Punjab) — 25,000 spindles for manufacture of cotton yarn. V.M. Salgaocar E. Irmao Ltd., Vasco Da Gama, (Goa) — 500 automatic looms for manufacture of cotton textiles. Calico Textiles, Indu House, Dougall Road, Ballard Estate, Bombay (Maharashtra) — Processing of 20 lakh yards of cotton cloth and 5 lakh yards of rayon and synthetic fabrics per month.

PAPER

Shri T. S. Menon, "Devi Vilas", Palghat (Palghat, Kerala) — (i) Paper 3000 tonnes, (ii) Pulp 3000 tonnes.

FOOTWEAR

British India Corporation Ltd., Cooper Allen Branch, Sutherland House, Kanpur, (Kanpur, Uttar Pradesh) — Rubber and canvas footwear gum boots, jungle boots and hockey shoes 24,00,000.

CHANGES IN NAMES (Owners or Undertakings)

During the week ending April 11, 1964

(Pertaining to particular licences only).

From M/s. Tecalemit (India) Ltd., Calcutta to M/s Tecalemit (Hind) Ltd., Calcutta.

LICENCES SURRENDERED

During the week ending April 11, 1964

(Pertaining to particular licences only).

M/s. Manju Shree Industries Ltd., Calcutta — Cotton yarn.

BOOKS BRIEFLY

Morton's Fork

Studies in Indian Public Finance: By M. H. Gopal; Published by Rao and Raghavan, Mysore, 1963; Pp. vii+128; Rs. 12.75.

Reviewed by D. KRISHNASWAMI RAO

DR. M. H. Gopal, well-known for his writings on Indian Public Finance, has brought together in this volume an anthology of his Papers on this subject, contributed to different journals over the past 12 years.

The opening essay is a review of Indian Finance in the first half of this century which shows how the broad trends in the finances of Government have followed in this country, as elsewhere, the great changes that have occurred in the economic and social conjuncture — in our case mainly the transition from an agricultural to an industrial economy and from a Law and Order State to a Welfare and Development Planning State. By way of perspective the author alludes to trends in public revenue and expenditure in the United Kingdom and the USA in the same period. There is a minor misstatement in this context: the rise in government expenditure in the UK in the decade after 1929 was not "the result largely of Britain's recognition of the Welfare State" as is stated on page 13, but of re-armament.

We then turn to Dr. Gopal's Paper on the role of taxation in a developing economy. In his treatment of this subject he is doctrinaire and lays it down as a dictum that whereas ability to pay and equity are the leading tax principles in a developed free enterprise economy, they are less important "and may even be overlooked" (page 61) in a developing economy where the yield of a tax and its administrative practicability become the first principles of taxation! In our opinion this amounts to elevating expediency into a basic principle of public finance: one of the causes of the present economic malaise of our country.

Commendable Suggestions

Certain suggestions that the author makes in the same Paper regarding taxation of land are however commendable. He would have the taxing power and the yield of land revenue transferred to local bodies, especially in view of present attempts to revitalize the village community, and he would combine the taxes on agricultural and non agricultural income in the hands of the Union Government, compensating the States for the loss of revenue by larger Central grants.

There is included in the book the author's memorandum on Tax Resources for the third Plan which he had presented to the Panel of Economists of the Planning Commission while the present Plan was on the anvil. It is noteworthy that Dr. Gopal had therein suggested a lowering of rates of tax on corporate incomes and held that it was not advisable to raise tax rates on personal incomes. He had advised greater resort to indirect taxation and such direct imposts as could tap the pockets of the rural population. Cutting straight at socio-political convictions that are only now being mildly shaken, he had also recommended the reimposition of the Salt Tax and the scrapping of Prohibition.

Next comes a note on a National Development Tax, a proposal of Dr. Gopal, which would seek to guide private investment into socially desirable channels by permitting a tax-free profit rate which would vary from industry to industry according to Plan priorities and from firm to firm in the same industry according to the efficiency rating of each concern. However impressive the proposal may be as a theoretical model, it would be administratively impossible and grossly discriminatory juridically.

The next article, on the basic principles of a rational public salaries policy, considers a problem that has repeatedly recurred in this country since the close of the last War. The last essay is on the structure of the Indian Budget and suggests certain changes in its formulation.

It must be said in conclusion that the Papers gathered in this book share a common assumption that a transfer of resources to the State is desirable as such in the interests of Development. We would suggest that the current rate of growth of the economy warrants re-examination of this premise.

PUBLIC Vs PRIVATE SECTOR

Nationalisation of Industries in India: By K. C. Bhandari; 1962; Academic Publishers, 11, Panchanan Ghose Lane, Calcutta-9; Pp. 221; Rs. 10.

REVIEWED BY "M.M."

THE QUESTION of nationalisation of industries has been agitating many minds, especially after the Independence of the country in 1947 and the incorporation of a rapid programme of industrialisation in India's five-year Plans. And quite a few things have been appearing in the Press, in Government publications and in the deliberations of the business community and their associations from time to time. Dr. Bhandari tries to give a short, but comprehensive, account of the whole subject; and he succeeds in this.

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

Broad Divisions

In Chapter VIII, Dr. Bhandari discusses the problems of 'nationalisation' in India under two broad heads: (a) Problems of nationalisation, and (b) Problems of nationalised industries and services. This, according to the author, can claim to be an "original contribution to the subject". This Chapter is interest-

ing, specially the second part. Some of his observations merit serious consideration, e.g., Members of Parliament and Ministers should not find a place on the Boards of Corporations or of Directors, there should be no Civil Service personnel on the Boards, the arguments against creating an "Economic Service", etc. This chapter should be enough for a busy reader.

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

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

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

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

The sentiments expressed above are high-sounding indeed; but they do not carry conviction on scrutiny. If the author's idea was to justify public ownership of the Fertiliser Industry, then he could have done it much better by giving some hard facts.

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

FACTS ON INVESTMENT

Company Formation and Capital Issue Encyclopaedia, 1963: By M. C. Bhandari; Published by the Author, 134/1, Mahatma Gandhi Road, Calcutta-7: Price Rs. 75.

AS A large number of entrepreneurs are coming forward to participate in the country's industrialisation, there is a wide-spread need for specialised advice involving formation and functioning of the companies. Those entrepreneurs and executives who are associated with the corporate activity and like to be equipped with up-to-date information on company formation will, therefore, find this publication valuable. Considerable amount of hard work has gone into the compilation of this over 1000 page volume in which the author has tried to put together a variety of facts such as the primary nature of a company, the manner in which it is floated, its capital structure, the functioning of the directors, the conduct of general meetings, and some more complicated issues such as the process of industrial licensing, taxation and foreign collaborations. It contains complete details about various financial institutions like the International Finance Corporation, the Commonwealth Development Finance Company Ltd., etc. A list of foreign collaborations approved by the Government of India between April, 1961 and March, 1963 is one of the interesting annextures.

XXXIII

POZNAN

INTERNATIONAL FAIR

JUNE 7-21, 1964

GENERAL SAMPLES FAIR

PRESENTING A SELECTION OF WORLD PRODUCT

MOST CONVENIENT FOR EAST-WEST TRADE

19 EXHIBITION HALLS AND 100 PAVILIONS COVERING A TOTAL AREA OF 2,30,000 Sq. m. IN 1963

1497 PARTICIPANTS FROM 60 COUNTRIES (INCLUDING 37 OFFICIAL) EXHIBITED THEIR PRODUCTS

Trade, Technical & Press information available from:

MANAGEMENT OF THE POZNAN INTERNATIONAL FAIR

14, Glogowska, Poznan, Poland

or

THE POLISH COMMERCIAL COUNSELLOR'S OFFICE,

42-44, Sundar Nagar, New Delhi

THE CONSULATE OF THE POLISH PEOPLE'S REPUBLIC

28-Stephen Court, 18-A, Park Street, Calcutta

Mewar Building, 40-A Peddar Road, Bombay

interads

COMPANY NOTICE

HINDUSTAN ALUMINIUM CORPORATION LIMITED

Registered Office:
INDUSTRY HOUSE,
159, Churchgate Reclamation,
BOMBAY-1

NOTICE is hereby given that the Fifth Annual General Meeting of the Shareholders will be held at the Registered Office of the Company on Friday the 12th June, 1964, at 4 P.M. to transact the following business:

1. To consider and adopt the Directors' Report, the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st December, 1963.

2. To appoint a Director in place of Mr. Edgar F. Kaiser, who retires from office, by rotation, in accordance with Article 146 of the Articles of Association of the Company, and, being eligible, offers himself for re-election.

3. To appoint a Director in place of Mr. Marvin L. Lee, who was appointed by the Board to fill up the casual vacancy caused by the resignation of Mr. T. K. McCarthy, and who retires from office, by rotation, in accordance with Article 146 of the Articles of Association of the Company, and, being eligible, offers himself for re-election.

4. To appoint a Director in place of Shri G. D. Birla, who is an associate of the Managing Agents and who has attained the age of 70 years and who retires from office by rotation, and, being eligible, offers himself for re-election, and to consider and, if thought fit, to pass the following resolution as a Special Resolution, of which special notice under Sections 261 and 281 of the Companies Act, 1956 has been received by the Company:

As a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 261 and 281 and other relevant provisions, if any, of the Companies Act, 1956, Shri G. D. Birla, who is an associate of the Managing Agents and who has attained the age of 70 years and who retires by rotation, be and is hereby re-elected a Director of the Company, and it is hereby specifically declared that the age limit prescribed in Section 280 of the Companies Act, 1956 shall not apply to him."

The reasons which make this Special resolution necessary are more fully set out in the Explanatory Statement annexed hereto, which, for the purpose of the said Section 261, shall be deemed to be incorporated in this notice.

5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

6. As Special Business:

To consider and, if thought fit, to pass, with or without modification, the following resolutions:

(a) **As Special Resolutions:**

(i) "RESOLVED that the Company hereby approves of the appointment of Messrs. Traders International, Inc., United States of America, who maintain an Office in Washington D.C. and whereas the said Company is established to carry on business inter alia of acting as Agents in the United States of America and other countries for purchase and sale of goods including raw materials, stores, plant and machinery etc. and to have dealings and business connections with parties and for utilizing their services for recruiting technical personnel and/or Consultants, making arrangements for securing Know-How, credit facilities etc., attending to enquiries and generally to act as representative of the Company, as and when required, for negotiations in the U.S.A. and other countries outside India, and operate on a large scale and WHEREAS their annual expenses of maintaining the office establishment are likely to amount to $50,000 approximately, in the initial stages, and WHEREAS expenses which can be reasonably attributed to the work to be done for and on behalf of the Company would depend on the value of purchase effected through the said Company in relation to the total turn-over in each year, NOW it is hereby RESOLVED that Messrs. Traders International Inc., be and are hereby appointed to act as Buying Agents and Selling Agents of the Company for the periods of 3 years and 5 years respectively, with effect from 1st April, 1964, in the U.S.A. and other countries outside India, and to provide other services and to represent the Company in manner aforesaid, on the following terms as to commission:

a) For purchase of stores and spare etc., 2½ per cent of the invoice price,

b) For purchase of plant and machinery, 2½ per cent of the invoice price,

c) For sale of goods manufactured/produced by the Company, 2 per cent of the invoice price, and

d) For recruiting technical personnel and/or Consultants and for making arrangements for Know-How, Credit facilities etc., as aforesaid, in the U.S.A. and other countries, all expenses incurred and/or approtionable in respect of the work done by them in each particular case.

Provided that if anything to be done in pursuance of the above arrangements requires permission of the Central Government and/or the Reserve Bank of India, as the case may be, the same will be done in accordance with such permission."

(ii) "RESOLVED that Article 57 of the Articles of Association of the Company regarding 'Fee for Transfer' be amended by adding the following sentence at the end of the existing Articles:

"The Directors may waive payment of the fee,

aforesaid, for transfer or transmission of shares"

(b) **As an Ordinary Resolution:**

"RESOLVED that pursuant to the provisions of Section 372 and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby sanctions the investment by the Company by subscription and/or purchase, at par, upto 3,50,000 Equity shares of the face value of Rs. 100 each of Renusagar Power Company Limited, so as to make it wholly owned subsidiary of the Company, and the Managing Agents be and are hereby authorised to apply for and obtain the approval of the Central Government to the said investment"

BY ORDER OF THE BOARD,
Per Pro BIRLA GWALIOR PRIVATE LTD.
MAHADEO SINGHI
MANAGING AGENTS

Dated the 11th April, 1964.

N.B.: 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

2) Notice is also given that the Register of Members and Transfer Books of the both Equity and Preference Shares of the Company will be closed from 23rd May, 1964 to 12th June, 1964, both days inclusive.

3) The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956, is being posted to all the shareholders individually along with the notice of the aforesaid meeting.

BY ORDER OF THE BOARD,
Per Pro. BIRLA GWALIOR PRIVATE LTD.,
MAHADEO SINGHI
MANAGING AGENTS.

MANAGING DIRECTOR'S SPEECH

THE DUNLOP RUBBER CO. (INDIA) LTD.,

The following is the speech delivered by Mr M. L. Bexon, M.C., Managing Director of the Dunlop Rubber Co. (India) Ltd., at the 38th Annual General Meeting of the Company held in Calcutta on the 22nd April, 1964.

I have much pleasure in welcoming you to the 38th Annual General Meeting of the Company. The Directors' Report and Accounts have been in your hands for some time, and with your permission I should like to take them as read. You will have noticed that the Accounts this year are being presented in the modern columnar form. This outlines the highlights of the Profit and Loss Account and Balance Sheet more clearly, while the details are given in the form of notes and schedules.

THE YEAR'S TRADING

In 1963 the Company maintained its predominant position in the car, truck and motorcycle tyre replacement market, and as suppliers to the automobile manufacturing industry. We were called upon to make substantially increased supplies of tyres for Defence purposes involving a complicated range of specialised sizes for military use, and taxing our technical and production resources heavily. It is a source of satisfaction that we managed to maintain and increase our overall level of sales in spite of the supply problems thus created.

During the year three new tyre manufacturers began marketing their products, and the Company's success in holding its position was attributable to the continued public demand for our products based on their high reputation, to the loyal support of dealer friends and to the efforts of our sales and depot organisation in giving first-class service to fleet owners and the trade. Distribution has become more complicated as the result of the increase in the rate of tax on inter-State trading and disparities between sales tax in various States resulting in price differentials.

Our sales of large earthmover covers continue to be satisfactory although somewhat affected by capacity priorities for Defence. It is our intention to expand our production to incorporate larger sizes to meet the increasing demand from national multi-purpose and major irrigation schemes, which should result in a saving of valuable foreign exchange.

Our cycle tyres continue to be extremely popular and we are unable to meet the demand for our brand. We continue to supply the original equipment requirements of both large and small-scale cycle manufacturers.

The turnover contribution by the non-tyre range, i.e. Industrial Rubber Products and Dunlopillo, increased substantially over the previous year. This was mainly due to the increase of the conveyor belting business resulting from the implementation of some Plan projects. Generally, the demand for all items of our range continued to rise and our selling efforts were, in some measure, limited by production capacity. It may interest you to know that non-tyre business represents about 10 per cent of total turnover, and further diversification is constantly being explored.

Conveyor belting, the largest turnover item in our non-tyre range, engaged our attention on increased productivity, technological development and expansion of the range. The scheme for manufacture of PVC Belting is being implemented and supplies are expected to be available towards the end of the year.

We are also expanding the range of braided hose by further specialised developments.

Dunlopillo sales showed an increase over 1962, and the requirements of the railways and the automobile industry, which geared its output to the defence effort, necessitated our special attention.

EXPORTS

Our total exports in 1963 registered a 17 per cent increase over 1962 in spite of the setback suffered as a result of the sudden ban on exports during the latter part of 1962, and also capacity limitations due to our heavy defence commitments.

A significant feature of our export achievement during this year has been our success in the export of special service off-the-road tyres to Europe. The value of these made a substantial contribution to our overall exports.

There was, however, a drop in our cycle tyre exports which has been primarily due to unsettled political conditions in South-East Asia.

While we hope to be able to maintain, if not better our exports during 1964, it will not be out of place to mention that the export market for products that we manufacture is fast shrinking with the setting up of local manufacture in many neighbouring Asian, Middle Eastern and African countries.

RAW MATERIALS

The raw material supply position in 1963 was reasonably satisfactory, although import licence delays again caused some difficulties.

We started using large quantities of Indian-made rayon, synthetic rubber and carbon black, and are planning for a further increase in consumption during this year in substitution for imported materials, with a corresponding saving in foreign exchange. The generally higher prices of indigenous materials are having a serious effect on the cost of production, which can only be partially offset by our planned increase in production efficiencies.

PRODUCTIVITY

Once again I can report that the output from both factories in the last year was a record. The Ambattur factory increased its output by nearly 17 per cent over the preceding year and a slight increase was recorded at Sahaganj, despite the severe power cuts which affected factory operations during the greater part of the year. This achievement reflects great credit on the factories' management and labour, and their joint effort continues further to improve productivity. I am confident that nothing will be spared towards the achievement of the higher production targets set for this year.

EXPANSION

Last year I had to tell you that, following the introduction of Super Profits tax, we were reviewing our expansion schemes and that no positive report on their progress could be given. Indeed, 1963 laid increased financial burdens on your Company as a result of additional taxation, extra costs arising from the use of indigenous raw materials, premia payments in respect of Emergency Risks Insurance, and the tie-up of more capital following the further surcharge on Excise duties.

New temporary and permanent sources of finance had to be explored if we were to avoid abandoning or cutting back some of our schemes. Three measures were successfully negotiated in the latter half of the year which have enabled us to embark once more on a full-scale expansion programme. These were, first, negotiation of additional bank overdraft facilities to tide over our temporary requirements, second, a decision to proceed with our application for a rights issue and the agreement of the Dunlop Rubber Company Limited, UK, to advance meanwhile the necessary sterling for expansion by way of a loan, and third, a modest increase in tyre prices of 3 per cent from the end of September, 1963.

Our expansion schemes are now well in hand and we anticipate increased production in many of our products during the latter half of this year, although the complete expansions will not be finally implemented until about the middle of 1965. The rights issue is now being processed and is expected to be made towards the end of this year.

PROFIT AND LOSS ACCOUNT

The main features are given in the Directors' Report, from which you will have seen that the profit before tax remains much the same as the previous year, this despite an increase in sales of approximately Rs. 3.61 crores. The additional profit which would normally have arisen as a result of the increased sales was more than absorbed by additional costs, particularly those arising through the use of indigenous raw materials.

The net profit for disposal after tax — Rs. 1,68,86,953 — is substantially higher than last year, entirely due to taxation adjustments as already explained in the Directors' Report. After the compulsory transfer to Development Rebate Reserve of Rs. 10,25,000, and providing for Preference Share dividend of Rs. 4,60,000, a balance of Rs. 1,54,01,953 remains.

The Directors propose to transfer to General Reserve Rs. 75,26,953 of this balance and recommend a dividend for 1963 on the Ordinary Share Capital of 17½ per cent, subject to tax. This will absorb Rs. 78,75,000 and compares with 15 per cent paid in respect of 1962.

BALANCE SHEET

A concentrated effort was maintained to contain Inventories despite the higher volume of output and I am pleased to say this was successful.

Debtors are substantially higher mainly due to the larger volume of business, most of which took place in the latter part of the year.

Bank borrowings are also higher, reflecting heavier taxation payments during the year and also the higher working capital required to sustain the increased volume of business.

FUTURE PROSPECTS

The 1964 Budget proposals reduced the incidence of tax payable by your Company through the abolition of the Super Profits tax and the substitution of a Surtax on excess profits. However, increased tax arises from the 7.5 per cent tax on dividends.

During the closing stages of 1963 Government made the welcome announcement that Emergency Risks Insurance premia would not be payable for the first quarter of 1964, and that price control over our products was discontinued. Tyre prices were increased by 6 per cent at the beginning of 1964, which will help to offset the increased costs imposed on the industry during the course of last year.

Two years ago I referred to the increasingly competitive conditions in the tyre industry. This trend was slowed down by the Emergency and subsequent rise in Government purchases, but is now again very evident. There is now no overall shortage of tyres of any type, but we are confident of our ability to achieve the targets we have set ourselves for 1964, both in the sales field and in the factories, through the wholehearted efforts of all concerned. We look forward to another year's satisfactory working, although the trend of rising costs is a disturbing factor.

In conclusion, I am sure you would like me to associate you with the Directors in expressing our thanks to all employees for their loyal efforts during the past year.

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

TRADE CONFERENCE IN GENEVA

Have-Nots Seek Concessions

THE FOLLOWING statements of the Leader and members of the Indian delegation to the United Nations Conference on Trade and Development (UNTAD), currently in session at Geneva, present not merely a particular national point of view on problems of international commerce, but make an informed and positive contribution to the progress of the conference on constructive lines.

Along with the Indian documents we are also publishing a statement made by the Executive Secretary of GATT. This statement, again, is remarkable for its responsiveness to the changing needs and emerging challenges of international economic co-operation:

Development Through Trade

Statement of Mr. Manubhai Shah, Leader of the Indian Delegation, at the UNTAD Conference is reproduced below:

After the last World War, the establishment of the United Nations Organisation in order to preserve peace and steadily pursue progress for mankind, has been the landmark of history. Maintenance of peace and harmonious relations between the nations so that prosperity and good life could be secured for all the peoples of the world, has been the mainstream of all the thoughts and actions of the peoples of the world. It is also fully realised on all hands that peace and prosperity are indivisible; and poverty anywhere is a menace and threat to peace and prosperity of the whole globe. After the political emancipation of all the peoples of the world in the form of 122 sovereign nations, it was obvious that political freedom must receive social and economic content. Without providing optimum standards of living for the millions and millions, the peace, containing poor life for the vast majority of the people, will be short-lived. Therefore, the threat posed to peace by wide differences of standards of living among the nations of the world is obvious and does not need to be stressed.

The relationship between international trade and economic development has received full recognition in recent times. It is therefore very appropriate that this historic Conference on International Trade and Development is meeting here in Geneva for the first time in the history of the world. The previous few conferences on trade were rather limited and restrictive in their approach and neither represented nor reflected the aspirations of all the nations. As this Conference is historic, it has evoked great hopes everywhere. As the problems of international trade and economic development are complex and not easy of immediate solution, one should rule out over-optimism on complete success in one sitting of this Conference, that is during the first session of over 12 weeks, for all the problems that come under its umbrella. Realistic as we are, we in India along with all the other nations, do believe that a down-to-earth approach can alone help to make this Conference work and we need not judge the work of this Conference in simple words of 'success' or 'failure'. But India would like to recognise the Conference as initiating a "new era of understanding and action" through a series of steps in different sectors of international trade and development in concrete and precise terms as much as could be practicable during these 12 weeks. This Conference can lay strong and deep foundations for future work and superstructure of healthy international trade and progress being built on these secure foundations. While, therefore, we may avoid over-optimium or complacency, it is clear that any tendency to classify this Conference as "mere talk" or "mere words" or as "one more socalled conference" would be doing severe damage to the cause of peace and progress of the world.

A failure of this Conference will not only shatter hopes but would prove a disaster in every sense of the word. Therefore, India would appeal to all the sovereign nations at this Conference to give their very best in a constructive way, notwithstanding different situations, stages of economic growth, differing ideologies and political patterns and widely divergent systems of national constitutions, to give their very best constructive approach so that meeting of minds can be created and constructive results can flow in quick succession.

Gradualness in achievement of specific results is obvious, but this gradualness should itself not become a mere palliative to wish for everything and give, grant or receive nothing. I would therefore urge that we should all act in a spirit of great human understanding of the distressing positions and situations obtaining in three-fourths of mankind living in the less developed countries.

In paying a tribute to Dr. Prebisch, the Secretary-General of this Conference, I would not merely be formal or customary. The work done by the distinguished Secretary-General, the great economist Dr. Raul Prebisch, has been of fundamental nature. The Prebisch report which is before all of us, the enormous work put in by him and his colleagues and different representatives of nations in the three Preparatory Commitees, is of tremendous significance, and if I may say so, of highly practical value. Dr. Prebisch and his colleagues have not merely analysed in the most succinct manner all the factual positions as they exist in different countries and regions of the world, but they have given us a series of constructive ideas which can be worked out in a practical manner. Therefore, on behalf of my delegation and myself, I would like to convey the heartiest greetings of my own country and other member nations of this Conference to Dr. Prebisch and his colleagues on this remarkable report.

Stagnant Export Earnings

The trends as they emerge in the field of international trade are very disturbing indeed. While the world has become free, in the last fifteen years, from political domination, the economic disparities have grown rather than diminished in their intensity. The international cake in the form of world trade has grown and expanded in a tremendous way in the last decade. This is good and desirable and our efforts should be to still further expand world trade so that human prosperity everywhere, both in the industrialised countries and the less-developed countries, really grows. However, the hard fact stands out that the main objective, Mr. President, of increasing the export earnings of the developed countries has completely failed. The export earnings of the less developed countries has remained almost stagnant in the last decade. We are not here gathered to reduce the prosperity of the industrialised countries. Rather, we wish them more progress. We are not gathered here in a spirit of obstruction or some trade unionism or some parochial groups wanting to rob some in order to benefit others. We here at the Conference table represent the human family with its diversity, with its tremendous achievements, and at the same time we recognise disparities, distress and the yawning gap between those who are in the vanguard of progress and the vast majority who are without adequate resource and incomes.

It is clear therefore that we are studying these problems here at the Conference table in the most constructive and comradely spirit. And it is in this environment, that India would like to appeal to the leaders of the advanced countries like the United States of America, the Soviet Union, United Kingdom, France, Germany, Italy, Japan, and various leading industrialised countries of the world, to give us the benefit of their advice and constructive plan of action which while recognising the existing state of affairs should seek to redress and remedy the situation in all directions. The objective of the Conference should be to make the Development Decade a reality. If at the end of the Decade we find that poor have remained poor or become poorer still, the objective would have definitely receded. If, therefore, we wake up in time at this Conference and reverse the present trends in trade, the Development Decade can be made a tremendous success. Only a determined and concerted 'Political Will' can initiate measures in mutual co-operation to bring about a new trend in international trade and development where trade can become a senior partner along with aid to secure the benefits of the growing prosperity in the industrialised countries, being shared by the peoples of the less-developed countries. And this is not so difficult to achieve because we are not meeting in any spirit of hostility or animosity, but as I said, we are meeting in the most co-operative and understanding manner to accept the analysis before us and work out practical solutions. The advancement of the less-developed countries through the reversal of present trends by enabling them to earn more of foreign exchange through expansion of their export trade, would itself create and provide far more expanding markets for the products of the industrialised countries. Therefore, of all the processes of assistance, the process of expanding international trade in favour of the less-developed countries is the easiest and the best of all the methods of maintaining and expanding world prosperity.

New Understanding

If the above approach of harmony and co-operation is accepted by this Conference and by the participants, namely the industrialised countries and the less-developed countries, then the next question would be as to how do we go about to secure the new understanding between the partners, in this great human endeavour, for enabling the less-developed countries to expand their export trade. Naturally, such a policy would have to provide for adequate institutional and organisational framework. India has always supported healthy institutions and organisations which work for greater co-operation in the international field. The General Agreement on Tariffs and Trade which is the major organisation of the contracting parties who are now about 61 out of the 122 countries of the world, has been doing good and essential work in the last sixteen years of its existence. In spite of several deficiencies, GATT has on the whole worked well to bring order out of chaos in international trade. But the very nature of GATT and its membership at the time of its foundation, naturally led by the industrialised countries of the world, have tended to provide a framework and policy forum in the GATT in which the major trading nations of the world have derived greater benefit rather than provide an instrument of promoting the trade of the poorer countries of the world in new directions as we all wish. From our contacts and talks with the industrialised partners, we are convinced that the industrialised nations do desire, as much as we do, that the GATT should be enabled to perform the new tasks, where necessary, by enlargement and reconstruction of the GATT. While this is so, there might be some difficulty as to the manner and form in which the GATT should be remodelled. The Havana Charter has to be modified and expanded into a charter adequate to meet the present pressing needs. In our view, the following few steps are clearly indicated if GATT is to continue to function as an instrument of international trade in the desired manner for the benefit of all the countries of the world.

(1) The present multilateral contract has also to provide in a suitable way for the bilateral balanced commodity exchange of the centrally planned economies. The value attached by most of the countries of the world to trading with the centrally planned economies is well known to need any reiteration here. Most of the countries at this Conference table are trading with some of these centrally planned economies. In spite of some of the handicaps, the trading policies of the Socialist countries have generally found acceptance in most countries as much as the multilateral pattern of the GATT has found acceptance between the Contracting Parties. Therefore, either through amendments or additions of a suitable nature or through any supplementary organisation, the international contract on trade will also have to provide for trade between market economies and the centrally planned economies, so that while recognising and benefiting from these trading patterns which exist and which cannot be ignored, we can bring about a measure of regulation and improvement in these bilateral trading patterns. We have some ideas on this, but this can be best discussed in Committee No. 4 provided there is readiness on the part of all concerned to seek a solution of this major problem.

(2) It is also necessary that the GATT should become a fully representative organisation of all the trading countries of the world, namely, more than 100 multilateral trading countries, and about 10 or more centrally planned economies. All the members of the United Nations have to be provided full membership of the GATT if international trade is to work under a broad pattern of rights recognised and obligations accepted by all the different members of the enlarged GATT.

(3) The main effect of the contract as it stands and of its different clauses and regulations is to maintain the status quo in the trends of world trade. If a reversal of these trends is desired by the Conference, as I hope it is, by both the industrialised countries and the less-developed countries, we will have to radically modify and remodel the policies, so that a full, free and an expanding access for the products originating in the less-developed countries to the expanding markets of the industrialised countries is secured through such policies which may be built into the GATT. This is not so difficult to achieve by maintaining what is good and working well in the GATT and redefining what is newly desired by all the countries of the world so that the international trade of the less-developed countries expands commensurate with their needs. Or at the minimum, their share in expanding international trade should continuously increase from its present poor proportion of 20% to a much higher and larger figure in order to wipe out the gap between their needs and their present small earnings as clearly brought out in the Prebisch report. I would not take the time of the Conference by going into greater detail in this matter and leave it to Committee 4 to work out the new organisational pattern.

Periodic Conferences

Along with the GATT which should be reconstituted and remodelled as desired by all the member-nations, we should meet periodically in this Conference so that larger policies of economic growth and development and aid and trade can be discussed in this forum. By its very nature, a contract or an agreement on trade has got to work within specified rules, regulations, protocols and framework. A contract, however liberal, cannot be so flexible as to include so many facets of economic growth and aid which necessarily have to remain flexible, changing and emerging according to new situations that continue to arise. It is in this context that India has constantly advocated what the Prebisch report has underlined so clearly, the need for this Conference of the United Nations on Trade and Development to become a permanent feature. This Conference should meet periodically, once in two or three years, as may be necessary, with an adequate, permanent, and full-time secretariat in the United Nations Organisation with such standing committees and committees of a permanent nature which will review

and push forward the work of this Conference. Whatever are the ultimate agreed decisions of such a Conference and which have to be implemented in the form of contracts and agreements can be considered and accepted by the GATT to the extent possible so that the close liaison between the functioning of the World Trade Conference in its periodical meetings and the reconstituted GATT as a dynamic instrument of international trade. can be fully established and harmonised.

Coming to the specific problems of world trade. India gives the highest importance to a reduction and removal of tariffs, and removal of obstacles and restrictions so as to create a proper climate for free play of international economic forces. The dominant experience of the depression of the Thirties throughout the world, when the trade went down, was for restrictions to grow up in each country and each country tried to protect its own balance of payments by ushering in agricultural protectionism and 'infant industry' arguments. The wide growth of complicated tariff structures was the outcome of these policies of protectionism. It is therefore most essential, in our view, to consider the removal of all these restrictions and obstacles in the way of trade of the weaker partners, namely the less-developed countries, that this Conference should address itself.

India therefore attaches the greatest importance to secure free and full access for all products of the less developed countries into the markets of the developed countries. To this end the various non-tariff barriers like quota restrictions, import licensing, internal duties and various administrative restrictions have got to be closely studied for their elimination and removal and the Eight-Point Action Programme approved by the GATT Ministerial Meeting of 1963 has to be worked out and implemented in detail.

Primary Products

Mr. Chairman, our impatience and our anxiety arise from some of the trends which the Secretary-General has indicated in his report. On the one hand, we are continuously talking and seem to agree that the export trade of the less-developed countries should expand. As these economies are more primary than industrialised, it is clear that the export trade of each of the less-developed countries generally hinges on less than half a dozen primary products. These primary commodities which constitute the core of the export trade of the most less-developed countries, have been facing very severe weather in the field of international trade. As the report mentions on page 20, even in the field of primary products, the industrialised countries have greatly enlarged their share of world exports of primary products from 47% in 1950 to 55% of the overall increased world trade in 1961, whereas over the same period, the share of the less-developed countries in primary products, excluding petroleum, fell from 41% to 20%. Further, it is stated that between 1950 and 1961, the terms of trade of primary commodities fell by 26% in relation to those of manufactures. All this points to the immediate need to give higher priority to the overhauling of the policies and practices of trade in primary products.

Without going into the detail of this problem of primary products, the Indian delegation would like to advocate that ways and means should be devised to secure fair and remunerative prices for the primary products originating in these countries. We heard just now the President of World Bank on primary products and the need to stabilise these prices. With this broad objective, I am happy to say that there is a considerable measure of agreement among all of us. In the list of such commodities, it is clear that we can tackle 20 to 25 principal products over the next five or seven years through suitable international commodity agreements or arrangements. In the light of the experience gained in the case of agreement on tin. coffee, wheat, sugar and olive oil, it should not be difficult to work out in concrete terms commodity agreements tackling about 3 to 4 commodities every year, so that commodities like wheat, rice, tea, coffee, cocoa, copra and vegetable oils, jute and jute goods, cotton, wool, sugar, spices, iron ore, manganese ore, natural rubber, meat and meat products, shellac, tobacco and such other commodities of major interest to some of the less-developed countries could be covered through a system of international commodity agreements providing for fair and remunerative prices.

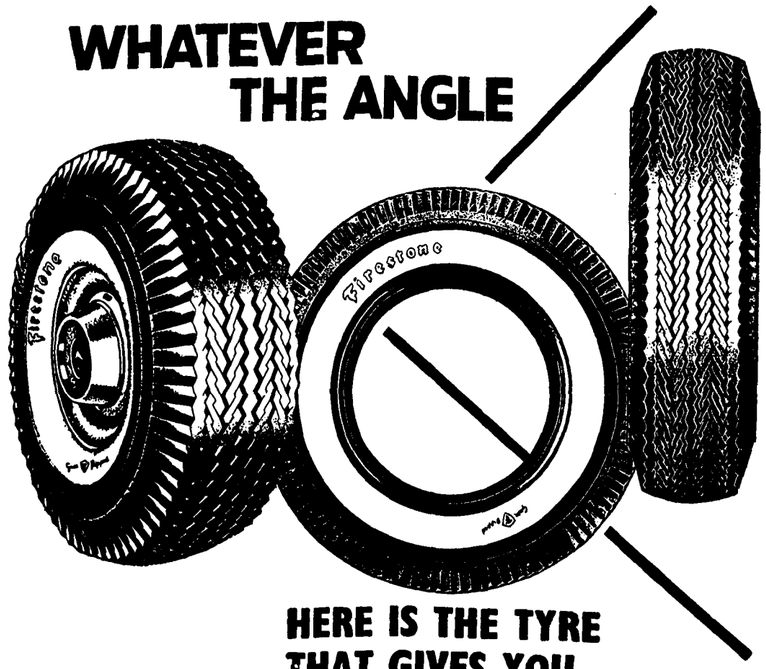
Monetary Compensation

In this, Mr. Chairman, we clearly believe that a system of monetary compensation will have to be worked out in a suitable manner by Committees of Experts, so that each commodity agreement may have under its constitution a "trade development and price fluctuation fund" which should enable automatic reimbursement to the exporting country in case the world prices of the commodity sag below the floor price. Such a fund could be created from the sale of stockpile when the prices spurt and the surplus being deposited into the fund; second, by financial contributions from industrialised countries which may be the main consumers of these products, so that additional resources are provided to this fund by industrialised countries, and a small notional contribution can be made by producing countries themselves. These compensations would only come into play when other methods of regulating prices by regulation of production and consumption fail in any particular period or year to support the prices at agreed levels. While advocating remunerative prices, we are conscious of the fact that the prices will have to be related to what the commodity can bear in an economic manner, and the prices need not be pitched so high as to induce growth of substitutes or to induce over-production in uneconomic directions as to defeat the very purpose of price support at remunerative levels. It is not beyond practical possibilities to work out agreements commodity-wise, with all the necessary safeguards on the one hand and adequate provisions for compensation on the other. We attach great importance to this because in the economies of the less-developed countries, which are not very diversified and whose dependence mainly is on a few primary products, the one single factor which can contribute greatly to the balance of payments position is the increasing export earning through remunerative prices and growing trade in primary commodities.

Kennedy Round

On the matters of tariff, India fully supports the Kennedy Round of talks. India hails it as a revolutionary movement in history of tariffs. My delegation views the forthcoming tariff negotiations for reductions in tariffs as an integral part of this overall movement for the expansion of international trade, removal of obstacles and securing a freer and fuller access to the products originating in the less-developed countries. Reciprocity on the part of the less-developed countries would be more than adequately provided in the form of their purchasing more from the developed countries out of their increased earnings, rather than in the form of conventional methods of negotiating reductions of tariffs which, it seems to us, they cannot obviously afford to do in the present state of their economy. We do hope that further improvements would be secured in the Kennedy Round of negotiations so as to enable the world to dismantle the tariff walls to the very minimum. Also, progression in tariff between the raw materials and the manufactured products therefrom, should be reduced so as to facilitate and encourage the natural industrialisation based on these raw

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materials in the less-developed countries.

In order to promote the industrialistion and rapid expansion of export trade of the less-developed countries, it is in our opinion necessary that preferential treatment should be accorded to the exports of the less-developed countries and we do trust that it will be possible to take this concept into account when we embark upon the forthcoming tariff negotiations. We are, however, clear that such a system must be non-discriminatory and should be applicable as a whole to all the less-developed countries of the world, so that the complex system of discrimination between one group of countries and another or between one region of the less-developed countries and another is firmly avoided. To this end, India would also suggest that, while taking note of the existing systems of preferences such as the Commonwealth preferences, the ECM Association of Overseas States, the Latin American Free Trade Area and various other forms of regional economic groupings, these systems should, in due course, be brought under a uniform policy of non-discriminatory preferential treatment by the advanced countries to the products of the less-developed countries as a whole. It is a difficult and complex task and we do recognise that only patience and hard work towards creating common understanding on these problems will have to be put in while this Conference continues and also in future conferences. India has also shown readiness to give up preferences which she might be enjoying provided adequate benefits are made available to all the less-developed countries through a system of non-discriminatory preferences in the markets of all the industrialised countries to the products of the less-developed countries. We have already agreed to give up preferences on tea and a few other products. It is our earnest hope that the leaders of the different regional economic groupings would give their best attention to this problem, so that a very complex system of discriminatory preferences does not take away all the benefits, which otherwise are sought to be secured through different measures of liberalisation of world trade in favour of the less-developed countries. Also India is in favour of grant of preferences by less-developed countries to manufactured and semi-manufactured goods of the less developed countries on an agreed basis between the less developed countries themselves.

Linking up Formula

There have been suggestions of linking up of preferences to the degree of development of particular industries in the different less-developed countries. While this sounds reasonable in principle, it will be a most difficult practical exercise to work out, with any degree of completeness or dependability, agreed criteria and classification of such degrees and stages of under-development or development. The raison d'etre of preferential treatment to the goods of the less-developed countries is the undeveloped nature of the economy of these countries as a whole, and the growth of any particular industry or industries does not neutralise these disadvantages. Trying up preferences industry-to-industry-wise would not be easy to work out. Besides, once this principle is admitted, any number of gradations can be thought of and pressed, making the whole approach almost unworkable. It seems to us that if some less-developed countries feel that for certain items of manufactures, they need more encouragement, it may be possible to stipulate a quantum for such items for which they may be granted a somewhat higher special preferences for some time. However, I do not know to what extent such a complicated system would be practicable or workable and to what advantages, if any.

In addition to the removal of non-tariff barriers and reduction and removal of tariff barriers, India attaches the greatest importance to industrialisation of the economies of the less-developed countries. It is true, Mr. Chairman, that the primary products do form bulk of the exports of the less-developed countries in general, and therefore, there can be no disagreement on the point that utmost efforts should be made to give maximum encouragement to the exports of primary products. However, a point is sometimes made that as far as the less-developed countries are concerned, the question of free and full access to be given to the export of manufactured goods from these countries to the markets of the industrialised countries is not of immediate significance, as very few less-developed countries have achieved any reasonable level of industrialisation. To our mind, there is an obvious fallacy in this argument. While it is true that industrialisation depends upon a large domestic market, it is far more true to say that the less-developed countries will not be able to raise their living standards by merely relying on the production and export of primary products.

Agro-Industries

While in several countries due to the size of their population, the domestic markets may be small, the economies of scale in industrial development could be secured only through the outlets which the products of manufacturing industries would receive through their exports. The example of Switzerland, Scandinavian and Benelux countries and other relatively small but industrialised countries is there before us. The entire process of industrialisation, through which the advanced countries of the world have passed, is one of consumption of manufactured goods at home and increasing exports of their manufactured products to the rest of the world. In terms of priority, it is clear that the less-developed countries will have to usher in programmes of industrialisation based on agro-industries and processing industries for raw materials available in these countries. But, in due course, through inter-regional planning and international division of labour, each of the less-developed countries according to its economic situation and potentialities will have to implement, as most of these countries have been most keenly doing in the last decade, the phased programmes of industrialisation. The keenness with which Indonesia, Pakistan, U.A.R., Brazil, Argentina, Mexico, Malayasia, Ceylon, Burma, Kenya, Tanganyika, Ethiopia, Nigeria and most of the less-developed countries of Latin America, Africa and Asia are forging ahead in their programmes of economic and industrial development, is a positive sign, if any proof were needed of the growing need to assist and promote this process of industrialisation of their economies, by giving larger scope to the semi-processed and manufactured goods of these countries to be sold into the markets of the industrialised countries.

The per unit return in terms of foreign exchange earned is obviously much higher for the processed and manufactured goods as compared to the primary products. Also, the human skill functions and the technological and human development, which these programmes of industrial development bring into countries' social, economic and political life, need not be stressed by me here, because they are obvious. World cannot afford to keep the peoples of the countries of Africa, Asia, and Latin America perpetually as primitive hewers of wood and drawers of water. Unless the people of the less-developed countries are brought in close touch with modern science and technology to the extent economically and socially possible, neither their living standards nor their skills and managerial functions and human personality are likely to develop. Full human development is not possible without the environment of modern industrial society. Human dignity demands that the benefits of modern science and technology should be enjoyed by millions and millions of people of the less-developed world. I have stressed this point to some extent because due to the small size of popu-

lation of some of the less-developed countries, it is sometimes doubted whether industrialisation of these countries could be undertaken. On a selective and reciprocal basis with intra-regional planning and on the basis of division of labour between the groups of countries on the one hand, and the industrialised countries helping to set up industries in the less-developed countries both for their domestic consumption and for exports, is the surest way to industrialise these economies and to raise the living standards and prosperity of the less-developed countries.

In regard to the trade in manufactures the situation is that while the share of the less-developed countries of total world exports is about 5.6%, it works out to less than 2% if base metals, semi-tanned skins and essential oils are excluded. Despite this low starting base, the magnitude of what is misconceived as a problem arising out of promoting exports of manufactures from the less-developed countries is often exaggerated. According to the report of the Secretary-General the exports of manufactures from the developing countries amounted to somewhat in excess of $2 billion in 1961 and even assuming an increase of $10 billion by 1970, that is by more than half the trade gap, this would represent only some 4 to 5% of the increment in the advanced private enterprise countries' consumption of manufactures. These proportions would, of course, be lower still if the more industrially advanced countries with centrally planned economies are included in the calculations. The Secretary-General has raised a very relevant question—"Can so tiny a figure possibly be a cause of anxiety?"

The diversification of exports is as much a solution to the problem of stagnant earnings as anything else. This means that the less-developed countries should increasingly undertake the export of manufactured and semi-processed articles based on their own resource endowment. It is well-known that in the beginning of industrialisation, due to a variety of factors such as the relative smallness of the size of the internal market, lack of an economic-social infra-structure, lack of up-to-date know-how, credit facilities and knowledge of markets and marketing techniques, the cost of production in these countries may be high. In these circumstances, the manufactures from the less-developed countries will not be able to compete in the markets of the developed countries. The nature of these special facilities has been examined in various forums and the consensus of opinion is that the establishment of preferences by the developed countries in favour of the products of the less-developed countries will be most useful.

Unfounded Fears

The difficulties which arise with regard to the acceptance of such an idea have been analysed carefully in the report. The first is the fear that such manufactured goods will flood the markets of the developed countries and disrupt their well-established industries. The report itself gives the reason why such fears are unfounded. Firstly, the quantities which less-developed countries can export will be such a small proportion of the consumption of such items in developed countries that the disruption caused may be negligible. For instance, thouh India's exports which are extremely small today, are expected to be twice their present level in 1970, they will still account for hardly one per cent increase in the aggregate trade of all the market-economy countries. Secondly, the long-run effects on the exports of capital goods, etc., from developed countries will be sufficiently beneficent to make it worthwhile for industrialised countries to resolve such temporary difficulties as may arise from the imports of such manufactures.

With regard to economic assistance our views are more or less in agreement with the views of the Secretary-General's report. Our experience has been that if a given volume of assistance is to be most effective for development, it should be tied neither to projects nor to countries. The former ties aid utilisation to the progress of particular projects and not to the requirements of the economy as a whole. The latter by restricting the freedom of purchase, prevents the aid receiving country from buying the latest equipment in the cheapest market. It also acts as a drag on progress because Governments cannot meet freely the demands for foreign exchange. Such stipulations are made because developmental assistance is partly intended to find export markets for domestic industry. Howsoever laudable this is, it does not help the growth of less-developed countries.

The second problem is with regard to the terms. It is normal to charge commercial rates of interest and the period for which assistance is given is also based on commercial principles. Development assistance should be based on altogether different considerations. Repayment has necessarily to be spread over long periods so as to give time to the economy to build up an adequate export capacity. Therefore, it is improper, as is done sometimes, to assess the repaying capacity of a particular industry or project to which assistance is being given. The rate of interest has to be suitably low, considering the fact that the burden of servicing becomes very large as development programmes are implemented. Repayment as far as possible may be worked out in sales of goods.

Integrated Picture

Our experience also indicates that assistance should not be confined only to the import of capital goods. An integrated picture of the balance of payments as a whole should be taken and foreign assistance should provide the required net addition to the resources of the economy. As development goes on and capacity gets built up within the country to manufacture all kinds of goods, what may be required would be raw materials and components to feed this capacity rather than equipment. This principle is now being recognised to some extent and a sizable amount of what is called non-project assistance is being made available.

Mr. Chairman, I have tried to deal with broad problems coming before this Conference in my speech. There are other problems of details which are equally important and in many respects much more important to some of the countries, such as the problem of transit of goods from the landlocked countries, the problem of shipping, freights, insurance and other charges for the goods of the less-developed countries. Due to inadequate facilities of domestic shipping and high rates of shipping freights the invisible earnings of most of the less-developed countries are very small and the burden of foreign exchange on payments of these charges are excessively high. I trust that these problems will be dealt with in respective Committees. We will be prepared to lend our fullest support in the solution of these problems.

Mr. Chairman, the variety of subjects that the Conference will be dealing with is very vast indeed and I would not venture to deal with other points, than those I have mentioned above. However, in dealing with any system of encouragement, assistance and preferences, there is some need to take an over-all view of the different forms of assistance. Whatever special devices are evolved to provide equality of opportunity to less-developed countries vis-a-vis developed countries, it is likely that there would be a tendency to impose conditions on such devices in an attempt to secure benefit for all from each device, sometimes to the point of arithmetical equality. However, the question of trade and economic growth being of extremely diverse nature, both from the practical point of view as well as in the interest of new international division of labour, such conditions and

expectations to derive and allot equal benefit to every one from each device can only complicate schemes and may even make most of them unworkable. Mr. Chairman, we are in fact looking forward to a series of devices being evolved for the benefit to the less-developed countries so that in the aggregate of the benefits, each would be able to derive substantial gain depending on its natural endowments and other factors without every device being contemplated to benefit each of the countries in equal proportions. Even though this is an obvious fact, I am merely mentioning it in order to serve as a word of caution so as to make the solutions that we evolve here, both practical and satisfying.

Mr. Chairman, I have dealt with only some of the major problems confronting this Conference and have shared with you our present thinking on them. My delegation keeps an open mind and we have learnt a great deal from the statements already made by my distinguished colleagues from developing countries. We have also been heartened by the speeches made by the distinguished Ministers of industrialised countries of the world at this Conference welcoming the broad objectives of the Conference and signifying their agreement and willingness to make a constructive contribution to the solutions of these problems. It is in the spirit of an international co-operative effort that we have met here to bring about a mutual understanding of one another's needs and possibilities and also of solving the basic problems even if it involves some sacrifices on the part of the industrialised countries and more intensive efforts on internal development on the part of the less-developed countries. To this effort, Sir, I pledge the full support of my delegation.

On the part of the industrialised countries even though I have used the word sacrifice, it is a pleasant direction of adjustments and investments into the long-term prosperity of their own countries and the world as a whole. In regard to the internal efforts of the developing countries, the friendly atmosphere in this Conference and such results as we hope will emerge out of deliberations of this Conference should give strength and confidence to the governments and the peoples of the less-developed countries to activise their productive apparatus in the field of agriculture and industry and other sectors of development of human resources in their own countries. Let us hope that all the internal programmes of economic growth aided by increasing external trade and aid from industrialised partners could ultimately result into the major objective of reducing and eliminating poverty and hunger from all the lands of the world.

Need for a Practical Twist

STATEMENT MADE by the Indian Delegate, Dr. S. R. Sen, in Committee I on "International Commodity Problems" (April 10, 1964) is reproduced below:

During the last two weeks we have heard in this Committee a number of interesting and useful statements both of a general nature and on sub-item (a) of our agenda. It is now possible to summarise the consensus reached on sub-item (a) as follows:

(i) the demand for primary products is growing at an unduly slow rate;

(ii) the share of developing countries in world trade is declining;

(iii) there is a tendency for primary commodity prices to deteriorate in relation to prices of manufactures;

(iv) there is a tendency for primary commodity prices to fluctuate unduly;

(v) the developing countries are unable to finance out of exports the needs for imports of machinery and manufactured goods needed, especially for achieving the objectives of the Development Decade; and

(v) the developing countries are unable to finance out of exports the needs for imports of machinery and manufactured goods needed, especially for achieving the objectives of the Development Decade; and

(vi) the inadequacy and uncertainty regarding the foreign exchange earnings of developing countries are adversely affecting their plans for economic development.

The Indian delegation feels that it would be desirable not to spend any more time on sub-item (a). On the basis of this consensus the Committee should now proceed to give practical consideration to the various measures which have been proposed in the Report of the Secretary-General, the Report of the second session of the Preparatory Committee and other relevant documents. The Secretariat has been good enough to circulate a list of some of the concrete measures proposed. The list may not be complete. But the Committee could accept it provisionally as a basis for its work. Meanwhile, the Secretariat could prepare a more complete and suitably classified list for the consideration of the Committee.

In course of the discussion in the plenary as well as in this Committee, we have already got certain valuable indications of the positions of different delegations on the various proposals under consideration. These proposals may be classified into two broad categories:

(a) policies and measures of a general character, and

(b) policies and measures relating to specific commodities. Since the time at the disposal of this Committee is rather limited, my Delegation feels that this Committee may now profitably concentrate its attention on considering the former, that is, policies and measures of a general character. So far as the latter is concerned, that is, policies and measures relating to specific commodities, it may be useful to follow the suggestion of the distinguished delegate of Australia and prepare a "request list of commodity tasks to be transmitted to the concerned agencies of the UNO with the backing and authority of this Conference for the purpose of achieving fresh break-through of specific commodity problems" in the light of the general decisions that may be taken in this Conference. This list may be prepared at the end of our consideration of the general policies and measures in course of which the problems of specific commodities also will no doubt be mentioned by way of illustration.

So far as policies and measures of a general character are concerned, there is now near-unanimity among the developing countries. This is indicated not only in the declarations made at Alta Gracia by the Latin American countries, at Tehran by the Asian countries and at the recent meeting of the ECA by the African countries, but also by the statements made by their representatives at this Conference. There is general support for the proposals made in regard to commodity problems in the report prepared by the Secretary-General.

In the view of the Indian Delegation, a time has come when piecemeal solutions must be regarded as grossly inadequate and a bold approach has to be made on a number of related fronts in regard to trade in primary commodities, if we are to achieve not only the objectives of the Development Decade, but also to create conditions for accelerated development of all the under-developed countries in the period beyond. The general approach has to be outward-looking, expansionary and dynamic rather than inward-looking, restrictive and rigid.

The Indian Delegation feels that the minimum that requires to be done for achieving these objectives is to agree that—

(a) there should be free access for all the products of the less-developed countries into the markets of the developed countries;

(b) tariff and non-tariff barriers and discriminatory practices in the developed countries against the import of primary commodities which they do not produce should be immediately removed; and a phased programme (including programmes for reconversion) should be adopted for reducing and removing the obstacles to the import of other primary commodities to the developed countries from developing countries;

(c) centrally planned economies should progressively enlarge, according to an agreed scale, their purchases of the primary commodities exported by developing countries;

(d) a phased programme (including programmes for reconversion) should be adopted to reduce the obstacles standing in the way of trade in primary commodities between different developing countries, although they are not able to reduce protective measures against imports from developed countries;

(e) effective measures should be taken at the international level for guarding against adverse impact of substitutes and synthetics, for promoting new uses for primary commodities and generally for increasing the demand for and trade in these commodities;

(f) ways and means should be devised to stabilise and secure remunerative prices for the primary commodities exported by the developing countries. With this end in view, the system of commodity agreements should be improved and extended to major primary commodities or groups of such commodities. Serious consideration should be also given to the proposal to have multilateral agreements to establish floor prices at equitable levels for primary commodities. However, the basic approach of all these agreements should be expansion of consumption and regulation of marketing rather than restriction of production;

(g) where commodity agreements do not appear to be feasible or desirable, alternative commodity arrangements, including provision of a forum for consultation and confrontation, should be made;

(h) there should be a strong Committee on Commodity Trade under the new institutional arrangement for Trade and Development so that commodity problems are vigorously pursued and solved. So far as agricultural commodities are concerned, the FAO machinery should be utilised to the full extent. But for non-agricultural commodities, especially for minerals, which demand increased attention and also for the co-ordination of the work of various agencies dealing with commodities, such a Committee is essential;

(i) there should be adequate provision for compensatory financing

(1) on a general basis through IMF, IBRD or some other UN organisation, and

(2) related to specific commodity arrangements through "trade development and price fluctuation funds".

This provision should not, however, be at the expense of general development aid which is essential for the development and diversification of the economy and hence for the diversification and steady growth of the export trade of the developing countries.

As has been mentioned earlier, there is near-unanimity among the representatives of developing countries in regard to most of the proposals outlined above. But there seems to be still a certain difference of opinion between the developed countries. The Indian Delegation feels that it would be useful if in regard to each of the proposals listed by the Secretariat, the developed countries first give a more precise indication than has been available so far as the extent to which they are prepared to go. Where one developed country finds it possible to go much more than other developed countries towards meeting these proposals, an explanation of its position would in fact go a long way to allay the apprehensions and overcome the reservations of the latter. It is in this manner that the discussion in the Committee can be given a most constructive and fruitful turn. In view of the encouraging statements which have been made by some of the representatives of the developed countries, the Indian Delegation hopes that it should be possible for this Committee to recommend unanimously concrete and effective measures and actions which will lead to a steady expansion of the markets for primary commodities, stabilise their prices at equitable and remunerative levels and ensure for the developing countries a steady increase in their export earnings.

Accent on Export of Industrial Goods

STATEMENT BY the Indian Delegate, Mr. K. P. Goenka, President, Federation of Indian Chambers of Commerce and Industry, in the Second Committee of the U.N. Conference on Trade and Development on April 1, 1964 is reproduced below:

My Delegation attaches the utmost importance to the work and the results of the Second Committee. The establishment of this Committee is based on a clear recognition of the need for a rapid expansion in the exports of manufactured and semi-manufactured goods from the developing countries. The problems confronting exports from such countries have been studied in the GATT as well as in the Preparatory Committees of this Conference. I do not, therefore, want to take the time of the distinguished delegates here in reciting too many statistics, but I would just state very briefly the nature of the problem.

Today the share of the less-developed countries in the world exports of manufactured goods is only 5.6 per cent. This figure includes such goods as base metals and other semi-processed products, which themselves are in the nature of raw materials for further processing. The rate of growth of exports of manufactured goods from the less-developed countries is only 4.3 per cent as against the average rate of growth of 7.9 per cent for the whole world. The various documents that are before us and the many speakers who have given expression of their views in the plenary conference and in this Committee here recognise that in bringing out the much needed

structural change in the economies of the developing countries, the exports of manufactures and semi-manufactures will have to play a very important part. A new pattern of international co-operation both in the field of trade and developmental assistance has to emerge. It is in fact one of the historical imperatives of our times that it should be so, not only in the mutual trading interests of the nations but also in the interest of harmonious and peaceful co-existence. Increasing facilities for the exports of manufactures from the less-developed countries are needed to foster their economic development.

Sir, the paper on allocation of agenda items to the Second Committee has divided this subject under three head. The first deals with the measures and actions for diversification and expansion of the exports of manufactures and semi-manufactures by developing countries. As far as my country is concerned it has given the pride of place in its developmental programmes to increasing its exports. Our target is to double our exports by the end of the fourth Plan, i.e. by 1970. Of course here I may draw the attention of the Committee to the fact that ours is the lowest per capita exports of £1.10 sh. per head per year against the average of exports of £15 per head per year and of some countries like New Zealand and others whose per capita export is as high as £250 per head per year.

Diversification of Exports

It has been, therefore, India's endeavour to diversify and increase her exports both direction-wise and commodity-wise. Although these exports are giving us some results, three-fourths of our foreign exchange earnings continue to come from traditional items like tea, textiles, ores and other raw materials. Despite the fact that India has the resources and the requisite manpower with which she is in a position to produce items of comparatively simple manufactures based on locally available raw materials, its share in the world market for such manufactures is still negligible. As far as we are concerned, we are giving a new orientation to our export effort, organisationally as well as by exploring new markets. The limiting factor seems to be the lack of willingness on the part of our more developed friends to absorb a larger percentage of our products.

Before I come to the second item on the agenda namely, the measures for securing greater access to the markets of the developed countries, I would like to mention that we look upon exports and this also happily has been recognised in the various documents I have referred to as a very important pre-condition of development itself. Although we are in the middle of our third five-year Plan, we still find that industrial development even on a modest scale in our country is thwarted, among other things, on account of the low purchasing power of our people and inadequacy of capital and foreign exchange resources. In the case of quite a number of products which India is pre-eminently suited to manufacture on a large scale, an assured access to some of the important markets for them will, therefore, be of great help in her economic development.

The increased access to manufactured goods of the developing countries will have to be provided not only through the removal of the existing trade barriers such as high tariffs, quantitative restrictions and others, but also by according specially favourable tariff and trade treatment to their products. It is relevant to mention, in this connection, the role of co-operation between industrialised and less-developed countries in the field of capital investment in export oriented industries. I am sorry to say that there have been instances where foreign collaborators have made it a pre-condition of investing in India that the products of those industries would not be exported. Happily a mild change is noticeable in this attitude, but still the resistance continues.

Some distinguished delegates have referred to oligopolistic purchasing organisations of some of the developed countries. A reference has also been made to restrictive business practices in the field of international trade. I suggest that it will be useful if this Committee were to devote some of its time to these problems.

National policies in the industrialised countries will have to be reoriented and adapted so as to enable them to absorb the imports of manufactures and semi-manufactures from the developing countries in larger and larger quantities.

At present the manufactured goods exported by the less-developed countries are such that they are produced by highly labour intensive industries. These exports take place on the basis of the comparative cost advantage. However, in future export sectors with greater capital intensity will have to be built up with the help of advanced technologies which will have to come from the Industrialised countries. Ways and means will have to be devised for obtaining the technologies and also an assurance of offtake of such manufactures by the industrialised countries. I, therefore, feel Sir, that in this field the efforts of the less-developed countries should be actively supplemented by the aid and assistance from the industrialised countries.

I would like to refer in this context in particular to the facile reasoning by which the competitive exports from less-developed countries are sought to be excluded. In the case of commodities which are able to compete on their merits we are quite frequently confronted with the argument that these commodities are low cost manufactures. We have tried to prove on more than one occasion that in spite of the fact that wages per man-hour in countries like ours may be low, we are not a low cost country in the sense in which the term is interpreted in some of the importing countries. It is a fact that there are several economic factors which make it difficult for less-developed countries to offer equal competition in manufactured products in world markets. My Delegation appreciates the fact that some of these commodities and particularly textiles are well established industries in the countries in which these arguments originate. The point, therefore, has to be made that if any concrete results are to be achieved by this Conference a plea should be made to the more advanced countries to bring about structural and organisational changes in their industries with a view to shifting the emphasis in production to the more sophisticated goods of advanced technologies, i.e. capital goods and other complex goods. In the absence of this orientation no substantial advance on the lines on which the Conference is thinking will be possible.

Developmental Resources

Some of our colleagues have made suggestions which merit serious and expert thought and attention. The distinguished delegate from Nepal made a valuable point. Our Delegation considers that this point is worth recapitulating and reiterating. The problem of finding developmental resources and of bridging the gap between the need for resources and their availability is one that faces all developing countries uniformly. Some of the developing countries like India, Pakistan, Indonesia, United Arab Republic, Malayasia, Philippines, Nigeria, Ceylon, Mexico, Brazil and others are perhaps in the process of earlier industrialisation than some others. But the problem of resources is central in character and is with us right now. It is realised that this problem is inescapable in the case of any developing country and has to be faced rather sooner than later. I would therefore submit that all of us, whether representing developed countries or developing countries, should look upon this as a universal problem of

A topic often raised ....

The prices of cars produced in India

The "on the road" price of a car such as the Hindusthan Ambassador in Calcutta is Rs. 15,266 (in other parts of India, transportation and other charges/taxes are to be added). How is this price made up?



1
The total amount of Government levies, including excise, customs duties and taxes paid by the car manufacturer and by the ancillary industries constitutes the highest element of the price structure. It represents fully one-third of the "on the road" price of a car such as the Hindusthan Ambassador delivered in Calcutta.

2
Considering the high cost of raw materials and capital goods in India as compared with costs in the U. K. and the U. S. A., this item constitutes a relatively low percentage of the total price of the car, and the manufacturer's profit included in this item represents but a small fraction of the total.

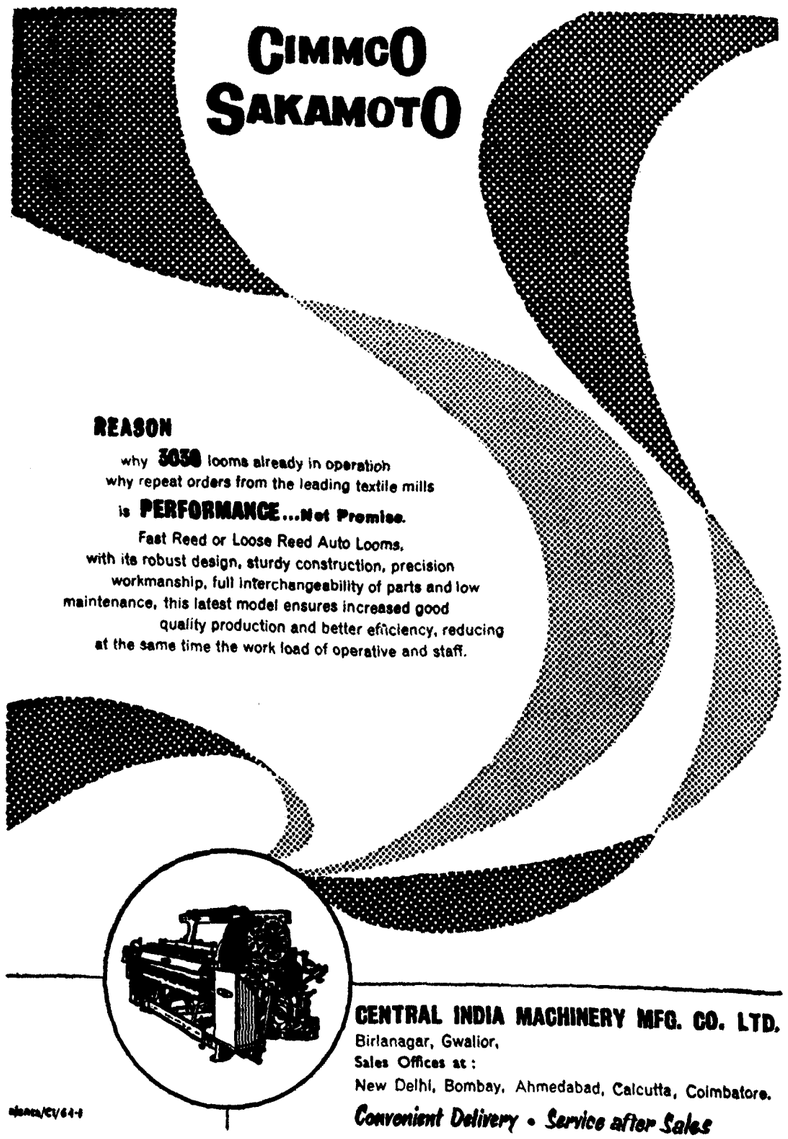
3
This element of the price represents the cost of the large quantity of components of the car purchased by the manufacturer from ancillary industries in India, exclusive of direct and indirect taxes paid by these industries. Largely because of the low productivity of some of these recently established industries, the cost of the indigenous components purchased from them is over twice as high as that of the imported counterparts.

4
In the case of the Hindusthan Ambassador, for instance, the indigenous content has now reached 80% and therefore the cost of the remaining imported components (exclusive of Government levies) represents only about one tenth of the "on the road" price in Calcutta.

5
The commission of the selling dealer including distribution, service, advertising, etc., comes to barely 7% of the "on the road" price. Considering the high overhead expenses and the service obligations of the dealer, his return on investment is an absolute minimum.

ISSUED BY HINDUSTAN MOTORS LTD., CALCUTTA.

ASHMM/PI



development and not something that affects some developing countries and not others.

I would wish to pick up also a point which the Leader of the Delegation of Afghanistan mentioned in the plenary on the 30th March — while undoubtedly enlarging the size of the market, regional groupings of developing countries in our view cannot provide an adequate panacea or even a proximately effective means for increasing the exports of manufactures and semi-manufactures of developing countries. Many of the developing countries have a measure of purchasing power. They are afflicted by balance of payment difficulties. Their capacity for absorbing manufactured goods is often limited. This is not to deny that benefit could be derived from the development of regional economic groupings and perhaps, even more, through payments arrangements with suitable backing in certain fields. But these are matters that require careful study, patient work and intelligent co-ordination, informed by mutual goodwill. Immediate and purposeful promise lies, however, in the direction of increased exports of manufactures and semi-manufactures by developing countries to the industrially advanced, affluent, developed countries.

While referring to the need for expansion of exports of manufactured and semi-manufactured goods from the developing countries, the distinguished delegate of the Netherlands said in the plenary the other day that protectionist arguments against such expansion reflect shortsightedness and selfishness. This point has also been emphasised by Dr. Prebisch in his report when he says that the possible magnitude of the problem, if it is a problem at all, caused to the developed countries by the expansion of exports of manufactured and semi-manufactured goods from the developing countries would only be marginal.

I hope that in the detailed work of the Committee which is to follow this general discussion, the delegates of the industrialised countries who are assembled here will come forth with ideas and concrete proposals to achieve the accepted ends. The problems confronting the exports of manufactured goods are many and I would not wish to catalogue them all in this brief speech. I have, however, attempted to give my broad ideas and the lines of thinking of my Delegation. My Delegation will spare no effort in co-operating with all the delegates in this Committee towards finding constructive solutions for the many problems which we have to deal with.

Untied Loans for Development

STATEMENT BY the Indian Delegate, Dr. N. A. Sarma, Director Reserve Bank of India, in Committee III of the U.N. Conference on Trade and Development on 6th April, 1964 is reproduced below.

The main work of this Committe would pertain to a few broad sub-heads.

(i) Financial arrangements for the stabilisation of markets and prices for primary commodities, including any arrangements for compensatory financing when there is a perceptible deterioration in terms of trade;

(ii) Financial assistance for trade development, including the financing mechanism required to promote intra-regional trade against developing countries themselves ;

(iii) Development assistance proper: its magnitude, as well as terms and conditions thereof. The inflow of private foreign capital into the economies of less-developed countries is an integral part of this which needs careful consideration, as it has a distinct role to play in the economic development of less-developed countries ;

(iv) Invisibles, including especially freight charges.

Any assistance rendered by industrially advanced countries to developing countries through the removal of existing barriers to their exports as well as through preferential treatment accorded to their exports, or any compensatory financing of short-falls in export proceeds for primary producers, and, in fact, any form of assistance rendered through trade, is important. However, if in its totality it should impinge to any degree on the scale of development assistance proper, it would be of little use. It is important to remove the structural deficiencies in the trade pattern of less-developed countries, but this cannot replace the need for development aid for the economic growth of these countries. A basic premise to our consideration of these questions, therefore, is that the total assistance to the weaker economies, through trade and aid, should be enlarged. For a long period of years both trade and aid will have to continue as the main instruments for assisting the economic growth of less-developed countries.

The stabilisation of prices and markets for primary commodities could be attempted in a series of commodity agreements covering the main cereals, fibres, beverages, vegetable oils, rubber, minerals and metals. A measure of discipline both on the consuming countries (by way of balancing the growth of synthetics and substitutes) and on producing countries (by periodic restraints on production, to be determined from time to time, which might otherwise tend to overstrip demand) has to be an accepted feature of such commodity agreements. Secondly, the building up of stocks and market operations based on them would require financial contributions by developed countries, particularly the principal consuming countries. An arrangement within each commodity agreement for a "trade development and price fluctuation fund" should also be considered. There may also be several commodities in respect of which there may not be any definite commodity agreement but which may have to be subjected to a certain degree of informal regulation through the process of consultation and confrontation in a common forum and may require a certain modicum of financial assistance for reconversion operations or for tiding over difficult periods of adjustment. One way of assisting the primary producers is to conduct systematic research for finding new uses for some of these commodities, and thereby to some extent offset the consequences of technological progress which results in the development of synthetics and more economical use of the raw material resources. Much greater effort and finance must go into this than hitherto. Finally, the enduring solution to the problem of primary producers lies in the diversification of their export trade, so that undue dependence on one or two items is gradually reduced; this diversification could be partly in the agricultural sphere itself, but should certainly be partly through industrialisation.

The International Monetary Fund has adopted in February 1963 a limited scheme for compensatory financing of export fluctuations. In brief, it seeks to finance export shortfalls of a short term character, up to 25 per cent of a member's quota normally, by waiving the limit of 200 per cent on Fund holdings of a member's currency. The Fund could explore in the immediate future the possibility of further widening the scope of its scheme. In this context we may note with satisfaction the reference made by the President of the IBRD in his address to this Conference to the World Bank's role in this regard. It is to be hoped that the Fund and Bank would soon together

explore the issues involved and be able to provide finance for mitigation measures to a much greater extent than hitherto.

Another general aspect relates to the functioning of the International monetaryl mechanism. So far this mechanism, and proposals currently under consideration for its reform, have been looked at from the question of international liquidity, that is essentially from the view point of the problems of the so-called key or reserve currencies; it is important that these are considered as part of the world trade mechanism. The case of developing countries for general balance of payments support from the International Monetary Fund or some other such institution, on a medium-term basis, say five to seven years, and at reasonable interest, would then appear in better light. There is also the need for extending financial support to enable the developing countries to experiment with liberalisation of trade among themselves. In this the Fund and other institutions can play an important role.

The scale, and terms and conditions, of development assistance have also to be considered. Urgent consideration needs to be given to the net magnitude of aid, i.e., 'net' of repayments falling due. A long period of maturity and low interest cost are particularly indicated in case of all long-term credits for development projects. Several of the less-developed countries are already faced with a very difficult situation in regard to servicing of external debt. India herself, while making but a modest effort in development, already finds servicing of its external debt obligations to be about one-sixth of her export earnings. One possible approach to the problem of servicing is through deliveries of goods; this would call for a considerable measure of understanding on the part of the creditor countries. We should note here that more recently there have been instances of long-term loans with fairly long initial moratoria, waiver of interest for an initial period; other examples too of not-so-long period loans but with low interest rates, and even of repayments in goods. Thus the arithmatic of development financing is being better understood in some of the developed countries. What is needed is further adaptation, extension and combination of these methods; this needs to be closely studied.

Flexibility in Utilization

Aid for a development programme as such should give a degree of freedom to the recipient country in regard to foreign exchange allocations and utilisation, instead of being tied to projects. This would give a certain measure of flexibility which enables the recipient country to rearrange the constituent parts of its development programme according to any necessary changes in priorities. On the other hand, assistance earmarked for a particular project makes it rigid; the aid will be utilised or remain unutilised depending upon what progress the project makes. Moreover, aid to a project gives rise to cost-benefit consideration specifically to a project whereas aid for a development programme would be governed by much larger considerations. The implications of tying aid to particular sources of supply are:

(a) the operations become rigid;

(b) the recipient country is denied the opportunity to purchase in the most competitive market; and

(c) if the cost of machinery and goods purchased with the credit in a particular market are relatively high, the real value of the aid is reduced.

For some time, the difficulties of the recipient countries could be met by the willingness on the part of the creditor countries to accept repayments through purchases of goods in the repaying countries, in addition to the normal commercial purchases. A developing economy requires, in the process of industrialisation, not only imports of capital goods and equipment but also imports of raw materials and components. These keep on increasing as industrialisation proceeds and it may not be possible to finance their import out of export earnings. Therefore, development assistance has to cover also such maintenance imports.

Consideration may also be given to yet another aspect of aid...the possible use of aid funds to an increasing extent for procurement of supplies from developing countries. This would be analogous to the "off-shore" purchases by the U.S.A. during World War II. Such purchases out of aid funds would contribute to economic activity in the developing countries in which purchases are made.

Private Capital Transfers

It is not necessary to consider in detail the relative merits of private capital transfers and official loans; in view of the large requirements of developing countries, both should be welcome, so long as neither imposes in onerous burden on the recipient country. Private capital brings technical know-how and business management. However, private capital inflows into under-developed economics in recent years have been inadequate and have been into fields which are not of basic importance for the over-all development of the economy; the foreign exchange burden has also been heavy. There are several measures which both the creditor countries as well as the recipient countries can take to assist the smoother and larger flow of private capital into productive enterprises. One of them is the provision of investment guarantees by capital exporting countries; the role of the I.B.R.D. (or some other international institution) to enlarge the scope of investment guarantees provided by national governments might be explored. In considering the private capital flows, hardly any attention has been paid so far to the reverse flow of private capital from developing to developed countries. Capital flowing from developing countries to advanced countries is indeed a paradox. This may be due to several factors, not only to the repatriation of foreign capital for genuine reasons. Suffice it to note, in this context, the observations in the Annual Report for 1963 of the International Monetary Fund: "The recent rise in the flow of total financial resources from the industrial countries to the less-developed countries appears to have been offset, to some extent, by increased outflow of domestic capital from these countries, which in some instances has had the character of a capital flight."

Under invisibles, while banking and insurance charges, royalty payments and other items are important, the importance of shipping freight rates to the trade of developing countries, especially in the case of low value commodities of heavy bulk in their exports and in the case of equipment and machinery in their imports cannot be over-stated. Far from helping the exports of underdeveloped countries, there seems to be prima facie evidence to show that freight rates discriminate against developing countries, not only by commodities but by routes also. There is also need here for greater co-operation, and co-ordination of effort, among developing countries themselves. Measures to regulate shipping conferences and to exercise some degree of control over the structure of freight rates, to what extent promotional freight rates could be adopted to assist new exports of developing countries, the scope for investment in merchant shipping by developing countries acting jointly, are among the several complicated questions that would need to be considered with care. This is an appropriate subject, it seems to us, to be referred to a Sub-Committee of this Committee for intensive consideration. Similarly, questions relating to the financing mechanism required to promote intraregional trade among developing are suggesting these two Sub-Committees with a view to be referred to another Sub-Committee, with advantage. We countries, say, through a payments arrangement, could also facilitating the work of this Committee, and their recommendations should come up before this main Committee for final consideration.

Permanent Body to Regulate Trade

STATEMENT MADE by Mr. S. Vohra, Indian Representative, in the Committee on 'Institutional Arrangements.' (April 7, 1964) is reproduced below :

This Committee has been entrusted with the task of considering what institutional arrangements, methods and machinery are necessary to implement measures relating to the expansion of international trade. The Conference has been convened to consider the problems of the developing countries...the problems of trade and development. We have, therefore, to make a re-appraisal of the existing international bodies dealing with problems of international trade and economic development of developing countries, and to establish co-ordination and consaolidation of the activities of these bodies by effecting organisational improvements and initiatives, so as to maximise the beneficial results for promotion of trade and economic development. We have also to study to what extent any new institutional machinery is needed to strengthen these efforts in the directions and fields desired by this Conference.

The specific problems which are to be solved to help the developing countries to achieve the objectives of economic growth through expansion of their trade have been entrusted to the various Committees. We have no doubt that this Conference will be making many important recommendations for the solution of these problems. This Committee No. 4 has been entrusted with the task of examining how far the existing institutions are in a position to implement and to help to give a practical shape to the recommendations of this Conference in particular, and to the problems of world trade in general.

A suggestion has been made earlier that the Committee should issue a questionnaire to the existing international organisations in the field of trade to ascertain their own assessment of how far they would be in a position to tackle the various problems of trade and development which are under consideration. In the opinion of my delegation, this procedure is neither practicable nor necessary. The working of the various international organisations dealing with trade is within the knowledge of the various countries. More particularly, their working has been under review in connection with the preparatory work of this Conference, and it is now for the member countries to express their opinion and conclusions regarding the efficacy of these bodies for carrying out the tasks that are likely to be entrusted to them as a result of the decisions that would be taken at this Conference.

Prominence of GATT

Among the institutions connected with world trade, the GATT has undoubtedly a prominent place. We have been associated with the GATT as its member from its inception and there is no doubt that the GATT has worked as a useful instrument for the limited purpose for which it was created. The basic agreement of GATT has been governed by contractual obligations relying on mutual benefit derived from an exchange of concessions on a multilateral most-favoured-nation approach. However, the working of the GATT has tended primarily to help the developed countries to expand their trade due to the character and content of the Agreement and the policies pursued by the industrialised countries. This has to be reversed if GATT has to serve the interests of the less-developed countries as desired by all the nations and this Conference. The problems before this Conference are much wider and of a fundamental nature. The problems of developing countries have to receive the consideration that they deserve in the GATT. Some beginning has been made in this direction by the GATT Ministerial declaration of May 1963. The GATT has also instituted a Committee on Legal and Institutional Framework to draft a Model Chapter for the steps that need to be taken for helping the development of the trade and economies of the developing countries. However, in view of the nature of the problems which confront us, we shall have to carry this effort much further and introduce certain radical changes in the composition and the working of the GATT. Our specific proposals are as follows:—

(i) the policies, rules and procedures of the GATT should be amended to take into account the consequences of structural inequalities between the developed and the developing countries so that it is better fitted to tackle the problems of world trade, especially those of the developing countries;

(ii) the GATT through the additional of a suitable contract or through a supplementary arrangement of the GATT, should recognise the system of bilateral trading with centrally planned economies and market economies. The state trading system has come to stay and its recognition and regulation by the GATT will help to promote trade between the developing countries and the countries with state trading systems on the one hand, and between industrialised countries and the state trading countries on the other;

(iii) this will enable the GATT to become fully representative of all the members of the United Nations who are agreeable to its liberalised policies and revised rights and obligations.

Without such radical alterations, the GATT will remain an instrument of limited utility insofar as the problems before this Conference are concerned. We are therefore in favour of reorganising the GATT on the lines proposed.

International Organisations

There are a number of other international organisations which are doing useful work in the field of international trade. The Economic and Social Council of the United Nations, and the Regional Economic Commissions established under its auspices are doing very useful work in the economic field. The United Nations Commission on International Commodity Trade (CICT), the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA) and the F.A.O. are doing useful work in the field of primary commodities. International financial institutions like the IMF have also played a useful role in international financing. It will be necessary for these and other organisations to play an even more important role in international trade than in the past. However, it is clear that it is most essential to establish an overall competent machinery to look after the diverse aspects of international trade and economic development and also to co-ordinate the activities of the existing organisations and new specialised bodies or committees that may be set up insofar as they are related to trade and development.

This re-appraisal of the existing bodies dealing with international trade and development with a view to consider as to how far they are capable of dealing with the problems of trade and economic development of the less-developed countries as clearly identified in the Prebisch Report and by the Preparatory Committee of this Conference, shows their inadequacy and underlines the need for the setting up of more comprehensive and adequate machinery to deal with the problems of different systems of trade, and development. The important question that arises is what machinery would implement the decisions that are being taken or the recommendations that are being made at this Conference.

It is clear that there is need (1) to make this Conference a continuing permanent body under the direct

auspices of the General Assembly of the U.N.; (2) it should have an independent, permanent and full time secretariat under the overall authority of the Secretary-General of the U.N.; (3) the Secretariat of this Conference should also be assisted by a compact high-level commission or group of six or seven experts to whom important economic questions and problems can be referred to as may be found necessary; (4) as the Conference will be meeting only periodically, say, once in two years (or as the need may be), there should be a Standing Committee on Trade and Development to be appointed by the U.N. General Aseembly, so that such a Standing Committee, assisted by the Secretariat, can review and carry forward the work and programmes endorsed and initiated by the Conference in co-operation with GATT and other agencies and institutions. The Standing Committee should co-ordinate the work of its other committees and bodies in different directions along with the work of other specialised agencies; (5) there could be four or five committees to be appointed by the Standing Committee for specialised subjects, for example, (i) commodities, (ii) financing the expansion of trade, (iii) shipping and other invisibles, (iv) regional trade and economic co-operation, etc. In addition, the GATT with its reoriented structure and policies could continue to deal with problems of trade agreements and tariffs. We also envisage that the GATT will report on its activities periodically to the Conference and will maintain liaison with the Standing Committee.

We have earlier mentioned how the trade between market economies and centrally planned economies should be recognised and regulated by the GATT. In case, however, because of any technical reasons, the GATT is not able to undertake this, an appropriate body wil have to be set up under the Conference and its Standing Committee for this purpose.

The Conference and the Standing Committee organised as above, will (1) examine the implementation of the recommendations and the decisions of this Conference so as to identify the countries who have to take action in pursuance of these decisions and recommendations, and take up with them the question of implementing them, (2) co-ordinate with other international organisations insofar as they can help in the implementation of these decisions/recommendations, and (3) study and make recommendations regarding other problems of world trade and development that may arise from time to time.

In other words, a permanent body like the Standing Committee is nedeed to ensure that the decisions and recommendations of this Conference are given effect to, to the maximum extent possible, by the countries concerned, by taking concrete steps to implement them, and also to see that suitable action is taken by the other U.N. organisations in the field of economic development and trade in pursuance of these decisions. What the precise composition and size of this standing body should be, is a matter on which we shall have to take a joint view when we discuss the matter in detail in the Committee. My delegation would, however, like to suggest that this body should report to the UN General Assembly and the U.N. Conference on Trade and Development from time to time.

Mr. Chairman, Sir, the Indian delegation has made the above proposals in the hope that the industrialised countries and other nations will find them worthy of consideration and acceptance. Our object in making the above proposals is to utilise the existing machinery and institutions to the extent we can benefit from their experience to provide additional machinery which is necessary for the new tasks before us. If, however, the industrialised nations would not be willing to consider the reorganisation of the GATT as proposed above, so as to make it an effective instrument for promoting the trade of the developing countries and for making it universal in character open to all the members of the United Nations, I am afraid, we will have to seek some more far-reaching solution in the form of a comprehensive international trade organisation which will cover all the functions of trade and economic development, namely, trade agreements, tariffs and other aspects of trade and development as proposed by us above, so that they can be looked after by such an organisation functioning under the auspices of the United Nations. It is our earnest hope that it would be possible for this Committee to consider the above proposals as a whole for the overall institutional and organisational pattern in the field of trade and economic development.

New Rules for Development-Oriented Trade

STATEMENT MADE by Prof. V. K. R. V. Rao, Member, Indian Planning Commission, in Committee Five on "Principles of International Trade in Relation to Promotion of the Economic Development, is reproduced below":

Our Committee has been charged with such wide terms of reference that part of its deliberations are bound to cover the spheres of the other Committees appointed by the Conference. It is, therefore, desirable that in our deliberations, we should concentrate on enunciation of the principles on which we can build up international trade with its accent on the promotion of the economic development of the less-developed world rather than on details of the arrangements regarding individual commodities or sectors. We have, of course, also a specific responsibility for considering the place of regional economic planning in international trade, from the point of view of its relation to economic development.

The stage has been set for us by the decision taken by the United Nations Organisation to make these 10 years as the Development Decade when with national and international effort, the less-developed countries of the world would achieve a global rate of economic growth of not less than 5% a year. We have no doubt that the achievement of this target is bound to call for almost heroic efforts in the national field both as regards mobilisation of resources as also their utilisation in a planned manner. There is no substitute for national effort either in defence or in economic development. But with all the national effort in the world, logic as well as experience has shown that international effort is also a necessary condition for the achievement of the U.N. target for the Development Decade.

Let me illustrate the point from the record of my own country. We have completed two Five-Year Plans and achieved a rise of 42% in our national income in real terms as a consequence. During these 10 year period ending with 31st March 1961, we invested total amount of more than $20 billion of which foreign aid excluding private foreign capital and PL 480 funds, accounted for not more than 10%. It will be seen from these figures that India has largely relied on her own resources for her economic development during this period. But I must say quite frankly that apart from other reasons, an important factor that impeded our rate of growth, was scarcity of foreign exchange. This was due not so much to the lack of substantial foreign aid as the fact that our exports failed to increase to any significant extent during the period. Partly, no doubt, this was our fault; and we have tried to correct it during the Third Plan period by more vigorous export measures. I may add that we also achieved some success in this effort. But the progress achieved is not



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good enough from the point of view of enabling a satisfactory rate of economic growth. Much the most important reason for the failure of our exports to grow was the absence of an accepted policy by the developed countries for using international trade as an instrument for promoting economic development of the under-developed world. Our experience has shown clearly that while aid is important, trade is even more important and this requires a new orientation in the policies followed by developed countries in regard both to their imports from the developing countries as also in regard to linking up their own economic development with the needs and circumstances of the developing countries.

The third five-year Plan, of which we have completed three years just a few days ago, aims at the growth of national income at the same rate as that aimed for the Development Decade, namely, 5% a year. The development programme is expected to lead to payments abroad during this five-year period of the order of $13.3 billion, of which $4.4 billion would be for imports of equipment and allied goods, $7.7 billion for imports of components, raw materials and essential consumer goods like foodgrains, and the balance of $1.2 billion for servicing the debt that we have already incurred for development during the first two Plans. The average level of imports in the third Plan is approximately 50% higher than during the first Plan, increases being mostly in equipment, manufactures of metals, chemicals and fertilizers—all items imported from the developed countries. As far as we have been able to project our needs into future, the pattern is expected to remain more or less the same for the next few years.

On the receipts side, however, the picture is not very reassuring. Even after getting substantial aid, we have to export goods of the order of $8 billion, i.e., $1.6 billion per annum. Our exports have to increase by about 15% over the average of the second Plan. To the extent that assistance falls short of expectations, exports have to be increased further. Hence, the crucial importance of exports to our development plans. This will increase even more substantially in the years to come as the tempo of development rises and the scope of the programme widens. In fact, it has been estimated that the order of increase in the fourth Plan period would have to be about 75% over the level we hope to reach at the end of the Third Plan.

Machinery Imports

The position regarding the under-developed world as a whole has been estimated in some detail in the documents placed before this Conference. In order to increase the gross domestic product of the under-developed world by the U.N. Development Decade target of 5% a year, imports of machinery and industrial materials will have to be much larger than in the past. Assuming a continuation of past trends, imports of developing countries would rise from $25.5 billion in 1960 to $42 billion in 1970, the ratio of imports to gross domestic product going up from 13% to 15%. The deficit in merchandise trade would rise from $1.5 billion in 1960 to $11 billion in 1970, in addition to which the developing countries would have to make net payment for services totalling $9 billion as against $3.3 billion. Thus, the deficit in the balance from $5 billion in 1960 to $20 billion in 1970.

The minimum needs of developing countries may, therefore, be stated as covering the gap of $20 billion per annum in 1970. The gap will have to be covered by export earnings and the net flow of long-term public and private funds from abroad. Obviously, it is not possible to think of expecting from foreign aid more than a small share of the increased amount required to fill this gap. Moreover, foreign aid has to be repaid and that means increase in exports. The developing countries want to pay for their economic development. This means that they must increase their exports by an amount far larger than what they can hope to achieve by their own unaided efforts in the present framework of international trade. I agree that further national effort on our part is required and I have no doubt this will be forthcoming. But there is no escaping the conclusion that international action is needed to bring about a substantial increase in the exports of the under-developed world; and this means primarily action by the developed countries.

The Report of the Secretary General and the several documents circulated make it clear beyond doubt that the economic development of less-developed countries imposes an unbearable strain on their balance of payments. Imports mount up due to the increasing need for equipment and material from abroad, while exports remain at their previous level because they are determined by international market forces. In the absence of foreign exchange resources or international assistance, the development programmes have to be cut down to make imports match the level of export earnings. Hence, the imperative need for stepping up exports from the under-developed world and the emphasis on increasing their share in the expansion of international trade. Hence again, our emphasis on action by the developed countries to facilitate this process.

Essential Problem

How can this be done? This is the essential problem that faces this Conference; on the success with which it tackles it will depend its ability to fulfil the hopes and aspirations of millions of human beings, who are eagerly looking forward to the practical results this Conference will have on the expansion of the exports of developing nations in world trade and therefore the extent to which they will be able to raise their rate of economic growth to the minimum of 5% a year envisaged in the U.N. Development Decade.

As I said before, I do not propose to go into details at this stage. There will be, no doubt, many opportunities before us when this can be done; nor must we forget that the other Committees will also have a lot to say on this matter. What I propose to do is to suggest some broad principles for your consideration which, if accepted, will enable the necessary detailed action to be undertaken for fulfilling the objective we have assembled for.

To begin with, it must be recognised as a principle of development-oriented international trade that prices of primary products cannot be allowed to fluctuate as they have been doing in the past and thus leading to substantial and quite often continuing decreases in the export earnings of the developing countries. This will require, to some extent, diversification in the economic structure of the primary product producing countries, for which they would be prepared to assume responsibility provided of course the necessary technical and financial assistance is given to enable them to do so. This, however, will take time. In the meanwhile, immediate action is necessary for stabilising the prices of primary products and also to ensure an increase in the demand for these products along with the increase in the national incomes of the developed countries. This question is going to be considered in detail in Committee One. All that I would like to stress here is the crucial importance that this occupies in the subject of international trade as an instrument for the promotion of economic development.

The second principle of development-oriented international trade should be the removal of all barriers, both tariff and non-tariff, in the developed countries to the inflow of goods, manufactured and semi-manufactured, from the developing countries. The developing countries are interested in exporting semi-manufactures and simple manufactures to the developed countries. The tariff on such imports, however, tends in many cases to be higher than the tariffs on their imports of sophisticated manufactures, which are ex-

ported not by the developing countries but by the developed countries. In other words, tariff barriers in the developed countries are lower for the exports from developed countries than they are for the exports from the developing countries—truly a paradoxical situation when viewed in the context of the promotion of economic development. This odd result is due to the fact that the developing countries do not have much negotiating strength, while the developed countries have. Now that we are thinking in terms of looking at tariff levels not solely from the point of view of negotiating strength, but from the point of view of the promotion of economic development, it follows that developed countries should no longer impose tariff barriers on the exports of simple manufactures and semi-manufactures from the developing countries. Surely, the technologically advanced and more efficient economies of the developed countries are in no danger from the superior competitive ability of the developing countries, and do not therefore require to be protected against them by tariff barriers. No doubt, some transitional difficulties will arise in some developed countries if this policy results in a big increase in their imports of simple manufactures and therefore in some adverse effect on their own domestic industries going in for such manufactures. This is no more than an aspect of the principle of industrial transformation to which I shall revert later. For the time being, I am content with asserting the need for the removal of all tariff barriers in the developed countries to the exports of simple manufactures from the developing countries.

Mere removal of tariff barriers, however, is not enough to secure an expanding flow of exports of manufactures and semi-manufactures from the developing countries. It is also necessary to remove the numerous non-tariff barriers that have come into existence in the developed countries such as quotas, licences, mixing regulations, marketing regulations and other devices, the net result of which is to reduce the competitive ability of the exports of simple manufactures from the developing countries. It is also necessary to ensure that the situation created by the removal of tariff and non-tariff barriers is stabilised and not subjected to subsequent change, as otherwise, it would not be possible to assure expanding markets for these products of the developing countries.

Positive Discrimination

A third principle of development-oriented international trade is the creation of conditions that will make more certain the entry of the products of developing countries into the markets of the developed countries. This can be done only if the developed countries would accept, as has been advocated in so many documents placed before this Conference, the principle of a positive discrimination in favour of the products of developing countries as against the products of the developed countries. It is not necessary to add that this will not have a serious effect on the exports of the developed countries which mainly consist of sophisticated manufactures and which the developing countries are in no position to export. Indeed, a policy such as is advocated will in the long run expand the markets of the developed countries for the more the developing countries are able to export, the more will be their ability to buy imports; and more imports in the context of development means more imports of machinery, equipment, components etc. by the developing countries which means in turn more exports for the developed countries. The action suggested will thus prove to be like the quality of mercy that blesseth both him who giveth and him who receiveth. Both the developed and the developing countries will thus be able to increase their exports to one another and in tune with the current trends in the changing patterns of their economic development.

The fourth principle of development-oriented international trade is really in line with the orthodox principles of international trade which have been built on maximizing the advantages accruing from a geographical division of labour. Many of the developing countries today find themselves heavily handicapped when they want to process their agricultural and other primary products and then export them, for the tariff barriers in the developed countries are very much lower on raw primary products and very much higher on these products in processed form. Obviously, the intention behind this difference is to deny the processing industries of the primary producing countries the competitive benefit they would otherwise have enjoyed, because of the geographical location of the primary products; and instead to build up in the developed countries the processing industries, thereby giving more to those who have more and taking away from those who have less a portion of even the little they have. Obviously, such principles of tariff fixation have no place in a framework of international trade oriented towards economic development. It is necessary, therefore, that there should be a thorough review of the tariff policies of the developed countries with a view to seeing that these policies encourage rather than discourage the building up of processing industries and, therefore, simple industrialization, in the developing countries.

Diversification of Economy

As part of the principles of development-oriented international trade, or, if one were to be technically more correct, as part of the concomitant action required for the implementation of the principles of development-oriented international trade, it is important to ensure that the developing countries get all assistance from the developed countries in the diversification of their economies and in the promotion of their industrialisation. For this purpose, technical assistance is required from the developed countries for the establishment and expansion of export-oriented industries in the developing countries. It is true that it is primarily for the developing countries to take the action necessary for the establishment of export-oriented industries; but we have already seen that their technical and financial ability is somewhat limited and needs supplementing; even more, they do not have the know-how or the necessary facilities to effect an entry into the markets of the developed countries for the products of the export-oriented industries they may establish. I would like to suggest, therefore, in all humility, that perhaps this is a field where a part of the initiative may be taken by the developed countries themselves. Thus, for example, as has been suggested by one leading delegation from the developed countries, the developed countries may establish link industries in the developing countries manufacturing some parts themselves and getting manufactured in the developing countries some other parts for which they will guarantee an adequate market. There would also be many other ways by which the developed countries, if they are so inclined, can help the developing countries in establishing export-oriented industries and facilitating the export of the products of such export-oriented industries, thereby enabling these countries to finance their development by increased trade. I have no doubt that, knowing the sympathetic attitude that the developed countries generally have taken to this problem, they will themselves put forward concrete proposals for expanding the export capacity of semi-manufactures and manufactures, link industries and the like, in the developing countries and assure them at the same time of a continuing and expanding market for the products of such industries.

Before I conclude, I would like to make a brief reference to the place of regional economic planning in international trade and its relation to economic development. I believe that the developing countries should not merely ask for non-discriminatory preferences for their products from the developed countries. Nor must they proceed on the assumption that the only way to expand their exports is by obtaining a larger share of the markets of the developed countries. It is also important for the developing countries to see

that they promote trading with one another. The developing countries must take positive action to stimulate imports into their own markets of the products of other developing countries, which means in turn that developing countries will also look to the markets of other developing countries for a part of their expansion in exports. Whether this could more appropriately be done by regional economic groupings or by having non-discriminatory trade and other economic relations between all developing countries is a matter that requires to be considered in much greater detail than is possible for me to do at this stage. I have no doubt that there will be more opportunities to consider this question in this Committee later. I would like, however, to affirm the support of my country for the principle that development-oriented international trade requires the expansion of trade not only between the developed and the developing countries, but also among the developing countries themselves. My Government would be prepared to consider all practical measures that can be suggested for the expansion of the mutual trade among the developing countries, as also the strengthening of mutual aid and economic relations among them.

In conclusion, I would like to assert that the broad foundation of the case for using international trade as an instrument for the promotion of economic development, rests upon the changing economic pattern that we are witnessing in both the developed and the less-developed world. There was a time when the developed countries imported raw materials and exported simple manufactures. Over the years, the situation has changed. The developed countries are now so advanced that more and more they are turning from simple manufactures to sophisticated manufactures and their exports are consisting increasingly of machinery, equipment and other sophisticated manufactures. The developing countries now find themselves having to import machinery, equipment and the like in order that their economies may develop and get diversified and industrialised. They are finding it difficult to pay for these imports. If they export raw materials, the markets for these are not expanding due to technological advance in the developed countries, in addition to which the prices they receive fluctuate and bring them reduced earnings. If they export simple manufactures, they find that the developed countries, by and large, close their markets to these products, because perhaps of an understandable concern on their part for the adverse effects this may have on their own domestic industries that are engaged in simple manufactures. But these simple manufactures are becoming less and less important in the developed countries. Even domestically their productivity is low and their own economic growth would be accelerated if they could turn their labour now engaged in the simple manufactures to the more advanced and more productive sophisticated manufactures which indeed is becoming the keynote of their economic development. Here then is, in some ways, a similar problem that confronts both the developed and the developing countries. The developed countries have their problem of industrial transformation in going from the stage of simple manufactures to the stage of more complex manufactures, while the developing countries have their industrial transformation problem in going from their agricultural and non-industrialised economies to diversification, industrialisation and the establishment of simple manufactures. There is, therefore, no conflict between the developmental needs of both the developing and the developed countries. By assisting the developing countries through international trade in diversifying and industrialising their economies and promoting their economic growth, the developed countries would be ensuring for themselves larger markets, more continuous progress in their industrial transformation, and rising standards for themselves which will be accompanied by rising standards elsewhere. It is in this great task of facilitating the economic change and industrial transformation that we need to use in a positive and deliberate manner the instrument of international trade; and it is not only international trade as such, but international trade as an integral part of national development and economic policy. What the world needs today is a positive, deliberate and co-ordinated international development programme to which all Governments who are members of the United Nations, whether of developed or developing countries, feel themselves committed as a primary aid of their own national policies. It is against this background that our Conference should function and our Committee should deliberate. We have to enunciate new principles of international trade which, on the one hand, will be built into national policies for the promotion of national development, and on the other hand, be also concerned with the promotion of economic development in the developing countries. It is this which has made us link in, what I hope will prove to be, an indissoluble marriage of international trade and economic development. I trust that the principles I have outlined for this new policy of development-oriented international trade, will receive the sympathetic consideration of this Committee and be found useful for the formulation of practical programmes and policies that will enable the world at large, both its developed and developing parts, to fulfil the United Nations target of economic growth during this Development Decade.

Team-Work In Trade

STATEMENT BY Mr. Wyndham White, Executive Secretary, General Agreement on Tariffs and Trade, made in plenary meeting of the United Nations Conference on Trade and Development, on April 8, 1964 is reproduced below:

It is no mere formal sense of courtesy that I venture to congratulate you — or rather to congratulate the Conference — on your election as its Chairman, because I still retain very vividly in my mind the stimulation and encouragement which I felt when you were good enough to receive me in Cairo on the occasion of our conversations leading up to the provisional accession of the United Arab Republic to the General Agreement on Tariffs and Trade. I am, therefore, more than happy to be taking part in this Conference under your distinguished guidance.

Before touching on some of the issues which are before the Conference, I would like to make one point which was mentioned the other day by the Secretary of State for Industry and Trade of the United Kingdom, but one which I derive from my own experience of many years of dealing with the problems of trade and development which are the subject of this Conference. It is that, in my view, we are not dealing here with the interests of one group of countries as opposed to another group of countries; we are not, I feel — or shoud not be — thinking in terms of a confrontation between poor nations and rich nations, between less-developed nations and more highly developed nations, between under-privileged and privileged; the problem with which we are dealing here is a problem for the international community, and it is just as much a problem for each member of the community, whatever his stage of development, poverty or wealth. It seems to me that, just as in the national community today no country would accept that one part of the country should be wealthy and prosperous and another part poor and under-privileged, so this is true also of the international community. And if we are to tackle this problem effectively it must be on the basis that it is, as I have said, an urgent problem in which it has itself a stake. That is what we have tried to establish in recent years when we have dealt with these subjects in the framework of the General Agreement. We have a Committee, which has achieved some fame, as Committee III, in which

discussions are not between ranks of countries with opposed or divergent interests but between countries which are seeking together to deal with problems to whose solution all of them must contribute.

We have submitted abundant documentation to this Conference about the work of the Contracting Parties to the General Agreement on Tariffs and Trade in relation to the problems under consideration here, and it would be wearisome if I were to reiterate the content of those documents. However, I hope that I may make some supplementary remarks which will be of some help in critical days which now lie ahead of this Conference. If I use the expression "critical days", it is because I feel that the Conference has now reached the point when the general debate is drawing to its close and the committees will be addressing themselves to practical problems, and we shall be in a position to judge whether the international community, confronted with the need to adopt practical, down-to-earth and positive measures is able to discharge its responsibilities in connection with the problems it is examining.

I would like to recall first of all the long and painstaking study of the trade problems of special concern to developing countries which has been made in the General Agreement on Tariffs and Trade since 1957. This work in the GATT has undoubtedly had great influence far beyond the GATT inself. The process of study and education was a necessary prelude to more positive action, although, in fact, concurrently with the process of study and education, Committee III of the GATT, to which I have referred before, has been exercising continuous pressure for the removal of restrictions bearing particularly on the export trade of developing countries. It became clear to us, however, that more was needed than this unspectacular, although necessary, work: it was desirable to obtain endorsement at a political level of concepts and principles which could provide guidance for more positive and effective action in the future.

Major Elements

The first step in this process was the declaration by Ministers of November 1961, regarding the trade problems of developing countries. This Declaration is set out in the documents before you. Nevertheless, it seems to me to be of such major significance that I will venture to recall its main elements: it contains important principles which a large number of governments of countries accounting for a very large proportion of international trade have accepted at the political level as a basis and guidance for their commercial policies.

This Declaration affords recognition of what is required in the interests of trade and economic development of less-developed countries, namely:

First, the need for a rapid and sustained expansion in the export earnings of less-developed countries;

Secondly, that aid can be no substitute for trade, and that in the final analysis economic development will have to be paid for from the earnings of the countries concerned;

Thirdly, the need for restrictions hindering access to markets for the export product of less-developed countries to be reduced to a minimum;

Fourthly, the desirability for increased opportunities for the developing countries to increase their exports of manufactured and semi-manufactured goods.

The Declaration then goes on to indicate how governments can contribute to these general objectives, taking into account facts regarding tariff and non-tariff measures affecting access to markets under the heads of quantitative restrictions, tariffs, revenue duties, State trading, preferences, subsidies, and disposal of commodity surpluses.

This comprehensive coverage by the Declaration of the questions involved is completed by statements in regard to the question of reciprocity in negotiations, the improvement of the production and marketing methods of developing countries, the need to lessen the instability of export earnings resulting from fluctuations in primary commodity markets and the diversification of the export trade of the less-developed countries to reduce their vulnerability to market fluctuations, and, finally, the recognition of the possibilities for encouraging sound economic development in the less-developed countries through increased trade amongst themselves.

Hearing this, one might well ask why this Conference is necessary, or why in fact any other action is necessary. Of course, the answer is that, while it is important to set up appropriate guide lines, it is even more important to secure active implementation of agreed principles and policies.

Programme of Action

It was for this reason that, in 1962, a group of twenty-one less-developed countries put forward a Programme of Action which set targets for the removal of barriers to the trade of less-developed countries. This Programme, which I think is worth recalling and which largely reflects the practical work which had been done previously in subsidiary bodies of the GATT, is as follows:-

Firstly, it provides for a "standstill", namely that no new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to those countries;

Secondly, it calls for the elimination, within a period of one year, of quantitative restrictions on imports from the developing countries which are inconsistent with the provisions of the General Agreement. There is, of course, recognition that there may be problems which prevent action being taken within this short time limit, and there is provision for consultations in these hard-core cases; but even here the period of grace is limited to December 31, 1965;

Thirdly, the Programme also calls for duty-free entry for tropical products to be achieved by December 31, 1963;

Fourthly, it calls upon industrialized countries to agree to the elimination of customs tariffs on the primary products important in the trade of developing countries;

Fifthly, it calls upon industrialized countries to prepare urgently a schedule for the reduction and elimination of tariff barriers on exports of all semi-processed and processed products of less-developed countries, providing for a reduction of at least 50 per cent of the present duties during the next three years;

Sixthly, it calls upon the industrialized countries to reduce internal changes and revenue duties on products wholly or mainly produced in less-developed countries, with a view to their elimination by the end of 1965.

Industrialized countries which maintain barriers of the kind to which I have referred are also called upon to report to the secretariat of the GATT, in July of each year, on the steps taken by them during the preceding year to implement these decisions, and on the measures which they propose to take during the next twelve months to provide greater access to the products of developing countries;

Finally, the Programme calls upon the contracting parties to the General Agreement to give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of the developing countries to diversify their economies, strengthen their export capacity, and increasing their earnings from overseas sales.

This was a Programme put forward by developing countries to translate into action the Declaration to which I have referred. It was adopted by the Ministers of the Contracting

Parties to the General Agreement at their meeting in May 1963; I may point out that this Meeting of Ministers was the most comprehensive ministerial meeting on trade since 1947 and prior to the present Conference.

It is true that the group of countries linked together in the European Economic Community found it necessary to make certain reservations on the Programme of Action, but I would point out, however, that these reservations were expressed in terms that, in the view of these countries, the measures proposed did not go far enough in dealing with some of the basic problems of the developing countries; we have had indications from the representatives of the European Economic Community that both in the General Agreement and in this Conference they will be making a proposal relating to these basic problems. The fact remains, however, that the bulk of the contracting parties to the General Agreement have accepted this Programme of Action.

The Programme of Action represents a significant reinforcement of the attack which has been made in GATT on barriers to the exports of less-deveoped countries. I, for my part, would be very happy to see this Conference, which is broader in scope than the General Agreement on Tariffs and Trade, endorse this Programme and thus bring to bear upon it the political prestige of the United Nations.

Implementation of Programme

Of course, the question remains as to how far the Programme is being implemented. I am happy to say that there are some positive indications that I can give to this Conference.

There has been a substantial adherence to the "standstill" provision of the Programme, namely to the requirement that no new tariff or non-tariff barriers should be imposed on the export trade of the less-developed countries. Significant progress has been made in achieving the removal of barriers to this export trade as a result of the follow-up work in the GATT in relation to the commitments of the Action Programme.

Committee III's approach has been to consider products by groups. It carries out a systematic examination of a particular group of products, makes recommendations and, thereafter, applies pressure for the removal of the trade barriers which it has identified. It then moves on to another group. In this way more and more products of interest to less-developed countries have come, and continue to come, within the purview of Committee III, and trade barriers affecting an increasingly wide range of products have come under the attention of the Committee. The scope of the investigation now extends to 270 headings of the Brussels Tariff Nomenclature.

As regards quantitative restrictions, the number of industrialized countries applying such restrictions against the exports of the less-developed countries has constantly decreased. Some countries have eliminated all restrictions or have reduced their application to one or two items only. In fact, in many markets quantitative restrictions have ceased to constitute a significant barrier to trade. It is important, however, to remember that among the hard-core restrictions that remain are some affecting productions which are of very considerable and immediate importance to less-developed countries in the context of their export earnings and their economic development.

In the tariff sector some downward movement in tariffs was achieved in the course of the 1960-61 tariff negotiations which were known as the Dillon Round. In cases where preferences are involved there has been a decrease in discrimination during the past year.

This modest, but solid, measure of progress pales into insignificance before the opportunities which are offered to the international trading community, in the course of the comprehensive trade negotiations which will open next month and which are generally known as the Kennedy Round, to make a major contribution to a solution of the problems we are considering. As I say, these negotiations offer opportunities. Unfortunately history is strewn with the corpses of great opportunities, which have been missed and I would exhort all governments represented in this Conference who are intending to participate in the Kennedy Round not to miss this one. The hour is late and, unless we tackle this problem with the generosity, imagination and courage which is required, it may very soon be too late.

In the course of the session of the Contracting Parties to the General Agreement which terminated just prior to the opening of this Conference, the industrialized countries again re-emphasized that they considered that one of the major objectives of the Kennedy Round is the attainment of a significant contribution in the trade of the less-developed countries. In these circumstances, I think it is important to be quite clear on what is needed if the Kennedy Round is to give significant results in this field.

First of all, the reductions in tariffs in industrialized countries must be deep and comprehensive. They must cover not only fully manufactured products but also semi-manufactures which is an area in which some of the developing countries can most rapidly develop their own capacity. There will be exceptions to the general reduction of tariffs which are proposed but I would hope that, in no case, will the exceptions which are made by industrialised countries bear upon products which are of significant importance to the export interests of the developing countries. As is, I think, generally known, the industrialised countries have agreed that, in the Kennedy Round, they will not seek reciprocity from the developing countries and this attitude represents a significant advance on the somewhat rigid conception of trade reciprocity which prevailed in some of the earlier trade negotiations under the aegis of the General Agreement.

The second requirement if this aim of the Kennedy Round is to be achieved—and I emphasize again that the industrialized countries have said that this is one of the principal aims of the negotiations — is that non-tariff barriers must be properly covered. Here there are difficult and delicate problems involved. But it seems to me that, when viewed against the great human and social problem to which we are addressing ourselves here they are by no means difficulties which cannot and should not be overcome.

Agricultural Products

Thirdly, and certainly not least important, is the fact that the negotiations must cover — and cover adequately — the question of trade in agricultural products. This is an area where the industrialized countries themselves have acute social and political difficulties. I have noted that they are remarkably sensitive to these social and political difficulties in their own countries; I would hope that this Conference would perhaps focus their attention with equal intensity upon the rather more acute social and political difficulties which restrictions in this field create in the developing countries. I would, therefore, lay particular emphasis on the importance of making real progress with a significant liberalization in the course of the Kennedy Negotiations with respect to agricultural as well as industrial products.

I should like to turn to one or two other specific topics which have arisen here and which are concurrently being examined in the General Agreement. First of all I shall take my courage in both hands and refer to the subject of preferences.

We in the General Agreement have been accused of rigidity and doctrinaire attitudes, and in no area more so

than in the case of preferences — and, I think, quite understandably. I think that the most-favoured-nation clause is more than an abstract principle of economics. It is something which has been at the basis of international trading relationships since the international trading community took shape in the nineteenth century. It is however, no more sacred, in my view, than any other principle and one ought to be prepared to examine with an open mind whether there are departures from most-favoured-nation clause which will offer real benefits and advantages, particularly to the developing countries. However, I think these benefits must apply to all the developing countries. I think that if we got into a position where preferences were accorded by some countries to some developing countries, and not accordd to others, this could create serious and lasting damage to those which were not so favoured and would act as a seriously devisive force which would far outweigh the particular advantages which might be derived by the favoured few.

As a matter of fact, this question is being actively discussed in the GATT at the present moment in accordance with ministerial directives; and I can say that it is being discussed with an open mind. However, I would be less than frank if I were to suggest that, so far, we have found it easy to make progress in this field. The reason is that it is an extremely complicated, difficult, and, above all, very important development which has to be worked out and elaborated with the utmost care. We have found in the preliminary discussions in the GATT that there are substantial differences of view, not only between the highly developed countries and the developing countries, but also between the developed countries themselves; and there are very strong differences of view between the developed countries themselves; and there are very strong differences of view between the developing countries.

It is for this reason that with perhaps more prudence than heroism, but still I think with prudence, we have recorded that our preliminary investigation indicates that there are interesting possibilities in this field — I repeat, there are interesting possibilities — but that much remains to be done in order to work out the procedures and conditions under which such preferential arrangements should be negotiated. We shall resume this examination at a fairly early date.

Arrangements have been made for the competent bodies of the General Agreement, after the governments have had an opportunity to consider the results of the first reconnaissance, to revert to this question later this year, in the hope that a report leading to decisions could be considered at a session of the Contracting Parties during November of this year.

Difficult Question

I have been speaking so far of preferences to be accorded by the industrialized countries to the developing countries There is of course another side of the question which relates to preferences between the developing countries themselves. That, of course, is rather a difficult question because, in the first instance, any preferential arrangement in effect means that the country according the preference agress to pay rather more for its imports from one particular source of supply than it would if it obtained them from the cheapest source of supply. Unfortunately, the plight of the developing countries is such that they need to mobilize every possible resource they can for imports; and therefore the luxury of discriminating between sources of supply, other than on grounds of prices and advantages, is not an easy one for them to contemplate. On the other hand. I think that most of us would concede that a process of industrial development which could proceed on more rational lines on the basis of a large regional market, made possible and favoured by preferences or liberalization of trade on regional basis, is a concept well worth consideration.

In fact, in a sense, this whole question is — so far as the GATT is concerned — rather like pushing at an open door. It was carefully considered in the course of the review of the General Agreement in 1955, when it was conceded that the waiver provisions of the General Agreement could be invoked in favour of systems of regional preferences of this type. These waive-provisions depend upon obtaining an approving vote of two-thirds of the contracting parties which in effect means, in present circumstances, that provided the developing countries themselves were agreed on the desirability of such arrangements, the GATT presents no real obstacle to them, because at the present moment more than two-thirds of the contracting parties are developing countries. I think, therefore, that one cannot argue that the most-favoured-nation principle, as incorporated in the General Agreement, accompanied as it is by the waiver provisions of Article XXV, is a significant obstacle to valid regional arrangements which commend themselves at least to most of the developing countries.

Commodity Problems

I turn now to the question of commodity problems. The GATT has been widely criticized in that one of its inadequacies is that it does not deal with the problem of commodity trade and, as developing countries are largely dependent on the export of and trade in primary products, this means that the General Agreement excludes to a large extent the major part of their trading interests. To some extent I think this criticism is directed at the modesty of the GATT; I think it is a good, valid criticism. I think that it is rather difficult to argue that an international trade agreement should not concern itself with such an important sector of international trade but of course this argument conceals certain fallacies.

First of all, as regards the examination of commodity questions in the ordinarily accepted sense of the term, that is, through the negotiation of commodity arrangements, the Contracting Parties to the General Agreement have consistently taken the view — and this is a self-denying attitude which is rather rare — that they should not arrogate to themselves the right to deal with questions which have been entrusted by the United Nations to its own organs. Therefore we in the GATT have directed our efforts so far as we can to seconding and assisting the efforts of the appropriate United Nations bodies such as the Interim Co-ordinating Committee for International Commodity Arrangements, the Chairman of which is appointed by the Secretary-General on the recommendation of the Contracting Parties; the United Nations Commissions on International Commodity Trade and the Food and Agriculture Organisation. But within these limitations I myself have taken the initiative in the Administrative Committee on Coordination in suggesting to my colleagues that as far as secretariats are concerned we should establish, within the framework of inter-agency co-ordination, a committee to keep our activities under constant review and to ensure that we are giving the maximum support we can to governments in the orderly consideration and discussion of these questions. Apart from that, however, there are in fact constant consultations, discussions, and negotiations on problems relating to particular primary products entering international trade, which take place within the framework of the General Agreement, although these are not directed to the formulation of classical commodity agreements in general in the accepted sense of the term.

One of the things this Conference will be doing will be examining with a critical eye the institutional machinery which exists for dealing with international trade problems of special concern to the developing countries, and I would certainly think there might be a very good case for calling upon the GATT to fulfill additional responsibilities in this field; and I am quite sure that, if that is the view of this Conference, the Contracting Parties to the General Agreement would give

the most careful consideration to any suggestions or requests in this direction that might be made to them.

I pass now to another aspect of this problem which I regard as being of the utmost importance. There has been much discussion in this Conference — I think quite rightly — of the serious consequences for developing countries of the deterioration in their terms of trade as exporters of primary products. This is a problem of very grave concern and one which we have examined for some years in the General Agreement. I must say that my own conclusions on this are that, whilst wherever possible it is desirable -- indeed, urgent — to enter into and elaborate agreements for the stabilization of prices to prevent violent fluctuations, a solution to this problem is not to be found by attempting to mainpulate prices in such a way as to jeopardize the competitive position of primary products; these are already seriously threatened by competitive synthetic products and by technological processes which — at a price — enable considerable economies to be made in the use of primary products in manufacturing processes. Therefore, one form or another of compensatory financing for primary producers is the way to deal with one side of this probem.

Export Potential

The way to deal with the other side of this problem is to assist in every possible way in the diversification of the primary producers. It is with this objective in mind that we have recently initiated in the GATT — with perhaps too modest means, but on a pilot basis — a new project in which I place great hopes, and on which we would certainly be interested to hear any suggestions and comments by this Conference. This project entails a systematic series of studies of development plans and prospects of individual exporting countries with a view, above all, to identifying what is the most readily available potential export capacity in these countries and what is needed to develop that potential production, and then enquiring into the possibility of providing really adequate guarantees that, if this potential does become actual, it will not be frustrated by restrictions in inernational markets. The latter part is the particular concern of the organization which I serve. However, we hope to collaborate very closely with the International Bank for Reconstruction and Development, with the OECD, with the United Nations and with lending governments, in order to offer advice about the directions in which development finance could be moved in such a way as to bring about the earliest possible return in the form of export proceeds. This, I think, is a programme of great potentiality. It will of course — and this is a point I make with some trepidation, but I make it because I think it is honest to make it — bring out that the problem of developing industrial export potential in the developing counties is not only a problem which relates to restrictions which they may or may not encounter in the markets of other countries. I will also bring out the fact that there are certain minimum conditions which must be observed in the developing countries themselves if they are to develop manufacturing capacity which will be capable of competing in international markets; in many countries restrictionist policies, which are not protectionist in their origins or perhaps even in their purposes, are nevertheless creating conditions which in fact inhibit the possibility of production by export industries on conditions which would enable them to be competitive in international markets. This, I think, is an important element which cannot be excluded when one is looking towards the long-term solution of these problems. The problem is not exclusively an external one.

I should not like to finish without saying a few words on the institutional question. First of all I should like to voice an apprehension. I have been a bureaucrat for far longer than I care to remember, and I have had one consistent experience. That is that, whenever I have raised an awkward problem in the GATT which has caused some embarrassment to any of the member governments, their reaction has been immediate and predictable: they create an institution -- they set up a committee — and that is usually the end of the problem. There is another one, however, which is even more insidious, and that is to set up several institutions, for nothing rejoices the heart of a government more when confronted with an awkward problem than to have it discussed simultaneously in several institutions. This enables you to move from one to the other and, with a sufficient amount of ability, you may avoid dealing with the problem in any of them.

However, let me say this. I think it does all of us who are engaged in established institutions good to have the cold eye of criticism directed upon us. Complacency is one of the most catching of sins. I think it is extremely useful and valuable for all of us — not only GATT but all of us — to come under close exmination here. Some of us will not pass. We may have to pull up our socks. There may be gaps and, if there are, these should be filled — there is no question about that.

Let us also remember that international institutions are as effective as the governments which constitute them. To group the same lot of governments, or perhaps even a few more, in another place does not often change their habits. Therefore, although it is important to have effective and comprehensive institutions, and to have organization where organization is required, I hope that we will not at any stage lose sight of the fact that we are dealing with an urgent, challenging social and human problem where the solution lies really in the will of governments to act. I do not think that they lack the instrumentalities for making their action effective. What is lacking so far is the will to take the necessary political decisions.

GATT Obligations

Now I should like to say a little about the institutional character of GATT itself. GATT is not a universal institution. That is usually put forward as a criticism. Why is it not a universal institution? The reason is that it is an obligations and confers upon its members legal rights and a means of vindicating them. It is open to accession by any country provided that two thirds of the members are convinced that the acceding country can accept, fulfil and carry out the obligations which they have accepted, in exchange for which they, for their part, are prepared to extend to that country the full frights which accrue to any contracting party.

I ask myself what sort of international trading management which did not have that character would be of any value at all. One can of course have an institution where there are no rights, no obligations — just principles, declarations and resolutions. There do exist, and one can envisage crea ing, institutions or arrangements where valuable discussions may take place within that sort of framework, but they are not of the same character as an organization which rests on an international agreement involving carefully defined legal rights and obligations, and machinery for their enforcement.

There is an area in which the adequacy of this international trading instrument has been strongly questioned; it has been said that it is not adapted to dealing with the relations between countries with market economies and those whose economies are based upon central planning and State control. I have been glad to see that in the course of this Conference much

emphasis has been placed upon trade between the centrally-planned economies and developing countries, because I share the view which has been expressed here that this is an area in which there is much room for development of trade, if only because, relatively, this is where there has been a considerable lag. I think this is something which merits the most careful study and examination, and that there must be the institutional means of stimulating the process.

It is true, of course, that the General Agreement, as an international trade agreement, was conceived and brought into being fundamentally as an instrument to serve as the basis for trading relationships between countries with market economies. However, as I have said, there is a provision which says that any country which wishes to do so may accede on terms to be discussed and agreed with the contracting parties and acceptable to two thirds of them. There is no limitation as to what those terms may be, and I cannot conceive of any circumstances in which, if such discussions resulted in the finding of a formula under which a country, which organized its economy on other than the market basis, could satisfy its trading partners in the General Agreement that it could assure and carry out commitments and obligations comparable to those which the contracting parties accept, the concession of that country to the General Agreement would create serious problems.

Centrally-Planned Economies

In recent years we have, in fact, carried out negotiations with certain countries which have chosen the system of a centrally-planned economy, entrusting all trading transactions to State institutions, and we have found a basis for their accession to the General Agreement. I refer specifically to to the case of Yugoslavia, which has acceded provisionally to the General Agreement and whose provisional accession will ripen automatically, and very shortly, I hope, into full accession. We have negotiated for the provisional accession of the United Arab Republic, and I am equally hopeful that the remaining steps to convert that provisional accession into full accession will also be taken in the near future.

For a number of years we have had an arrangement of association with the Government of Poland which I know has given great satisfaction to the contracting parties, and which has enabled Poland to play an active and important role in the work of the Contracting Parties. Again, I have no doubt that as far as the contracting parties are concerned there is no reason why this association should not similarly ripen, through processes of consultation and discussion, into the full accession of Poland to the General Agreement.

Then there are a number of developing countries which have not so far seen it to be their advantage to accede to the General Agreement. I find that quite understandable. For one thing, the General Agreement is a pretty unappetizing document to read. It is also a document which is very badly out of date as it does not reflect the great changes and modifications which have been made in the actual content and nature of the work of GATT over the past few years. We have perhaps been remiss in not bringing it up to date—perhaps, I say; I myself, shortsightedly maybe, have placed greater emphasis on getting on with the work rather than repairing the facade. But these are political questions and I think that this was possibly an error — an error, however, which we are now in the process of repairing. We have recently concluded a careful investigation of the respects in which the GATT needs to be modified in order to bring it up to date and to reflect the present state of international trading relations and what is in fact currently taking place within the GATT particularly with respect to the problems of developing countries. We have largely completed the establishment of a special chapter on trade and development which will confirm, among other things, the great flexibility which the contracting parties observe in the application of the obligations and commitments of developing countries under the General Agreement. It will — and this is perhaps more important — embody as treaty commitments and obligations, fully binding on all contracting parties, a good deal of the Programme of Action and a good deal of the 1961 Declaration on the trade of less-developed countries, to which I have referred. That, I think, will be an improvement and also give a truer picture of what GATT is about.

Meanwhile, it is, of course, a matter of judgment for individual developing countries as to whether or not they seek accession to the General Agreement. But the door is open, the entrance is fairly wide and would certainly be my hope that more and more of the developing countries, as they come to have a clearer understanding of what it is we are trying to do and of the spirit in which we are trying to do it, and perhaps paying rather less attention to the somewhat ungainly language in which international legal instruments have necessarily to be drawn up, would see an advantage in coming and assisting us with their own contribution to our efforts and, at the same time, benefiting from the work which is being done currently by so many of their fellow developing countries in the GATT.

As I have said before, this one time rich-man's club now has developing countries as two thirds of its membership, and this number increases daily. I think this is good evidence that, within the limitations which quite naturally and properly exist on the total scope of the work of the Contracting Parties the GATT's value and relevance to the problems of developing countries are being more fully appreciated.

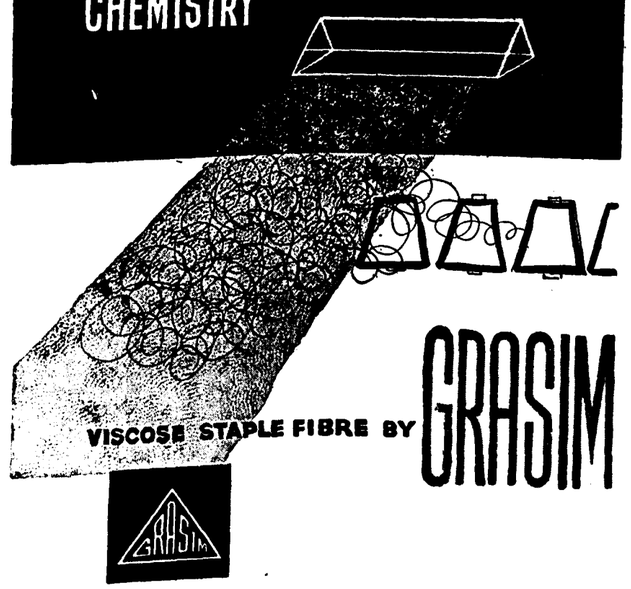
Co-ordinated Programme

One final word. It has been my strong hope that, apart from the political impulse which this Conference will give to the work on which we have all been engaged for some years — and that will be an important result of this Conference in itself — there will be one other result, and that specifically in the institutional sphere. It is this. I think that one thing clearly apparent to anyone working in this field for any length of time, and of which he must be very conscious, is that there is in fact an absence of a coherent international development policy which takes into account all aspects of a very wide and complex problem. I doubt whether all these aspects can be encompassed in one technical organization or series of technical organizations. But I think it would be a source of great strength to us who are engaged in sectors of this programme if one did have the feeling that there was a purposeful, coherent, co-ordinated, international development programme to which all governments of the United Nations felt themselves to be committed as a primary aim of policy—and I mean by that, of national policy.

That brings me back to where I started. I think that such an international policy, and acceptance of the fact that the effective carrying out of this international policy is a primary concern of national policy in each country, is perhaps the type of political decision which needs to be forged and the type of political decision with which any institution resulting from this Conference might well serve to provide us.

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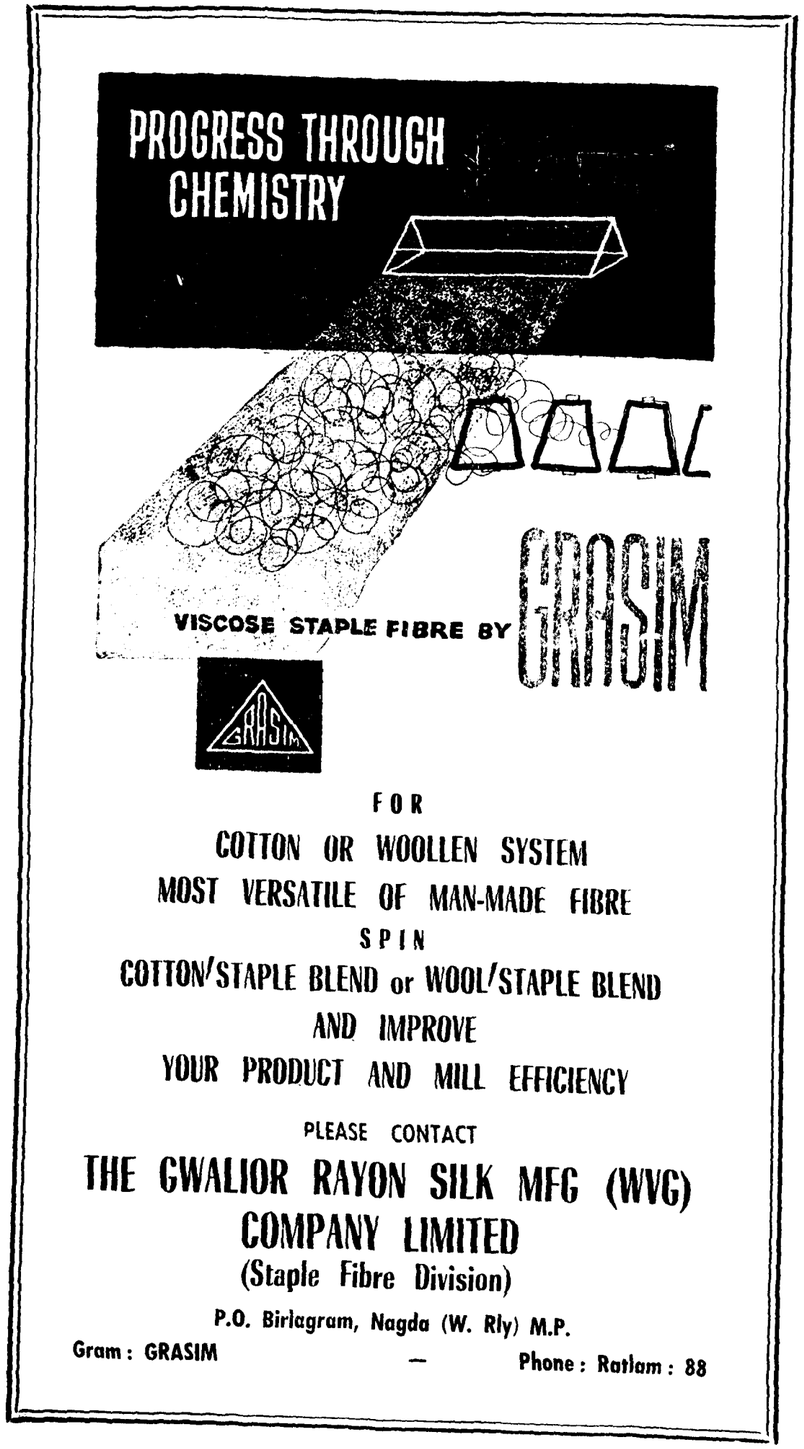
EASTERN ECONOMIST

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— Julius Caesar, Act IV, Scene 3.

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A Sad Spectacle

THE UNION Minister for Food and Agriculture, Mr. Swaran Singh, has acquired in recent years a reputation which stands higher on the diplomatic plane than it does in the field of his direct ministerial responsibilities. Not unexpectedly he has failed to make any impress on problems of Food or Agriculture. His statement at the joint convention of the Sugar Technologists' Association of India and the Deccan Sugar Technologists' Association on April 19 that controls on prices and distribution of sugar had come to stay and that no one should have any doubts about this, coupled with his thesis regarding the "desirability of setting up a Sugar Marketing Board" expounded at the annual general meeting of ISMA on April 27 has rightly failed to arouse enthusiasm. To state that an industry for which we have all the necessary raw materials — as against certain others whose production has been hampered because of the non-availability of the essential ingredients — and also the manufacturing capacity, will need to be subjected to price and distribution control is to make an open admission of the failure of the Government's policy for increasing production.

At the start of the sugar season in November last, the Government announced with great fanfare that the target of sugar output had been fixed at 3.3 million tonnes and an assurance was held out that all efforts would be made to achieve that goal. In actual fact, much valuable time was lost in grappling with the real problem of diversion of sugarcane from the mills to khandsari and gur producers. Because of the steep fall in output in 1962-63 at 2.15 million tonnes from 2.71 million tonnes in 1961-62 and 3.03 million tonnes in 1960-61, the free market price of sugar had shot up providing an opportunity to the khandsari producers to offer higher prices for sugarcane and, thus, starve the mills of cane supplies. This disequilibrium took an acute turn because of the delay in permitting the sugar mills to increase the minimum price of cane to Rs. 2 per maund. While the industry went on transmitting the danger signals to the Government week after week saying that the target of 3.3 million tonnes would not be achieved unless the mills were allowed to pay a higher price for sugarcane, the Government wasted much valuable time and awoke to the realities of the situation rather too late.

It is not for lack of raw materials that the output of sugar in the country has been reduced. In fact, the mills crush only a fraction of the total sugarcane produced. The output of sugarcane since 1960-61 has no doubt registered a decline, but it should not affect the supply of cane to the mills. As against 91 million tonnes of sugarcane produced in 1962-63, the sugar factories crushed around 25 million tonnes. Similar was the case in 1963-64, when less than 30 per cent of the cane produced in the country was crushed by the mills.

Regarding the capacity of output, the mills gave a happy performance in 1960-61 when production attained a new peak of a little more than 3 million tonnes. Since then, some new units have come into being, while a few of the older units have also been expanded. The target of 3.3 million tonnes in terms of availability of raw materials as well as installed capacity is, without a shade of doubt, within the reach of this country. It was bungling in a different sphere, as stated above, which made the attainment of this target impossible. Will the Government learn any lesson from its past errors? As things stand today, it seems the Government is determined not to see clearly through the artificial fog created by the distortion in the sugar industry by the steep rise in the production of

khandsari. Unless a happy balance is struck between the two and the mill sector is allowed to play its rightful role, the occurrence of violent fluctuations in output of sugar will not be eliminated.

The latest estimate of sugar production at 2.6 million tonnes in 1963-64 shows a 22 per cent gap between achievement and the target for which the Minister has blamed the industry in not having faced the challenge. "It was the industry's duty", he said, "to have faced the situation even if it meant some sacrifice on its part rather than depend on transferring the whole burden to the Central and State Governments and to the consumer". It means that at the time when the khandsari producers had lured the farmers away from the factories by paying higher prices for sugarcane, the factories should have offered competitive prices even at the risk of incurring losses. What is the logic behind this approach? On the one hand, the khandsari producers enjoyed complete liberty in the matter of procurement of cane, were subjected to no price control and bore limited excise duty, while, on the other, the factory owners had to put up with double the excise duty while the price of sugar was fixed by the Government at half the price fetched by khandsari. The Tariff Commission has more than once analysed the cost structure of the industry; the price of sugar is fixed on the basis of the formula evolved by it. Even a cursory glance at the Tariff Commission's costing formula will show that the manufacturing cost is hardly 15 per cent of the controlled price of sugar while the lion's share is distributed amongst the cane grower and the Government. The margin for manoeuvrability available to the factories is negligible and the Minister's exhortation to face the challenge meant inviting outright losses, landing the mills in a financial crisis.

If the Government sincerely cherished the desire to attain the target of production of 3.3 million tonnes of sugar, it could have been attained by allowing the market forces to evolve a new equilibrium through a free play of the forces of demand and supply. If the sugar industry had been unyoked even in a single season in the matter of fixing the price of cane and also the selling price of sugar, there is no doubt that not only the production of sugar would have increased but the consumer also would have been subjected to a lesser pressure. The last season saw sugar selling at about a rupee a kilogram at a time when khandsari was fetching Rs. 2 a kilogram. The present policy of the Government failed in achieving both the objectives; it neither provided relief to the consumer nor created conditions whereby production level could be raised to the stipulated goal.

The President of the Indian Sugar Mills Association, Mr. G. M. Modi, rightly gave expression to a serious concern at the proposal of the Government to set up a Sugar Marketing Board in the country — a scheme which had adorned the shelves of the Food and Agriculture Ministry for more than eight years. It had been proclaimed impracticable by the Indian Sugar Delegation which visited Indonesia and Australia as long as in 1955. A similar opinion had been given by the Gopalakrishnan Committee. Why the Government have now brought to life what was already known as a rejected scheme, is not known. The handing over of the operations of a gigantic industry to a bureaucratic machinery will no doubt thwart its growth and will create more problems than it will resolve. The long and painful story of controls in this country will bear out the apprehensions entertained by industry in regard to the futility of the proposed Board as a solution to the problems faced by it. Just as one false step can land an industry into a mire from which it may not be able to extricate itself for years and remain dwarfed, the sugar industry is likely to meet a similar fate if the Marketing Board with its paraphernalia of slow pen-pushers and desk-workers should come into being.

The Sugar Marketing Board will offer, in the words of the Minister, "a guarantee of receiving an adequate price for production without having to do anything about its distribution". Like a good salesman, he has attempted to list the "favourable" points. It is promised that the Board will be able to procure an adequate price for the sugar produced by the mills. It will also take upon itself to organise the sale of the product. How far this will leave any incentive for the manufacturers remains to be seen. It is not known how the Minister has come to the conclusion that the establishment of the Board is not synonymous with the imposition of a system of controls which the industry has disfavoured and the Minister has agreed not to impose upon the industry. The Board will not only enforce a price control but, in fact, an overall all-pervading control with the result that the mills will be reduced to the status of mere contractors for crushing cane. The opinion given by the Minister that the consumer will stand to benefit by the establishment of the Board is hardly warranted if the operations of similar bodies in India are any guide. In any case, the Board is likely to dry up the springs from which has emerged the initiative for growth in the past.

In his reply to Mr. Modi's Presidential address, Mr. Swaran Singh promised to take action in regard to three of the vital issues raised by him. He agreed that the ex-factory prices of sugar needed an early revision because the current prices are based on a formula evolved in 1957-58 and in view of the changing circumstances, it had become outmoded. He also held out an assurance that an enquiry would be instituted regarding the possibility of listing the sugar industry as a priority industry entitled to a rebate in corporate taxation. The last promise related to some sort of a control over the production of gur and khandsari; this aspect is exceedingly important because of the severe competition which has developed between the three sectors of the sugar industry out of which two have operated in an unbridled manner. There is a lurking fear in the mind of the industry — and rightly so — that the promised regulation of the gur and khandsari producers may not take place because of the political strings attached to this problem. The rural vote in the sugar producing States of Uttar Pradesh and Bihar has always had a bearing on the Government sugar policy which has been governed more by political considerations than the economics of the industry. If the Union Minister for Food and Agriculture can make bold to put these two sectors under some regulation whereby supplies of cane are ensured to the factories, there is no doubt that the targets of production fixed by the Government will turn into a reality.

Another point needs a mention here. The Indian sugar industry in Northern India has been dogged by the inferior quality of cane which has not improved in quality over the last two decades. The sugarcane cess realised by the Government for this purpose has been usurped for other schemes. Unless the sucrose content of the cane improves as in Maharashtra and other South Indian States, the economics of this industry will not improve and the consumer will continue to bear the unwarranted burden. It is, thus, seen that it is the unimaginative policy pursued by the Government which stood as an impediment for attaining the goal of production at 3.3 million tonnes in 1963-64. If the three promises made by Mr. Swaran Singh are fulfilled and the proposed establishment of the Board is abandoned, the industry will continue its onward march so as to reach the target of 3.5 million tonnes in 1965-66 and the tentative target of 4.5 million tonnes at the end of the fourth Plan.

Wanted: More Research in Staple Fibre

WHATEVER MAY be the reason for it, cotton has been and it will continue to be the major problem of the Indian cotton mill industry. The Textile Commissioner may assure us that there is no need to be pessimistic at all about the supply position of cotton in the immediate future and Mr. Krishnaraj Thackersey may ask us not to be defeatist about eventual self-sufficiency in cotton. But the fact is that, today, this country is still a long way behind the cotton consumption target of the third five-year Plan of 70 lakh bales. In the latest cotton season the total cotton production was no more than 57 lakh bales, but cotton consumption in 1964 is expected to be 63 lakh bales. It is not only quantitatively thus that we are far from self-sufficient in cotton; we are so qualitatively as well, and the authorities have recognised this. Mr. R Doraiswamy, Textile Commissioner, recently listed marginal supply conditions relating to long-staple cotton as one of the principal reasons for stagnation in mill production of cotton cloth.

In order to meet our marginal supply requirements of long-staple cotton, we have arrangements with some traditional sources, such as Egypt, Sudan, East Africa and America. Bearing in mind the admittedly accommodating attitude of these sources of supply generally, as, for instance, in agreeing to accept payment in rupees or supplying cotton by way of aid or tripartite barter, and also the more or less moral obligation on our part to import cotton from some of these countries, if only to maintain the markets for our cotton textiles there, we have perforce to provide, almost on a permanent basis, for imports of a certain quantity of cotton from these sources. Even at the risk of being dubbed as pessimists, we must say we cannot do without some imports of cotton for several years to come, certainly not in the near future.

We believe these considerations were fully borne in mind by those responsible for our cotton or cotton import policy, when they encouraged the production of staple fibre and viscose yarn. Surely they were not primarily motivated in this decision out of fascination for man-made fibres or even out of a desire not to be left behind in the race for being modern and up-to-date in the use of synthetic fibres. Anyway, large sums of money have been spent on the plant and machinery to produce these synthetic fibres and the fact that the domestic market has been absorbing nearly all the output of the industry suggests that the industry has been serving a purpose meeting a felt or existing need. May be, presently, the two units producing staple fibre account for hardly 34 million kgs. annually, the bulk of which is absorbed by the silk industry, leaving very little, if any, for the cotton mill industry. But the third Plan target of staple fibre is as much as 75 million kgs. and, if the demand is assured, this target should not be difficult of achievement. It is unfortunate, therefore, that a belated controversy should have been started about the suitability of staple fibre, though the last word has yet to be said on the subject. It may be noted that staple fibre interests do not dispute the absence of certain features in their product as compared to other and newer fibres in the field such as polynosic fibre. These interests are also not averse to the use of polynosic fibre which has lately gained greatly in popularity in the U.K., the U.S.A. and Japan by reason of its better blending possibilities, durability and softness of texture under varying conditions. Indeed, the existing staple fibre units have themselves applied to the Government to import the additional equipment that they would have to instal to turn out polynosic fibre. In view of this, we welcome the practicable suggestion of the re-elected Chairman of the Millowners' Association, Mr. Radhakrishna Ruia, Bombay. He adopted a statesman-like approach to the subject in his address at the last annual general meeting of the Association, when he observed: "The scope for utilising the polynosic fibre to supplement cotton should be exa-

mined and the producers of staple fibre should be requested to manufacture it on a commercial scale to suit Indian conditions." This is in striking contrast to the unqualified opposition in certain quarters to the Government's suggestion for using staple fibre to the extent of some five per cent of their total raw material requirements. Even Mr. Radhakrishna Ruia feels that "the matter demands serious consideration before any final decision is taken on it."

The Textile Commissioner, however, has apparently made up his mind and actually wants cotton mills to take to staple fibre more and more, so that, before long, these mills may cover up to 10 per cent of their total raw material requirements in this way. His seriousness in making the suggestion should be clear from his emphatic hint: "we may have to judge the question of cotton allotment to mills on the basis of staple fibre consumption". In the considered view of Mr. Doraiswamy, it would appear, the only way to bridge the gap between total demand and total availability, until our own cotton production is raised appreciably, is to use staple fibre (or/and polynosic fibre) anywhere up to 10 per cent of the total cotton requirements of our mills. Taking all the relevant factors of the situation into account — and only he can do it because he has all the data and is in a position to assess them more accurately than anyone else — he has arrived at this conclusion. And so, rather than spurn his suggestion or describe it as 'fibre fad", our millowners and textile research associations would be well advised to carry out further research to find out improvements, if any, that could be effected in the staple fibre manufactured in this country and make it, along with such quantity of polynosic fibre as we may be able to produce or import (in the interim period), serve their purpose better Let us not forget that, whoever may be involved, what is at stake is the hard earned investment in an industry of the nation as a whole and that we are still not so rich as to afford the luxury of scrapping an industry that has entailed sizably handsome outlay.

Steel—Its Costs and Conflicts

MANY THINGS stood out in the recent debate in Lok Sabha on Steel, Mines and Heavy Engineering but few so prominently as the problem of productivity and rising costs in steel plants, labour conflict in leading public sector projects, over-production of lower grade coal and the question of amalgamation of uneconomic coal mines. The stress on importance of cost accountancy was a happy development; so was the announcement that the Government proposed to adopt a new personnel policy in keeping with modern industrial practices. There was a general satisfaction at steel targets set by the Steering Group for the Fourth Plan and it was hoped that the Government would avoid delays and pitfalls experienced in earlier projects.

Strange as it may appear, critics of the Steel Ministry used two or even three years' old statistics to level charges of rising costs of production in public sector steel plants. The Minister naturally had the latest figures and was able to establish that actually the costs of steel ingots, cold rolled sheets and salable steel had since been going down and at present compare favourably with the estimated project costs and Tariff Commission estimates in private sector plants. However, his silence on the massive labour force we use and our costs of capital equipment betray the weak spots in our projects. According to one estimate while, on the average, Japan employs about 2,500 men to produce a million tons of steel, we hire from 20,000 to 30,000 hands and while she spends about Rs. 800 towards her capital cost per ton, our cost of capital equipment comes to about Rs. 2,800 for one ton capacity. Of course, productivity and costs of production depend on so many factors and any comparison, particularly under different sets of conditions, can be misleading if not invidious but when differences assume such wide proportions, fears must be allayed with a frank and honest analysis. One of the major causes of high capital costs of our steel plants has been the gross miscalculations done by foreign experts regarding the cost of raw materials. It is hoped the government would make special efforts to see that such errors are not repeated by Indian or foreign consultants. Also, in this respect, Mr. Subramaniam's announcement regarding introduction of a crash programme to enable better utilisation of raw materials is undoubtedly a welcome step.

It is a strange paradox that while comparative peace has prevailed in the private sector industries, industrial undertakings of a State pledged to socialist objectives should be the scenes of bitter labour strife jeopardising production and bringing enormous losses to the country. The causes spelled out by Government spokesmen for this unfortunate situation appear to be too hackneyed and lack conviction. Even the analysis about multiplicity of labour unions on the basis of affiliation to political parties and the built-in-position of conflict smells a little too stale. Mr. Subramaniam rightfully claims that he grew up as a labour leader and that he knows the problems of labour. Unfortunately, his managers' approach to the labour situation is a poor tribute to this claim. While no one will justify the acts of vandalism and indiscipline on the part of labour, the fact remains that Government's handling of labour and its efforts to avoid prolonged strikes have also not been too complimentary. What is needed is a strict adherence to statutory obligations by state enterprises, a human understanding of labour problems by the management and firm stand against extravagant demands of the Unions, whatever their hue and colour. The "original sin" may have been the starting of trade

(Continued on page 1052)

Highlights of the Week

MAHALANOBIS REPORT

AFTER THREE and a half years' deliberations, the report of the committee on distribution of national income—part I only—was presented to the Lok Sabha on April 29. The committee was constituted in October 1960 under the chairmanship of Professor Mahalanobis, a member of the Planning Commission, to review changes in the levels of living of the people during the first two five-year Plans, to study trends in the distribution of income and wealth and to ascertain the extent to which the operation of the economic system had resulted in concentration of wealth and means of production. The findings of the committee, though based on inadequate data, are full of interest. The committee has arrived at the conclusion that there has been a general improvement in the standard of living of the people who were, at the end of the second Plan, better fed and better clothed than they were at the commencement of the first Plan. The national income over the first two plans rose by 44 per cent from Rs. 8,850 crores in 1950-51 to Rs. 12,750 crores in 1960-61—both estimates measured at constant, 1948-49 prices. Government expenditure in the decade under review rose from Rs. 520 crores to Rs. 1,030 crores indicating an increase of about 98 per cent; domestic savings from Rs. 500 crores to Rs. 1,040 crores. Domestic savings and Government expenditure together increased by about 103 per cent. This was made possible by putting a restraint on private consumption which increased by only 36 per cent in ten years as against a rise of 44 per cent in income. About 77 per cent of the additional income was available for increasing private consumption. A major portion of this increase was utilised to feed a rising population and only about 28 per cent or almost a quarter of the additional income was available for the net increase in per capita consumption.

The committee has made estimates of the size-distribution of income from the available data and has come to the conclusion that the degree of inequality in income distribution is not higher in India than in some other developed or underdeveloped countries. This finding of the committee has given the lie to the mis-conceived notion prevalent in some circles in this country that planning had made the rich richer and the poor poorer.

Regarding the growth of big business the committee has stated that the presence of economic concentration did not necessarily mean the "deliberate adoption of an anti-social policy." The economy of scale was in favour of big business, on purely economic grounds. In this regard, economic consideration was certainly relevant specially in the context of India's scarce resources and the imperative need for making the most economic utilisation of these resources. In very emphatic terms, the committee has stated that "any attempt to reduce the degree of concentration by breaking down economic size units into a larger number of un-economic size plants would only lead to waste."

The salient features of the report are presented in the following twelve concluding observations on distribution of income and wealth:

(1) "The most important conclusion which emerges from this study is that we do not have the required data for drawing valid conclusions concerning the changes in income distribution which might have taken place over the two Plan periods.

(2) The available estimates and data relating to size-distribution of income seem to suggest that the degree of inequality in income distribution is not higher in India than in some other developed or under-developed countries; the distribution of income in the urban sector is more unequal as in the other countries, than that in the rural sector.

(3) The analysis of the available income-tax data suggests some reduction in inequality of income among the tax paying group as a whole and also for some of the subgroups of this population over the period under study except for pure salary earners where the picture is mixed. However, in view of the deficiencies to which these data are subject, it is not possible to place much confidence in this conclusion.

(4) Available estimates and data suggest no significant change in the overall distribution of incomes though they do indicate a slight probable increase in inequality in the urban sector and some reduction in inequality in the rural sector. Again, in view of the inadequacies of the data used for comparison purposes, it is not possible to be definite about this conclusion.

(5) Trends in wages and salaries received by selected occupation groups over the decade 1950-51 to 1960-61 indicate that, with the notable exception of agricultural labourers, the growth in income of employees generally kept pace with the growth in average income per employed person for the country as a whole. In particular, there is evidence that the growth in incomes of the mining and factory workers has kept ahead of the rate of growth in the average income per employed person. Agricultural labourers as a group do not seem to have shared in the increase of incomes.

(6) Analysis of the income-tax data based on the occupation of common assessees reveals that over the period 1951-59, the average incomes received by contractors have registered the highest increase. The rise in income of this group has been very much higher than the rise in the income per employed person for the country as a whole; self-employed persons engaged in business (manufacture, trade, transport, and financial business) and the salaried class among the tax-payers have also increased their incomes but in their case the rate of growth in income seems to have just kept pace with the rate at which average income per employed person has grown.

(7) It should be noted that there is a general feeling that the working conditions have also improved generally over this period. An average person whether in the urban or rural areas is better fed, better clothed and better housed in the 1960's than in the 1950's.

On the other hand, since there is also some evidence that the rate of growth in income for certain high-income groups has been as high as or higher than the rate of growth in income per employed person for the country as a whole, it has not been possible for the committee to pronounce a definite judgment, even of a broad nature, on the changes in income distribution. However, it can be stated that there is no clear indication of a significant change in income distribution over the Plan decade.

(8) Much less information is available on the distribution of wealth among different groups in the population than on the distribution of income.

(9) Some scattered data obtained through household sample surveys indicate that there is a fair degree of concentration of personal wealth held in the form of land both among the rural and urban sectors. The distribution of

personal wealth held in the form of owner occupied houses is known only for the urban sector, which indicates that there is less concentration of wealth in this form than in the form of land holdings.

(10) The available income-tax data relating to dividend incomes indicate that there is a greater degree of concentration of personal wealth held in the form of company shares than in the form of land or owner-occupied houses.

(11) Available fragmentary data relating to distribution of important items of wealth indicate that the degree of inequality in wealth distribution is higher than that in income distribution. Wealth distribution seems to be more unequal than income distribution as in some other countries.

(12) If the question of income distribution is to be answered satisfactorily, there is clear need for the Government to organise the collection of required data. The earlier we start the job the better. The available data on the distribution of income and wealth are too meagre to draw any firm conclusion on the issues referred to the committee."

A.I.M.O. CONFERENCE

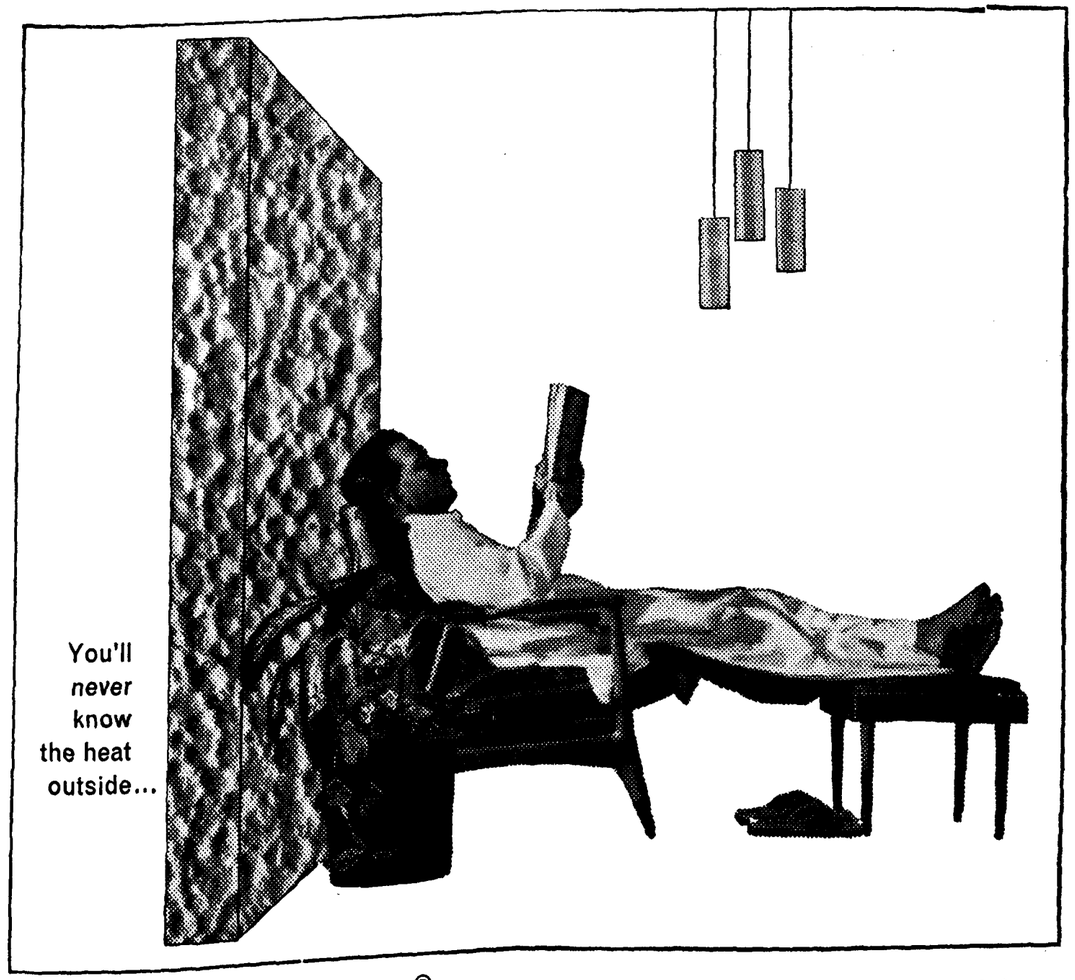
THE TWENTY-FOURTH Annual Conference of the All-India Manufacturers' Organisation held in New Delhi on April 24-25, focussed attention on the constraints imposed on India's industrial development by the fiscal and wage policies of the Government. Three resolutions were passed suggesting suitable measures for removing the various handicaps faced by the industry. In the first resolution on 'Wage Policy and Productivity in Industry' the Conference urged upon the Government, the labour and the management to co-operate with one another in evolving and implementing a rational wage policy based on the principle that only a rise in productivity could bring about the desired increase in real wages, curb inflation and bring down the costs and prices.

In the second resolution on 'the Development of Small Industries', the Conference expressed regrets that the impact of small industries on the rate of growth of the economy was not appreciable mainly due to the difficulties that arose from (i) the rigid definition of a small-scale industry, (ii) smaller allocation of raw materials and (iii) the lack of adequate credit facilities. The Conference, therefore, recommended to the Government that small-scale units which, as a natural process of growth, crossed the limit of Rs. 5,00,000 of fixed investment should continue to receive assistance from the State Directorates of Industries or alternatively, the Directorate General of Technical Development should cater to their needs. The Conference also recommended that the present procedure of including the value of land and building while computing the fixed assets of small units should be discontinued as the value of land and building varied widely in different parts of the country and therefore, resulted in regional injustices. On the question of raw materials, it was suggested that the issuance of essentiality certificates should be governed by the installed capacities of small-scale units and not by their actual production in any particular year which is subject to wide fluctuations due to extraneous factors. Another suggestion made at the conference regarding raw materials was that, as due to the limitations of their size, small-scale industries hardly benefited by the import entitlements available against exports of certain goods, such institutions as the National Small Industries Corporation and the State Trading Corporation should secure bulk orders from abroad and that the accruing import entitlements should be distributed among the participating small units on a 'pro rata' basis. As regards credit, it was suggested that, as the obsolete nature of machinery and equipment used by small industries was the major reason for the reluctance of commercial banks to provide credit facilities, measures for their modernisation should be encouraged including the grant of foreign exchange for the import of capital goods not indigenously available.

In its resolution on 'Fiscal Policy and Industrialisation' the Conference urged upon the Government (i) to encourage savings and investment in industries in the private sector by giving adequate tax concessions on profits that were ploughed back by small-scale and medium scale manufacturing concerns in whose case the overall rate of tax would be more as a result of the current year's budget proposals, (ii) to revive the confidence of entrepreneurs by immediate abolition of dividend tax and tax on bonus shares and general reduction in the incidence of tax (including the surtax) on profit from industrial enterprises as compared to speculative business, (iii) to remove the additional tax burden of 10 per cent imposed on a large number of companies coming under Section 104 of the Income Tax Act, (iv) to give no retrospective effect to any fiscal measure, and (v) to ensure that fiscal policy once adopted at the beginning of a five year Plan period will not be materially changed during the period.

Earlier, in his presidential address at the Conference, the Chairman of AIMO, Mr Prabhu V. Mehta, besides criticising the fiscal and labour policies of the Government which, in his opinion, were inimical to the basic objective of increasing industrial production, emphasised that for securing India's larger participation in international trade it was essential to reduce the indigenous cost of production. In spite of the efforts made by the National Productivity Council, the Local Productivity Councils, the Institute of Industrial Engineers, the Institute of Production Engineers, various management associations etc., there was no integrated national programme for cost reduction which could be achieved by reducing the varieties of particular products. Illustrating his point, he quoted from a publication of the Industrial Resources Technical Aid Branch of the U.S.A. which said: "During the last World War, the Conservation Division of the War Industries Board observed with dismay the prevalence of a multiplicity of sizes, varieties, qualities and grades of such varied items as furniture, farm implements, typewriter ribbons, bicycles etc. In axe manufacturing, for example, it was found that the maximum possible variety of single-bit axes was 9,94,840, i.e., 34 models, 4 grades, 35 brands, 11 finishes and 19 sizes. This was reduced by a mandatory order for the duration of the war. Afterwards, forged axes were reduced from 845 to 150, a variety of reduction by 82 per cent.....During 1917 and 1918, materials and man-power had to be conserved. 250 industries were brought under schedules issued by the War Industries Board as a means to that end. Thereafter followed some spectacular results during the period of the War. 750 tons of steel were saved by eliminating fancy bars from bicycles; 1,000,000 feet of rubber hose were saved through variety reduction of vacuum cleaners; 16,000 tons of steel were made available through substitution of zinc in the lining of refrigerators." Mr. Mehta, therefore, suggested that a high-power committee be appointed by the Government to report on simplification and variety reduction in India.

Mr. Asoka Mehta, Deputy Chairman of the Planning Commission, laid stress on the fact that the time factor was an essential ingredient in the establishment of new industries. A year's delay in producing a million tons of steel would have a chain reaction leading to a further postponement of supplies of necessary machinery. Mr. Lal Bahadur Shastri, the Union Minister without portfolio, harped on the theme that there was no escape for the higher income groups from shouldering increased responsibilities for savings and investment.



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The creation and development of these new industries have been, and continue to be, a difficult and costly process. These infant industries are confronted with considerable problems, such as the paucity of experienced technicians and skilled labour, high costs of production because of low volume, high prices and inadequate supplies of raw materials as and when required, foreign exchange limitations for imports of modern and multipurpose equipment, etc. Despite these handicaps, their achievement to-date is noteworthy. Obviously, however, these young industries cannot be expected to attain, in such a short time, a standard of quality comparable to that reached by the older and more highly developed foreign industries.

A BETTER TOMORROW FROM TODAY'S SACRIFICES

It is reasonable to anticipate that with rising production volume, modernized methods and greater experience, in addition to the manufacturers' and ancillary suppliers' earnest endeavour to strive for better quality and rigid inspection, the standard of the Indian-made motor vehicles will soon compare favourably with that of foreign manufacture. The responsibility for improving quality must be shared by both the vehicle manufacturers and the ancillary suppliers.

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FROM THE PRESS GALLERY

A Trying Week for Government

By Our Parliamentary Correspondent

NEW DELHI:

THE UNION Government this week suffered the biggest parliamentary shock of its 18-year tenure when it failed to muster the requisite majority for moving the controversial Constitution (Seventeenth Amendment) Bill for consideration in the Lok Sabha. Its experience with the other proposed amendment to the Constitution — the eighteenth one — also was none-too-happy; this amendment had to be withdrawn as a sequel to the bitter assault on it by the Opposition and several Congress members. This week in the Lok Sabha, thus, was a period of discomfiture for the Treasury Benches. The highlight of the proceedings in the Rajya Sabha was the passage of the Appropriation, Finance and Surtax Bills.

The Constitution (Seventeenth Amendment) Bill, seeking to provide protection to several State land reform enactments from challenge in courts, fell through when only 206 votes were cast in its favour — 48 short of the constitutional requirements of a simple majority of the total membership of the House which currently is 506. The other constitutional requirement that the Bill should have secured two-third votes of the members present in the House at the time of voting, of course, was fulfilled, the negative votes totalling only 19.

This debacle has been attributed to the fact that many Congress, Communist and other members who would have voted for the motion found themselves locked out for their failure to reach the House in time after the division bell had been rung. They were said to be busy with the elections of the three parliamentary committees — the Estimates Committee, the Public Accounts Committee and the Joint Committee on Public Undertakings. It was also alleged that many of them even did not hear the division bell, presumably due to some defect in the mechanism. Whatever may be the force in this contention, this ignominious defeat of the Government is a sad reflection on its whips; they failed to rise to the occasion. The Speaker deserves to be complimented for his ruling that once he had announced the result of the voting, he could not order re-voting on the ground that some members were busy in elections of the three parliamentary committees. He rightly maintained that the facts had to be accepted whatever the consequences. The Bill now cannot be brought forward again during the current session of Lok Sabha unless the rule 338 of procedure is suspended as was done in 1955 when the Constitution (Seventh Amendment) Bill, seeking to give effect to the recommendations of the States Reorganisation Commission, fell through similarly.

Trenchant Criticism

Although the voting on the Bill revealed substantial support for it, the criticism on it was no less trenchant. Spearheading the attack, the Swatantra Party leader, Mr. N. G. Ranga, saw little in the Bill to merit his approval. The Bill, even as amended by the Joint Select Committee of the two Houses of Parliament, he maintained, would spell disaster for the landholders. Compensation for the acquisition of lands below ceilings he contended, was a meaningless safeguard as long as the State Governments were free to bring down the ceilings. Mr. Ranga was supported in this contention of his by even some Congress members who otherwise supported the Bill. The other scathing attack on the Bill came from the independent member, Dr. L. M. Singhvi. He has dismayed at the casual and cavalier manner in which the Bill had been brought forth by the Government without collecting reliable economic data to support it. No sustained or legislative analysis, he alleged, had also been made to evolve an economic rationale for a measure of this kind. He as well pointed out that the retrospective effect which the Bill sought to provide was repugnant to legislative propriety.

Many members, both from the Treasury Benches and the Opposition, also criticised the measure on the ground that it discriminated between the rural and the urban folk as there was no ceiling on urban incomes. The Jan Sangh spokesmen objected to the Bill alleging that the Government was going to take over land from the farmers in the name of co-operative farming. The Bill received general approval from the Congress, the Communist, the PSP and the Socialist members. The latter two groups, however, criticised the Government for not vigorously implementing land reform measures legislated by the States.

Right of Parliament Challenged

The Constitution (Eighteenth Amendment) Bill, seeking to remove doubts about the powers of the State to make laws or take executive action during an emergency irrespective of the fundamental rights contained in Part III of the Constitution, encountered strong opposition even at the preliminary stage of introduction, leading to a walk-out by all the Opposition members, except the Swatantra Party and a few independents. In a spirited criticism, Mr. N. C. Chatterjee characterised this measure as a crude attempt on the part of the Government to cover up violations of the Constitution. The flouting of the fundamental rights, Mr. Chatterjee opined, would lead to the rule of law coming to an end. The other most bitter critic of this Bill was Mr. Hiren Mukherjee, who challenged the right of Parliament to deal with it. His argument was that Article 34 of the Constitution allowed indemnification of violations of its provision only if they had taken place during a period of martial law. This did not cover the emergency period. Among others who criticised the measures were Mr. Kapur Singh who called it an "unconstitutional lawlessness", Mr. S. M. Bannerjee who styled it as a "fraud" and Mr. Nath Pai who characterised it as an attempt to maul and maim the Constitution. Although the Law Minister, Mr. A. K. Sen, succeeded in seeking the permission of the House to introduce the Bill by a majority of 172 to 52 votes, the Government later on announced that it would withdraw it in deference to the strong feelings expressed by the Opposition in the House and some Congress members in a party meeting.

The Rajya Sabha adopted the Appropriation, Finance and Surtax Bills as passed by the Lok Sabha. The debate on the Finance Bill, though marred by the bringing in of such side issues as the release of Sheikh Abdullah and the problem of Muslims in India, was constructive and of fairly high order. Mr. A. D. Mani suggested that the Annuity Deposit Scheme should have been introduced as a Social Security Scheme as in the West. Mr. R. P. Sinha pleaded for setting up of a revolving fund of about Rs. 100 crores out of the PL 480 counterpart funds for mitigating the rigours of rupee finance shortage for new industrial undertakings. Concessions to the foreign investors were generally welcomed in the interest of industrialisation of the country. Concern was expressed over rising prices, tax evasion and population explosion. The Finance Minister, Mr. T. T. Krishnamachari, in his reply, hit out at the stock markets for their failure to respond to the budget proposal. He threatened that if the stock exchanges and the private sector did not help in reaching the goal of

socialism — his budget proposals, he maintained, were the beginning of a long-term policy to achieve this goal — the Government would have to think of other methods. Mr. Krishnamachari held out the hope that if the Government was successful in its attempts to check tax evasion he would be prepared to reward the honest tax-payer by lowering income-tax on earned incomes. The Finance Minister expressed the view that the necessary resources for rehabilitation of refugees from East Pakistan could be raised without additional taxation. Rehabilitation of these refugees and the development of backward areas, he said, would be taken up simultaneously so that the backwardness areas could also contribute to the growth of national economy. He shared the concern over growth of population and expressed the hope that the Governmen would be able to take a big leap in regard to opening of family planning clinics and stepping up of propaganda on the need for family planning.

The Rajya Sabha discussions on the Appropriation and Surtax Bills lacked lustre. But the debate on the Appropriation Bill was enlivened by the Finance Minister's references to Kashmir. He reiterated that the accession of Kashmir to India was irrevocable and the talks with Sheikh Abdullah (who arrived in New Delhi on Wednesday) would not be on the fundamentals of the Kashmir question, which were settled facts and part of history. All that could be discussed with Sheikh Abdullah, he said, were the "nuances" of the Kashmir problem. Expressing gratitude for the assistance made available by the US for meeting the Chinese aggression, he reminded the US Administration that this was a recognition of the fact that defence of Ladakh was necessary because of India's obligation to defend the Kashmir Valley as a part of India.

Mr. B. R. Bhagat, Minister of State for Finance, introduced in the Lok Sabha this Wednesday a Bill seeking powers for income-tax officers to go ahead with pending tax arrear recovery proceedings even in cases which would require, because of a recent Supreme Court judgment, service of fresh notices.

Question Hour

Bokaro Plant: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, told the Lok Sabha on April 24 that tenders for the supply of equipment for the Bokaro Plant would be invited in the middle of this year. While no firm offer had yet been received from any foreign Government for collaboration in this project, private parties from the United States, West Germany, Japan, France and some other countries had evinced interest in making available equipment for it on commercial credit basis. Suppliers in two or three of these countries had even formed consortia for this purpose. There were also chances of getting aid for the Bokaro Plant from the Soviet Union.

The Deputy Minister for Steel, Mines and Heavy Engineering, Mr. P. C. Sethi, earlier denied a report that financial and technical collaboration for the Bokaro project had been sought by the Union Government from the Japanese steel industry.

Ore Reserves: Mr. Subramaniam also informed the Lok Sabha on April 24 that reserves of iron ore and manganese ore in Goa had been estimated at 525 million tonnes and 6 million tonnes; respectively. The reserves of ferro-genous manganese had been placed at 10 million tonnes.

Iron Ore Exports: The Minister for International Trade, Mr. Manubhai Shah, revealed in the Lok Sabha on April 24 that the possibility of granting further relief in freight on iron ore exports was being examined by the Government. Iron ore meant for export already enjoyed preferential treatment as it was subjected to a 5 per cent railway supplementary charge, as against 12 per cent on general merchandise. Rebate was also allowed on low-grade iron ore moved for export from Rajasthan to Kandla. Mr. Shah confirmed that there had been experienced a continuous fall in iron ore prices in the international market. Brazil and Sweden had brought down their prices, thereby putting India at a disadvantage.

Sugar Corporation: The Parliamentary Secretary to the Minister for Food and Agriculture, Mr. A.S. Shinde, indicated in the Lok Sabha on April 21 that the Union Government would be constituting a Sugar Corporation to handle internal distribution and export of sugar. The sale price of sugar would be a matter to be decided by the Corporation when it came into being. The purchase price, however, would be the ex-factory price fixed by the Government.

The Minister of State for Food, Mr. A. M. Thomas, added that an important objective of setting up of the Sugar Corporation was to ensure uniformity in sugar price over as large an area in the country as possible. A small commission was likely to be levied on the sale of sugar by factories to meet the expenses of the Corporation. The Corporation would not, however, undertake retail sales of sugar. It would utilize co-operatives and other existing retail trade channels, including small traders, for this purpose. The Corporation would appoint wholesalers. It would give preference to co-operatives in this regard. There was no intention to appoint any non-official on the Corporation. It would consist of official representatives of various Ministries and will have a wholetime chairman. A chief executive officer would also be appointed. The Corporation would not function as another intermediary in the sugar trade. It would be a semi-autonomous body looking after the trade in this commodity. The sugar production during the current year, Mr. Thomas stated, was expected at 2.6 million tonnes. The Government was originally thinking of exporting 300,000 tonnes, but now exports would not exceed 250,000 tonnes.

Sugar From Beet: Mr. Thomas told the Rajya Sabha on April 24 that the Government proposed to set up a pilot plant at Dehradun to produce sugar from sugar-beet. Experiments conducted so far had indicated that sugar content in beet was about 15 per cent. There were, however, practical difficulties in the processing of this sugar. Sugar-beet, Mr. Thomas further pointed out, was not grown anywhere in India on a commercial scale.

Oil Prospecting: The Minister for Petroleum and Chemicals, Mr. Humayun Kabir, informed the Lok Sabha on April 22 that a re-examination of the data supplied by the Stanvac Oil Company had led to the conclusion that there was a possibility of finding oil at Port Canning, near Calcutta. No decision, however, had been taken as yet on when to start offshore drilling here.

Amalgamation of Coal Mines: Mr. C Subramaniam told the Lok Sabha on April 24 that owners of small colleries had not shown enthusiasm for amalgamation of their mines with larger units. The Government, he added, was considering the question of bringing about compulsory amalgamation of small coal mines.

Marine Diesel Engines: The Minister for Defence Production, Mr. K. Raghuramaiah, informed the Lok Sabha on April 25 that the soil survey at Ennore in Madras State was in progress in connection with the project for the manufacture of marine diesel engines. He further stated that detailed planning for this venture had been already undertaken. A collaboration agreement had been signed with M/s. MAN of West Germany. The cost of the scheme was estimated at Rs. 5 crores, with a foreign exchange component of Rs. 1.5 crores.

Rocket Launching: Mr. Raghuramaian told the Rajya Sabha on April 21 that the objective of firing a high-altitude three-stage composite rocket by the Defence Research and Development Organisation at Balasore recently was to establish indigenous know-how on rocketry and allied science with a view to gathering knowledge for the ultimate designing and development of guided weapons.

OUR POPULATION PROBLEM—VI

What Needs to be Done—'The Pill'

R. CHOPRA

SINCE EMPHASIS is being laid on the voluntary limitation of the family and consequently the population, the success of any Family Planning programme would depend to a very great extent on the universal use of contraceptives. This is borne out by studies carried out in the Western countries, which show that the universal and voluntary usage of contraceptives by married couples to avoid conception has been responsible for stabilised populations. A contraceptive should, therefore, be readily available, cheap, reliable, convenient to use as well as to dispose of, etc.

The conventionally accepted contraceptives, however, do not have all the qualities listed above. They are, generally speaking, expensive (at least Rs. 2/- per month per couple if regularly used), not readily available (the report of the Director of Family Planning of April 1962 is a good illustration), reliability is very limited and conditional and are most inconvenient to use and dispose of particularly in India with antiquated sanitary facilities and poor and inadequate housing with little or no privacy. The better the contraceptive—better in the case of use and in effectiveness—the less the social resistance to the acceptance of Family Planning and the greater the efficiency of implementing voluntary fertility where it is needed.

Effective Protection

The only proven contraceptive available at present which answers all the conditions listed above is the Oral Contraceptive or simply "The Pill". The pills, which on the average, are 20 times as effective as "safe period" control, ten times as effective as the most commonly used contraceptive devices, promise protection against unwanted pregnancies to a degree never before possible. It is estimated that almost two million women in the United States now use the pills as their only means of regulating fertility and it is likely that at least another two million are doing so in other parts of the world. When a woman takes the pills as directed—one a day for 20 days a month—she cannot become pregnant.

At the present time there are two widely used preparations that are taken orally, as pills and many more preparations are under development or study.* Although research workers are still studying whether the pills have any side effects or not, it should be stressed that of the thousands of women who have taken the pills for the last 4-5 years, not one seems to have been harmed by them.

Their cost is, at present, a barrier to wide distribution in India but it is certain that cost can be minimised by mass production. India should, therefore, immediately approach countries (notably the USA) who manufacture the pills and arrange to set up manufacturing facilities in the country. Considering that the pills will have to be supplied to nearly 12 crores married women of child-bearing age at the rate of 20 pills a month, mass production methods can be used to cut down costs.

The manufacturing facilities may be set up either under the Family Planning Organisation or in the private sector but should be strictly on no profit-no loss basis. The pills must be supplied to every woman in the country free of cost.

The distribution of the pills at the Village/Field Worker level, shall be the responsibility of the Family Planning Organisation. The Village/Field Level Worker shall personally hand over the supplies to each married woman in his/her beat. It is desirable that transport and distribution of the pills by the Railways, Roadways, Airways and/or Post and Telegraphs Department should be free of cost. After all the extra traffic due to the pills would be insignificant compared to the nomal traffic carried by them. The pill packages should be labelled distinctly and should be given priority in transporting them.

The pills should be in attractive containers each holding one month's supply. To begin with, three months' supplies should be given to each woman and recouped every month or so, so that the stock with each woman varies from 2 to 3 months. This is very essential to avoid break in regular use of the pills in case of temporary break-down in supplies which may occur occasionally. Each container should preferably include instructions on the use of the pills which should be understood by even illiterate women. In any case the Village/Field Level Worker must explain the method to use the pills properly to every woman initially either at a meeting or individually as the case may be. He/she should also be readily available to give any advice later on as may be desired by any woman.

The Village/Field Level Worker should have a buffer stock of pills against irregularity of supplies for not only 3 months' normal consumption but at least 20 per cent in excess. This is essential to cover sudden increase of married women in his jurisdiction due to various reasons. After all the Success of the programme depends upon the Organisation being able to forestall any emergency.

Adequate Supply

The family planning workers at Block Level and above shall be personnally responsible in ensuring that adequate supplies reach the right Village/Field Level Worker at the right time. They will also carry out surprise checks to see that the people get their supplies in time.

In addition to the Family Planning Organisation supplying the pills, the pills should be freely available in the cities and villages, whenever possible, from drug stores, shops and even "press-button machines" with the least amount of inconvenience.

Although it is very difficult to estimate the cost of manufacturing and supplying the pills, 20 nP. to 40 nP. per month's supply per woman appears to be a reasonable estimate if the pills are produced at the mass scale envisaged. This would entail an expenditure of nearly Rs. 50 crores per year since the pills are to be supplied free of cost. The capital expenditure for setting up the manufacturing unit(s) will be additional.

Next in importance to contraceptives as a means for birth control is the sterilization operation. The operation is known as Vasectomy in the male and Salpingectomy in the female. This operation makes a person sterile permanently but has no effect whatsoever on the sexual life of the person. On the other hand, studies have shown that married couples achieve better sexual and marital harmony after one of them has

* Even better contraceptives, pills, vaccines etc. are being experimented with. (See the chapter on Bio-Medical Factors in the book "The Growth of World Population" issued by the National Academy of Sciences of U.S.A.). But for India the pill is the best answer yet and its use should be immediately encouraged. As and when other methods are perfected they can be adopted with no loss of time provided the programme fulfils its most important mission, i.e., motivating the population.

undergone the operation since the ever present risk of conceiving no longer prevails.

Acceptance of this method of preventing reproduction appears to be increasing particularly in India. The report of the Director of Family Planning rightly stresses the importance of sterilization in the overall plan of birth control. It says that facilities for free sterilization are widely available. The Government of India has sanctioned special casual leave of six days to its employees and it has now been extended to industrial employees also. Besides free transport and the casual leave, a compensatory allowance of Rs. 10 to Rs. 30 is also given by certain States to persons undergoing sterilization but not by the Government of India.

Sterilization camps and mobile teams have also been organised and the response has far exceeded the expectation as stated in the report of the Director of Family Planning. In the period January 1956 to February 1963, 3,34,477 persons (2,09,923 males and 1,24, 554 females) have been sterilized.

Sterilisation Target

It is estimated that if sterilization has to have a significant effect on the birth-rate the number of such operations have to be stepped up. A target of at least 10 lakhs operations per year has been set under the PCP. This means that each Village/Field Level Worker has to persuade 5 to 6 persons from his jurisdiction to undergo the operation.

To encourage sterilization the following steps are recommended :

(1) Every married man with a wife capable of producing children and every married woman of child-bearing age should be motivated to undergo the operation after the birth of two normal children.

(2) A cash award of Rs. 75 to Rs. 100 to every man who undergoes the operation. A scale may be laid down of the cash awards depending upon the number of children after which the father decides to undergo the operation, i.e., less children at the time of the operation the more the cash award.

(3) A cash award of Rs. 75 to Rs. 100 and a free delivery to any woman who is prepared to undergo the operation. In the case of woman the operation is easier if performed just after delivery.

(4) The family Planning Organisation shall underwrite the costs of the operation to any doctor up to Rs. 100 or so. The Village/Field Level Worker shall bring to the notice of the Block Level Worker the people prepared to undergo the operation. The Block Level Worker, who has lists of qualified and licensed doctors* (it would be worthwhile to issue licences to doctors who have a private practice and wish to carry out sterilization operations under the auspices of the Family Planning Organisation), and hospitals etc, shall be responsible for making all the necessary arrangements for helping the persons undergoing the operation. In case travel by train or bus is necessary the Organisation shall pay the fare (it would be desirable that the Railways and the Roadways agree to transport such persons free of cost on the certificate of the local Family Planning Administrator).

(5) A special casual leave of one week should be given to every employee undergoing the operation.

(6) The Family Planning Organisation at the State or Regional level, jointly with the Indian Medical Association or the various Medical Colleges, Institutes etc should organise well publicised sterilization camps as frequently as possible all over the country and particularly in areas where such facilities are normally lacking. Fifth year medical students or those who just complete their studies are to man these camps in addition to experienced medical personnel. In fact, attendance of such camps can be made compulsory for all medical students and student nurses. Foreign doctors or teams of medical personnel can also be invited for conducting the camps.

(7) Children of persons undergoing the operation, if they are three or less, should be insured by the Life insurance Corporation at very reasonable rates compared to children of those persons who are not sterile.

(8) Free or subsidised schooling facilities for children of persons undergoing the operation.

(9) Preference in jobs and/or land allotment if any to persons undergoing the operation, other things being equal. Also income tax reduction etc.

(10) Incentives and rewards to the Village/Field Level or Block Level Workers who exceed the quota of sterilization operations set for their jurisdiction.

(11) The Government should enact legislation for the compulsory sterilization of feeble-minded persons who might bring idiot children into the world and/or people suffering from diseases which are liable to be passed on to their children. Since it may not be possible to stop such persons from marrying, they can at least be prevented from producing children. According to the book "A History of Sexual Customs" by Richard Lewinsonn, some States of USA have passed laws for the compulsory sterilization of lunatics. It is further stated that the operation is practised very widely all over the USA to sterilize habitual criminals, especially sexual offenders.

(To be continued)

*Incidentally this will also attract doctors to rural areas once they find that carrying out sterilization operations alone will get them Rs. 100 per head. Considering that the target is 10 lakhs operations per year, hundreds of doctors would be tempted to start practice in the countryside and thus solve the problem of providing medical facilities to village folks. The doctors would also act as effective allies of the Family Planning Organisation.



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WINDOW ON THE WORLD

Car Trouble

ASHOK V. DESAI

OXFORD :

A FEW YEARS ago, the appearance of cartoons about traffic jams marked the advent of summer in Britain. Gradually, however, they spread to other seasons; now they are perennial But in spite of this increased topicality, they seem to be losing ground and passing into sick humour. The British Railways have put out posters suggesting that it is a positive ordeal to travel by car; and so it is in many towns. Cars are built nowadays to cruise comfortably at 60 m.p.h. and more; yet one cannot exceed 30 m.p.h. in towns and villages. Even this speed limit is only theoretical in many areas; the average speed of traffic in cities is only 11 m.p.h. At this rate, the day may not be far when Britain will be a vast car park.

With the growing number of irate car-owners, roads have become a political issue. The opening of Britain's first motorway two years ago was accompanied by much political fanfare, and so was its cracking up in the severe frost of last winter. The Ministry of Transport claims one of the ablest members of the Government, and he makes headlines whenever he introduces new restrictions on parking or right-hand turns in London. And the Government has published a programme of road building in which it promises to double the annual expenditure on roads in five years.

Thus, authorities, both national and local, are under pressure to do something; and they invariably choose measures that are quickest and involve least disturbance. A popular palliative is to discover alternative routes to congested streets and divert traffic to them, thereby reducing quiet residential areas to bedlam. At a pinch, new relief roads are built. A proposal to build a road to relieve Oxford's High Street has been hanging fire for years because it would cut the Christ Church meadow in two. The latest idea is to sink it twenty feet below ground, but the college thinks it is not deep enough. But relief roads, by-passes and ring roads have been readily tried out in other cities.

The other common remedy is to cut down traffic, e.g. by introducing parking meters and no-waiting areas. However, there is a growing shortage of palliatives.

Unprecedented Problems

In the meanwhile, the magnitude of the traffic problem has been emerging out of studies, especially those done at the Road Research Laboratory. For example, it has been estimated by extrapolating trends that the number of motor vehicles, which is around 12 million today, is likely to get up to 18 million in 1970 and 27 million in 1980. The vehicles population is likely to reach around 40 million in 2010; and the next two decades are going to see an explosion of the car population — an explosion which must bring, in its wake, unprecedented problems of congestion, noise, pollution of air, accidents and general worsening of tempers.

Many towns in Europe, as in India, have grown up round a mediaeval market town or local capital. Vehicle ownership was much less widespread in previous centuries, and all older towns show a lower rate of road space to the built-up area than would be necessary today. Further, a compact town was more easily secured against attack, so mediaeval towns were more densely populated. Thus, modern towns start with a congested core; and they develop radially round this core, so that an increasing volume of traffic has to pass through it.

Where traffic is not heavy enough to impede itself, a radial town plan is not bad. In such semi-rural conditions, the aim of planners would be to minimise the average road distance between random points in the town; from this point of view, a plan of radii and concentric circles is as good as a square grid. Besides, a radial plan provides focal points for impressive monuments (the consideration must have been in Lutyens' mind when he built New Delhi). Where traffic is at all heavy, however, road distances often become a minor consideration, and it becomes more important to prevent traffic from getting in its own way. The principal ways of doing this are (1) to separate vehicles going at different speeds, (2) to avoid intersections, and to design them for minimum delay, and (3) to keep the traffic flow below road capacity.

More Efficient Modes

The idea of separation of traffic flow is not new. The pavement, which isolates human beings from faster vehicles, is a variant of it. What is new, perhaps, is the realisation that having different streets for different kinds of traffic is more efficient than giving them different lanes in the same street: it not only prevents vehicles straying into the wrong lane, but also makes intersections less clumsy and reduces accidents.

The separation of human beings and motor vehicles is easy, because the activities which involve walking — going to and from bus stops, shopping, going for a walk etc. — do not require the proximity of cars; residential areas, shops and parks can easily dispense with motor vehicles. The idea of pedestrians' shopping areas has caught on in Germany, many of whose towns have mediaeval cores with narrow streets which are pretty useless for motor traffic; everywhere one finds Bummelstrassen, streets where the business of parting with money is not complicated by the risk of parting with life. In Britain's new towns, there are many residential areas with footpaths and lawns, but no cars. These carless areas are surrounded by terminal car parks.

The same principle can be applied to animals and motor vehicles (e.g. dairies may be moved out of towns), and to motor vehicles moving at different speeds. The difference in the speed of motor vehicles is due less to their capacity than to the different purposes of the travellers — people who are pulling in or out or looking for a parking place travel slowly, as do buses, whereas long-distance drivers wish to go fast, and towns can be planned so as to separate their routes.

The number of intersections depends on the density of the road grid, and cannot, therefore be much controlled within towns; but their design has been the subject of much research. The proportion of lanes at an intersection that can be kept open without crossing one another declines as the number of roads meeting increases. From this point of view, therefore, three-day crossings are the best; they allow traffic to move simultaneously in four out of six possible directions, while the conventional four-way crossing allows movement in only six out of twelve directions. The recently published Report on Traffic in Towns — the Buchanan Report — shows a system of three-way crossings and one-way streets which allows simultaneous movement at all crossings. Lane crossing can

be avoided by means of multi-level crossings, which are, however, expensive and surprisingly space-consuming.

It is very important to keep traffic within the bounds of road capacity, for congestion reduces the traffic flow; a larger number of cars can use a road per hour if it is uncongested. Thus, besides waste of time and money (economic losses in Britain due to congestion were estimated at £250 million in 1963), congestion does not even work as a relief measure.

Evidently, traffic can be adjusted to road capacity in two ways: either one can build more and wider roads or one can restrict the use of roads. The Americans believe in building roads; the result is a network of roads that is a marvel of engineering, and vast, sprawling cities. Los Angeles is, for example, 80 miles long and 50 miles wide, and is still growing. There is considerable building and widening of roads in Europe as well. Some of the best roads have been built by pulling down and leveling city walls; thus, Brussels is ringed by a splendid boulevard on which one can speed happily.

Rubber-Tyred Sacred Cow

But in general, Europeans are much more chary about demolishing buildings to make roads, and more willing to restrict traffic. Hitherto the restriction has been haphazard: it has resulted largely from the introduction of parking meters with a time limit and from the tedium of congested streets. But looking at the huge traffic loads expected in the future, more systematic restriction would seem inevitable. And there are sound arguments for it, for as Professor William Vickrey says, "our rubber-tyred sacred cow is ravenously space-hungry". A group studying the transport needs of Washington, D.C., found that the cost of provision of road space at peak hours was more than seven times the cost of an ordinary car. Much better to tax cars off roads!

An ingenious scheme of road pricing for this purpose has been worked out by Vickrey. The idea is that each car would have an electronic response block which would be recognised by equipment in roadside pillars and the identity of the car recorded. There would be a charge for passing every pillar, and the charges could be varied according to the area and the time of the day. The total monthly charges would be added up by computors and bills sent out, just like telephone accounts. In the variations worked out in Britain, there would be a meter in each car to be charged up by putting in a token to be bought, and it would be run down by signals from equipment on the roadside or the road surface.

There is much opposition to road pricing schemes, especially on the ground that they would not discriminate between more and less well-to-do people and therefore be inequitable and that the charges involved would be absurdly high. These considerations may not be decisive, however. An equitable scheme would involve rationing of road space on the basis of some priorities, and with such a variegated service as car travel, it is difficult to lay down priorities: should, for example, commuters rank above shoppers? And if there are too many commuters, who should be allowed to travel? And the sting of inequity can be removed by providing a cheap and adequate public transport service, which might be subsidized out of road use charges. So if the situation gets desperate, we might see some fascinating experiments in traffic management.

Sterling Area and Franc Zone—I

From Our Special Correspondent

PARIS

PROPHESIES OF the disintegration of sterling area continue to be made from time to time (a recent one appeared in "The Banker" in January, over the signature of H.A. Spengler), but nothing of the sort has been heard about the franc zone for several years. In accounting for this difference, we shall be able to assess the arguments of those who hold that the sterling area is headed for break-up sooner or later — because most of the arguments they advance should apply equally well to the franc zone. Both these monetary blocs are undergoing immense structural changes, due to the political liberation of numerous colonies since the war and to the increasing economic independence of their overseas members. If the future of one of them (the sterling area is called in doubt, while the other seems secure, it is natural to suggest that structural changes are not the cause of the sterling bloc's loss of cohesion. The reason must lie elsewhere and the case of the franc zone soon indicates where. The cohesion of such monetary areas, it can be argued, depends directly on confidence in the pilot-currency.

That is to say, it is because the French franc's value in world exchange markets has been beyond question continuously since 1958 (because, indeed, you can count on your fingers the number of days that the US dollar has risen above its floor quotation in Paris), that the franc zone has held together without fissure through all the political upheaval of the dissolution of the French empire and "Community", the liberation of Algeria and the recurrent grave breaches with Guinea, Mali, Morocco, Tunisia, etc. On the contrary, it is because sterling has been repeatedly exposed to speculative onslaught, has been at least once in those five years in real difficulty, and has inspired little confidence in between those bouts of fever, that the sterling area shows signs of disintegration.

If this seems an obvious remark, one may recall that ponderous authorities commonly argue just the opposite: it is because the sterling area is not holding together, they say, because the overseas members are not playing the game, that the British pound is weakened. Comparison with the evolution of the franc zone at least indicates that this is the reverse of the truth. It is just because the pound is weak that members of the sterling bloc choose not to play the game. Specifically, they prefer to accumulate independent gold and dollar reserves, distinct from the central reserves of the sterling area, and they prefer not to hold more sterling than they have to. This weakens the pound, but the reasons the overseas members have for doing this are the same as for all currency-holders and speculators: they are doubtful about the future of the British currency.

The impact of structural economic changes on the sterling area is not to be denied. The original theory of the bloc was that the balance of payments of Britain would usually be compensated for by the contrary balance of payments of the overseas members. For example, when raw materials prices fell, the overseas members would earn less because they exported mainly commodities, but for the same reason Britain's earnings would rise because she exported manufactures made from those commodities (or made by workers fed with those commodities). Similarly, in reverse: when Britain's earnings declined, the gains of the rest of the sterling area would rise. Since both sides' earnings went into a common pool, these fluctuations would cancel out. And to be sure one can see this mechanism at work throughout the decade of the 1950's: the current payments of Britain and the overseas sterling area generally moved in opposite directions, and the resulting net balance of the sterling area as a whole was more stable than either of its two components. Since 1959 this has ceased to be true: instead of compensating movements one sees parallel movements, each accentuating the other.

The reasons are evident. On the one hand, Britain is no longer so largely an importer of commodities and an exporter of manufactures: she imports more industrial goods (hence the expansion of her trade with the Continental countries), while her exports of manufactures have not been consistently competitive, as costs rose. On the other hand, the overseas members, while importing more and more manufactures, have not drawn them so largely from Britain. This was in part for the reason just mentioned, that British goods were less competitive, but also because these countries deliberately preferred to assert their economic independence by buying elsewhere. The end of quota-discrimination against the USA and Japan, and the diminution of Commonwealth preference in favour of Britain, hastened this process. It was further reinforced by the fact that development aid was commonly "tied" to imports from countries other than Britain, notably from the USA.

These factors combined to destroy the compensating mechanism of the sterling area, but they do not explain why its total central reserves declined. As long as all the members continued to pay their way in the world, their pool of reserves might show more violent fluctuations but it need not shrink. There are two proofs of that. Firstly, the same diversification of ex-colonies' foreign trade occurred in the franc zone, while the Central pool of gold and dollars in Paris soared spectacularly. Secondly, if one adds up the individual payments surpluses and deficits of all the members of the sterling area, one gets a rising total. In other words, when overseas members of the sterling area incurred deficits, they drew on the sterling balances, but when they scored surpluses they did not put gold and dollars back in the central kitty but used a part to constitute individual reserves in gold and in currencies other than sterling. Mr. Spengler, in the article referred to, calculates that if the overseas sterling area countries had turned into pounds all their surpluses since 1958, then the central reserves of the area would now be over £1300 million, or more than they have ever been since the war. (£1300 million is $3640 million; at the end of last December, the area's reserves were $2740 million only).

Structural changes, then, do not account for the reluctance of members of the bloc to hold the pilot-currency. Nor do more rigorous regulations inside the franc zone oblige members to hold their pilot-currency, the French franc. The franc zone has become much less centralised and authoritarian in recent years, so much so that no such obligation could be enforced on members who distrusted the franc. Indeed, the franc area has become such a patchwork quilt (with borderline cases where it is hard to say if a country is in or out of it) that it is sometimes asked whether it really constitutes a "zone" any longer. On the whole, however, it continues (but only because members consent freely to this) to exhibit the four main features of a monetary bloc: a fixed parity between various member-currencies and the pilot-currency, free transfer inside the zone, a common exchange control vis-a-vis the outside world, and a common pool of gold and foreign currencies.

It is this last point that is important here. How does the franc zone ensure the pooling of reserves, which no longer occurs regularly in the sterling area? Simplifying a complex picture, there are two sorts of overseas members; the 13 African states plus Madagascar whose currencies are guaranteed, to



varying extents, by France; and another group of nations who are completely sovereign in managing their money (Algeria, Morocco, Tunisia, Mali and Guinea). The former of course are bound by written undertakings to cede all their foreign exchange earnings on the central money market and to draw all their foreign currencies from there; this is the natural price they pay for France's unlimited guarantee for all their dealings both inside and outside the franc zone. But of course these undertakings would soon be denounced if the overseas members did not find the system to their advantage, which they do find as long as the central reserves are big enough to meet all their needs and are constituted, moreover, by a currency whose value is unquestioned abroad. This is shown by the fact that the other group of nations, though at liberty to do otherwise, in practice do all their foreign business through the Paris exchange market, i.e. turn their surpluses into francs and buy dollars with francs when they need them. That they do so, that they "play the game" and keep the franc zone a practical reality, is not due to any rules or regulations, but solely to their confidence in the pilot-currency, which they recognise to be more convenient for international business than their own money and to be as good as gold or dollars.

In truth there is no central pool, kitty or common till in Paris; there is simply a single exchange market to which all members of the franc zone have recourse, and an Exchange Stabilisation Fund which balances that market by buying all excess currencies offered for sale and selling currencies to meet unsatisfied demands. The Fund, that is to say, just settles differences, but as long as all members have unrestricted access to this market and do all their buying and selling of currencies there, it comes down to the same thing as a joint pool. These details are emphasised in order to underscore the circumstance that the pooling of reserves is a matter of free choice, based on confidence in the master-currency of the zone.

(To be concluded)

Fast and Slow-Growing Items in World Trade

JOSSLEYN HENNESSY

LONDON:

IT HAS often been argued that the U.K.'s share in world exports has fallen since the war largely because her exports are too concentrated on commodities the demand for which is expanding slowly and not enough on commodities for which demand is expanding fast. Since not only the U.K. but some other countries also export relatively more slow than fast-growing items, an analysis of the facts, published in a recent issue of the National Institute Economic Review (2, Dean Trench St., Smith Sq., London S.W. 1) should be of wide-spread interest to economists, particularly to those in central planning offices.

With a wealth of statistical tables, the National Institute subdivides three commodity categories — machinery, chemicals, and transport equipment — into fast and slow-growing items. Figures were taken for the U.K., the U.S.A., Belgium, Luxemburg, France, Germany, Italy, the Netherlands, Japan and (except for chemicals) Sweden, for the years 1954 61. These countries between them account for the great bulk of world exports of manufactures, excluding those from Communist countries. In what follows the "world" is shorthand for "the total of the nine-countries". The National Institute ascertained the percentage of U.K. exports of machinery, transport equipment (notably aeroplanes, in which the U.K. is a leader) and chemicals, which is classed as fast growing and compared it with the world percentage.

Small Difference

The statistics reveal that Britain's export pattern in fast and slow-growing items was fractionally less fast-growing, and her import pattern fractionally more fast-growing, than the 'world' average. But the differences are small: the effect of changing to the 'world' average pattern for 1954-55 would have been to increase the rise in U.K. exports from 52 to 53 per cent and reduce the rise in imports from 130 to 126 per cent. The effect of this, on U.K. net exports would have been an increase of 36 instead of 33 per cent — whereas the average 'world' rise in net exports of machinery, transport equipment and chemicals was 52 per cent. So, even if imports are brought into the sum — and it is open to question whether they should be — this commodity pattern analysis does not go far to explain either Britain's falling share in world trade or her balance of payments weakness.

Secondly — whether we take exports alone or whether we include imports as well — the U.K. pattern of trade moved closer to the 'world' average over this period. Such fractional bias as there may have been was, if anything, slightly reduced.

The main positive conclusion is that there is some evidence of a disadvantageous pattern in exports of machinery, taking this commodity group by itself. It is more doubtful whether the U.K.'s relatively high imports of fast-growing chemicals point to any technical backwardness; the Italian and German import patterns are virtually the same as that of the U.K.

It might perhaps be argued that the U.K., as a country whose imports of food and raw materials are exceptionally high, should aim to have a trade structure which is more advantageous than the 'world' average — a pattern like that of Western Germany or the United States, for instance. It is true that both these countries did have a higher-than-average proportion of their exports in the fast-growing sector. But the difference between their export pattern and that of the U.K. is still not big enough to have made much difference to the U.K.'s export record. If the U.K. had enjoyed the German 1954-55 proportion between fast and slow-growing exports, she would have had a 54 per cent rise in exports, and if she had had the United States pattern she would have had a 56 per cent rise, against the actual figure of 52 per cent.

Comparison with US

If we include imports as well, then the comparison with Western Germany is hardly changed: the proportion of fast-growing items in her imports was relatively high. The comparison with the United States does not alter, because fast-growing items formed an exceptionally low proportion (43 per cent) of U.S. imports in 1954-55. In 1954 55, the United States had hardly begun to import cars: and by 1960-61, her import pattern was much nearer to the average.

Turning to the wider question of the variation in export success between industrial countries, it seems rather that different countries have done well or badly right across the board — in fast and slow-growing products alike — and that this is more important than the initial bias of their trade, or any shift in bias during the period. The most obvious explanation of relative performance is the relative movement of prices, and there is considerable statistical evidence of this.

This is not to say, however, that technical progress is unimportant. It is always possible that those countries which have gained an advantage in relative prices have also gained an advantage in improved products of kind which the National Institute's analysis by 40 groups of products does not reveal. In the past decade, a favourable trend of prices in an industrial country has usually been the result of abnormally

rapid strides in productivity (rather than abnormally slow increases in wages). Since this entails a high rate of improvement in industrial techniques, in equipment and in organisation, it is likely to be associated with a high rate of improvement in products.

That would mean that within the U.K.'s broad categories of products, new, fast-growing, sub-species were being introduced at a high rate; this might happen within categories which, as a whole, were found to be slow-growing or fast-growing. In other words, a more refined analysis of individual products might show that, associated with the apparent importance of prices, gains in technical progress, affecting the range and quality of products, were important too. But progress of this kind is virtually impossible to assess from general statistical analysis: it requires detailed studies of narrow sections of industry, and these scarcely provide a basis for valid generalisation. On present evidence one can only say that broad differences in the composition of exports between fast and slow-growing groups do not seem to be important, whereas relative prices, which may or may not be associated with other factors, do.

The Role of Inventories

GUY SIMS FITCH

WASHINGTON:

A DRAMATIC SHIFT in inventory policy has contributed greatly to the strength and durability of the current economic expansion in the United States. American business men have kept their stocks low despite steadily rising sales, and they evidently intend to continue on the same course.

This situation was revealed in a survey of leading executives by "Business Week" Magazine and reflects an important change in management philosophy. Strict inventory control always has been considered sound practice in a period of economic weakness. But in the past this control usually gave way to a rapid build-up of stocks to meet the current and anticipated upsurge of demand as gathering economic weakness gave way to rising economic strength.

Now, however, tight inventory policy is considered proper and desirable during prosperity as well as recession. Even in today's favourable economic climate, business men seem to be putting more emphasis on controlling stocks. This new policy does not imply that companies will be cutting their inventories this year. Since the beginning of the year, almost every company represented in the Business Week survey has revised its 1964 sales forecast upward, and this may necessitate some increases in supplies on hand. But companies evidently intend to keep their monthly inventory-sales ratios at the same low level that has prevailed since the current upswing began more than three years ago. Inventories have fluctuated generally within a narrow range of 1.6 to 1.8 times the quantities required per month.

This new inventory stability has obvious implications for the entire economy. In the first place, it reduces the risk of recession. Previous post-war dips were triggered to a large extent by a switch from heavy inventory building during upswings to inventory cutting as the increase in stocks threatened to outpace production and sales gains. The term "inventory recession" is all too well-known.

Obvious Implications

This has not happened during the present expansion, and it is not likely to happen. If there is to be a downturn in the future — and the prevailing evidence indicates there will not be one this year or next — it will have to come from something other than inventory policy.

Secondly, the new inventory stability reduces the risk of inflation. The rapid inventory build-ups of past upswings tended to put pressure on prices, particularly on commodity prices, as business men first reacted to increasing demand and then began to accumulate more stocks as a "hedge" against possible future shortages, price rises and credit tightening.

The relative calm in inventory policy this time, however, has tended to remove that kind of pressure from commodity markets and from the entire price structure. In fact, this calm has continued even in the face of some actual price rises and some tightening of supplies and credit.

Why has there been this marked change in business attitudes towards inventory policy? Many experts see it linked with important changes in what can be called the management climate in the United States.

There has been in recent years, for instance, a more intelligent application of operational research techniques. Through these techniques American management has weighed more accurately than before the costs against the benefits of high inventories. In addition, the growing computer science has enabled business men keep a closer check on supply-demand trends, and hence on the need for inventory changes.

These developments, combined with an increasing knowledge about economic trends and business swings, have made it possible for business men to make decisions more quickly and soundly, and to get by with smaller stocks than they otherwise might have thought they needed. In the process, business men have been able to avoid many of the past errors, usually made when economic conditions were good, which contributed to the very excesses that helped choke off an expansion. American business evidently has no intention of repeating those mistakes, particularly in the realm of inventory management, as it demonstrates again its capacity to learn from the past and to adapt to new and changing conditions.



"We have fought against rising prices and won the battle."

LISTENING POSTS

The Tyranny of Sales Tax

By Our Special Correspondent

NEW DELHI:

THE SARAIYA COMMITTEE on Sales Tax, constituted by the Union Government last year at the suggestion of the Board of Trade to study the incidence of sales tax on commodities exported from India and to suggest measures for the grant of appropriate relief in the interest of stepping up exports, has opined that the incidence of sales tax works as a built-in handicap to the development of exports and export trade, therefore, should be freed from this burden as is the case in many advanced countries. The measures taken by the Government of India so far to promote export industries, such as entitlement to foreign exchange for importing essential raw materials, components, etc., the Committee thinks, cannot dispense with the basic remedy of cost reduction in which the removal of the burden of tax plays an important role.

The Committee does not favour grant of ad hoc relief in regard to sales tax, both inter-State and intra-State; it feels that this may act as an unintended subsidy in some cases while some deserving cases may not benefit materially. Ad hoc relief, the Committee, however, points out, may serve the purpose for that portion of the incidence which is incalculable and invisible. It has to be supplemented by other direct measures for avoiding the incidence.

The Committee has made recommendations in regard to the following five aspects of the incidence of sales tax on exports: (1) incidence of local sales tax borne on sales prior to the sale in the course of export; (2) incidence of Central sales tax on sales prior to the sale in the course of exports; (3) incidence of local sales tax entering into the cost of production of manutactured or processed goods which enter into the export trade; (4) incidence of Central sales tax entering into the cost of production of manufactured or processed goods which enter into the export trade; and (5) other invisible incidence.

Some Exemptions

With regard to the first aspect, the Committee has recommended that two sales prior to the sale in the course of export should be exempted. If any non-maritime State finds insuperable administrative difficulties in introducing this system, it should, as an alternative, adopt a system of rebate or set-off on commodities actually exported. Here too relief should be available in respect of at least two sales prior to the sale in the course of export. If any Administration can conveniently extend this concession even to earlier stages, such an extension should be welcomed.

With regard to the second aspect, the Committee has recommended that the selling dealers in the State of origin should be granted a rebate of sales tax in respect of their sales resulting in exports, by the State of origin.These dealers should be enabled to make the adjustment in their returns without being called upon to pay the tax initially. They would have to produce proof of actual export in support of rebate during the assessment.

The Committee has further suggested that the concession by way of exemption or rebate should be available in respect of sales to registered exporters. For this purpose the Central Government should enlist exporters with a minimum annual turnover of Rs. one lakh under a statutory regulation. In respect of sales of exporters not on the registered list, if exemption or rebate is not given, refund of tax actually paid may be allowed on producing proof of exports.

As regards incidence of local sales tax borne on raw materials, components, etc., entering manufacture, the Committee has recommended the grant of refund or rebate on a readily ascertainable basis in the same proportion as the value or quantity of goods produced to those exported.

Regarding refund of Central sales tax paid on raw materials, components, etc., entering into manufactured goods, the Committee thinks that a system similar to that recommended for local sales tax may be somewhat unworkable. For relief from this burden and the burden of unexpected or incalculable elements, the Committee recommends an ad hoc relief at the rate of one per cent of the f.o.b value in the case of manufactured and processed goods. For the unexpected and incalculable elements entering into the prices of other goods, an ad hoc relief at half a per cent of the f.o.b. value of the goods exported has been recommended. Such relief, the Committee suggests, should be paid by the Central Government.

Compensation from Centre

The Committee further recommends that where, as a result of the implementation of its recommendations, the States suffer any significant loss of revenue, the Centre should give adequate compensation to ensure that the commitments of the States for development are not adversely affected.

Among the other miscellaneous recommendations made by the Committee are: (1) in the case of goods where 80 per cent or more of the indigenous production is exported, the complicated administrative processes for levy, collection, refund, set-off, etc., can be avoided if all sales of such commodities are exempted from sales tax, provided that the loss of revenue due to that would be comparatively insignificant; and (2) the concessions should be available even for two sales prior to consignments abroad which eventually result in sales in the foreign country.

Besides the incidence of sales tax on exports, the Committee also considered the plea of the trade and industry for substitution of sales tax by an additional excise duty on the pattern adopted in the case of cotton textile, tobacco and sugar. While appreciating the force of the arguments put forth by the trade and industry in this regard, the Committee, however, has expressed the view that "the problem is not susceptible to a simple solution". With the existing distribution of the sphere of taxation between the Union and the States, sales tax, it points out, is now the chief elastic source of revenue to the State Governments. The State Governments, therefore, are understandably reluctant to agree to give up their right to levy sales tax on any commodity. The experience of the States in this regard has also not been uniformly happy. The receipts of several States from additional excise duties in lieu of sales tax have not kept pace with the general growth of their sales tax revenue in the corresponding period. There has also not been so far evolved a satisfactory formula under which the distribution of receipts from additional excise duties would be acceptable equally to the more populous States with a backward economy and those where the per capita consumption of such goods is much larger. Taking all these factors into consideration, the Committee feels that it would not be a practical proposition to extend to other commodities the scheme of replacing sales tax by additional excise duties.

The Committee also does not think that the sales tax system can be made uniform throughout the country in the circumstances prevailing today. It concedes that uniformity in the principles, policies, legislations and practices of sales tax would considerably reduce the impediments to the free flow of inter-State trade and commerce. But each State having adopted a particular system of taxation to suit its special needs and economic conditions varying from State to State, bringing about of uniformity in sales tax is a difficult job. Uniformity for its own sake, the Committee further feels, may also not necessarily encourage exports.

The report of the Committee will be considered by the Board of Trade at its meeting on May 5, 1964, in New Delhi. The Government decisions will follow thereafter.

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With the adoption by the Lok Sabha this week of the Finance Minister's Bill seeking to set up an Industrial Development Bank in India, a major step has been taken towards accelerating the industrial development of the country. The Bank will be a subsidiary of the Reserve Bank of India and is proposed to be established initially with an authorised capital of Rs. 50 crores. The authorised capital will be increased later to Rs. 100 crores.

The Bank will act as a central co-ordinating agency, concerned, directly or indirectly, with all the problems relating to the long and medium-term financing of industries. It will have a much greater freedom in regard to its policies or day-to-day functions than is enjoyed by the existing industrial financing agencies such as the Industrial Finance Corporation, the Re-finance Corporation for Industry, the Industrial Credit and Investment Corporation of India and the National Industrial Development Corporation. The Bank will supplement the capital or other resources of the existing agencies by refinancing their loans and will also be granting direct loans to some specified industries.

Another important function of the Bank will be to undertake special investigations for testing the commercial feasibility for any important proposals. It will render technical assistance to various authorities and undertakings interested in industrial development.

The Industrial Development Bank of India Bill also provides for the creation of an Industrial Credit (Long-term Operations) Fund and a Development Assistance Fund. The former, like the National Agricultural Credit Fund, will be fed by allocations out of the annual profits of the Reserve Bank of India and will be used for supplementing the resources of the Industrial Development Bank and other financial institutions. The Development Assistance Fund is to be created out of allocations to be made by the Central Government for this purpose from time to time. It will be placed at the disposal of the Industrial Development Bank for use in financing certain essential industries which on purely monetary considerations or in the light of the standards or criteria which are normally adopted by the credit institutions, may not be able to obtain any financial assistance. It is hoped that through the creation of the Development Assistance Fund, a number of enterprises which may be of vital or strategic importance to the country but which an ordinary banker or commercial institution interested only in increasing or maximising profits, may not be willing or able to finance, will be brought into existence.

A provision has also been made in the Bill empowering the Development Bank to discount on behalf of industrial enterprises themselves or on behalf of the banks which will be financing them, certain kinds of usance bills which would mature within a period of five years and which may be floated or created for financing industrial enterprises.

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The Working Group for Machine Tools, it is understood, has tentatively estimated the requirements of machine tools during the five years of the fourth Plan at about Rs. 372 crores. The demand for other metal working machinery and accessories during this period has been put at Rs. 74 crores. Yearwise, the demand for machine tools has been placed at Rs. 53 crores in 1966, Rs. 62 crores in 1967, Rs. 72 crores in 1968, Rs. 85 crores in 1969 and Rs. 100 crores in 1970. The corresponding estimates for the other metal working machinery and accessories are Rs. 11 crores, Rs. 12 crores, Rs. 14 crores, Rs. 17 crores and Rs 20 crores, respectively.

The Group has recommended that we should aim at meeting at least 75 per cent of the requirements of machine tools in 1970 from indigenous sources, as against approximately 40 per cent at present. In view of the fact that creation of capacity in this line of manufacture requires a long planning and gestation period, the Group has suggested that the target for machine tools manufacturing capacity under the fourth Plan should be fixed at Rs. 95 crores—Rs. 50 crores for the public sector (Rs. 40 crores for Hindustan Machine Tools and Rs. 10 crores for the Heavy Machine Tools Plant, Ranchi, and Praga Tools, Andhra Pradesh) and Rs. 45 crores for the private sector.

Regarding production during the current Plan period, the Group feels that output in 1965-66 can increase to Rs 33 crores, as against the target of Rs. 30 crores, provided adequate foreign exchange is released immediately for import of essential capital equipment. Failure to do so, the Group opines, will lead to a shortfall in production. Besides pleading for release of more foreign exchange, the Group has also suggested streamlining of the licensing and other procedures such as clearance of capital issues, decisions on collaboration arrangements with foreign manufacturers, import of essential components etc., in the interest of raising machine tools production during the next two years.

The Group will be submitting a detailed report in the near future making specific recommendations regarding group-wise requirements of machine tools during the fourth Plan period.

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An agreement has been signed this week between the Government of India and the Export Credits Insurance Corporation of Canada for a loan to India of $37 million to cover the foreign exchange component of the $74 million Atomic Power Plant to be set up at Ranapratap Sagar. Expected to commence operations in 1970, this plant will help in meeting the power requirements of the rapidly developing areas in Rajasthan.

The loan forms part of the special credits allocated by the Canadian Government under the aegis of the Aid-India Consortium. It is to be repaid in 20 years, the first instalment falling due after a grace period of 5 years. The loan carries

an interest of six per cent per annum.

The Union Department of Atomic Energy will act as the prime contractor for the plant and will be responsible for erecting it. The engineering and consultancy services will be provided by Atomic Energy of Canada Ltd. Montreal Engineering Company Ltd., has been engaged as engineers for the project. This company will also act as the procurement agent for purchases to be made in Canada. Capital equipment to be supplied by Canadian manufacturers includes major nuclear components, turbo-generators, switch-gear and sub-station equipment. Half of initial uranium fuel charge will also be supplied from Canada.

No Blanket Licences for Glass Industry

From our Correspondent

BOMBAY:

THE PROBLEMS of the development of glass industry received careful thought at the annual general meeting of the All-India Glass Manufacturers' Federation. Glass industry in India holds a peculiar position of a mixture of very ancient and very modern units and the main problem of the industry appears to be that of increased costs of production and of a static condition in the production of certain types of products. Besides, the industry has export potential which has not been fully exploited. Mr. I. H. Padamsee, leader of the delegation to study the possibilities of exports of glassware in South-East Asia, in his observations, stressed this point that though some of our glass products compared favourably with that of the Japanese, their prices were about 35 per cent less compared to our prices; this unfavourable competitive position could be removed only through an all-out effort to cut down manufacturing costs and to step up the quality of the products in which Japan excelled in the export markets. Regarding export prospects, he said that Ceylon offered the biggest market for all our items. The demand for scientific glassware, neutral glass vials and blood transfusion bottles was expanding in all countries and Japan was the only competitor in the field both in quality and in price. Therefore, it is imperative that the representatives of the glass industry should visit these markets to popularise Indian products which are hitherto unknown in many places and fruitful business contacts could be established through this process.

Revision in Import Policy

Mr. S. S. Kumar, Director-General of Technical Development, revealed at the same meeting that the Government of India was thinking of revising the conditions governing import entitlements for the glass industry. In view of the present tight foreign exchange position, it might not be possible for the Government to accede to the request of the industry for blanket licences for Rs. 5,000 for import of any goods needed by the industry. However, he said, a few units which might be given import licences for a lesser amount, would be allowed to get goods necessary for the growth of the industry. He was of the view that the performance in recent years of the industry was quite satisfactory, and there was better future for improving production and exports. He, however, admitted that the industry had done little to popularise glassware which was now facing competition with substitutes like plastic goods and suggested the need for publicising the products of the indusrty in a more organised manner. In his Presidential address, Dr. S. R. Lele reviewed the growth of the industry and said that while in the last 20 years, the production had more than doubled, in respect of individual products a static stage has arrived, particularly in the production of containers. The introduction of alminium and plastic strip packing seemed to have hit that section of the industry hard. He revealed that two small glass factories located in the interior were responsible for about a third of our total exports and added this could be an inspiration for all manufacturers to strengthen their exports.

An interesting suggestion made by Mr. B. B. Sarkar, Chairman of the Glass Panel of the Development Council, was that great importance should be attached to training men for the industry in countries like the U.S. and the U.K. to improve the techniques employed in product development. It was high time that the Federation took a step in the direction and he suggested the need for a co-operative research centre for tackling the problems of the industry and improving production techniques.

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New industrial units are fast appearing on the industrial map of Maharashtra. Here are details regarding three of the units which were set up recently. Mr. G. D. Patil, Deputy Minister for Industry and Planning, Maharashtra, inaugurated a Rs. 10-lakh plant for the manufacture of table-ware cutlery by Kishco Cutlery Manufacturing Co., the first of its kind in India. This has been started with the collaboration of the Japanese firm, Seki Cutlery Manufacturing Company Ltd. The Minister said that Government would help the industry in obtaining the required raw materials. But he advised the company not to depend entirely on the Government but to make efforts to get them by earning import entitlements through the export of manufactured goods. In his view, since the import of cutlery items was not allowed, there was a good market for them at home as well as abroad. The factory has, at present, plans to produce 7,200 pieces per day on an eight-hour shift basis in the first instance. Later on, it will have three shifts. Along with the manufacturing plan, an electro-plating plant has also been installed.

Mr. C. Subramaniam, Union Minister for Steel, Mines and Heavy Industries visited last week the factory of Kores (India) Ltd. at Thana, on the first anniversary of its opening. He characterised the industry as a very important venture not only because of the technology involved in the manufacture of its products but because of the highly qualified staff employed. Its success had till now depended upon the quality control exercised at every stage of production. He suggested that the factory should continue to expand the sphere of its activity and enter into the manufacture of new and more sophisticated products. The factory, one of the biggest units of its kind in Asia, imports only 25 per cent of the raw materials it needs and has a complement of 550 workers. It expects to export Rs. 10 lakh-worth of materials this year to Middle East, the Far Eastern countries and Africa.

The third industrial venture in the State which has received prominence is the Vidarbha Paper Mills Ltd. which goes into commercial production next month. This is the first 'joint-sector' undertaking to take shape in Maharashtra. It is also the first small paper unit undertaken in pursuance of the Government's policy of encouraging small units in the field. It has the added significance of being located in a rural area. Started with an estimated cost of Rs. 24 lakhs, the paper mill will employ 150 persons and produce 1,500 to 2,000 tonnes of paper every year. A wood pulp plant is also being set up so as to make the factory self-sufficient in this regard. It is hoped that the concessions announced by the Union Finance Minister would help the unit in the initial stages of progress. Speaking at the 'Yantra-puja' function of the unit at Kanhan, about 12 miles from Nagpur, Mr. S. K. Wankhede, Finance Minister, observed that the problems of the industrial areas in backward regions would receive particular attention in the future and that there would be the necessary organisation at administrative level to ensure this attention. In fact, he said that the State Government was thinking of setting up a special local authority to administer the industrial areas in such backward regions.

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The importance of the resources for fishery development in the State of Maharashtra has not been so far realised in a measure as to take concrete steps for utilising them as a base for accelerated economic growth. Usually, fisheries go as an adjunct to agricultural development and even though in the plan period, special allocations have been made for the development of fisheries, the progress is not commensurate with the possibilities. This could be seen from the review of the position in a State like Maharashtra which has an extensive coastline apart from the immense scope that exists for the development of inland fisheries. The fishermen in the State, (nearly 30,000 families) who are generally poor and backward, carry on their vocation in the same old traditional manner. The Estimates Committee of the Maharashtra Legislature has gone into the position and prospects of fisheries in great detail and in its report to the House has recommended constructive measures for a comprehensive programme of fishery development. In the first instance, the Committee has looked at the problems from the human aspect of raising the living standards of the fishermen, of removing the legal impediments in the way of their uplift and in modernising and improving their equipment.

According to the Committee, it is necessary that the entire fisheries department should be re-oriented and streamlined; it should undertake even the promotional activities irrespective of whether the results in the immediate future were profitable or not. If the fishing industry is to be given the necessary impetus and fishermen living on coastal areas are to be rehabilitated, it is also considered necessary to have more fisheries' schools both at the lower levels and at the advanced training level. The third plan has provided about Rs. 4 lakhs for this purpose which is considered to be adequate.

Facilities for Fisheries

Apart from the scope that exists for the production of fish on a large scale, the facilities for marketing would require to be improved and perfected if the fishermen have to reap the fullest advantage of their catches. While co-operative societies are functioning at the primary level, the individual fishermen are handicapped in marketing their goods profitably without necessary storage and preservation facilities. The Committee, therefore, has recommended a federal society with government participation and adequate resources to usefully undertake activities connected with marketing. There is no doubt that the fishing industry, in the course of expansion, could offer a base for the development of industries like refrigeration, manufacturing of nets, boats and other accessories necessary for the carrying of the industry on a more organised and commercial basis. The Government, in this connection, will have to extend financial assistance to all such promotional schemes either through co-operative efforts or otherwise. The Committee has also suggested the transferring of the Central Government's freezing plant at the Sassoon Dock to the Maharashtra Government. The fishing trade in the City needs considerable storage facilities and the Committee is of the view that this need would be met to a considerable extent, if the plant is taken over by the State and fully developed. For the repair of the mechanised fishing boats, the Committee has suggested that while it is not possible to provide repair shops at every place, a mobile workshop may be established and this could move to places where the fishing boats are plying. The location of a mobile repairs van in the Ratnagiri district is already under the consideration of the Government. However, in view of the transport difficulties by road to that area, a mobile repairs launch, instead of repairs van, would be more useful.

In regard to development of inland fisheries, the Committee has been informed that four fish breeding stations have been established at Powai (Thana district), Kalsar (Wardha district), Shivni (Bandara district) and at Chanda. The results of the working of these centres have been encouraging and the whole scheme should be extended in a phased manner for purposes of achieving maximum results.

Expansion Plans for Steel

From our Correspondent

CALCUTTA:

THE 1963 annual report of the Department of Iron and Steel of the Union Ministry of Steel, Mines and Heavy Engineering relating to the working of the steel plants under the charge of Hindustan Steel, is full of interesting information. The most heartening thing to note is that production has increased in all the three plants in a remarkable manner. The Rourkela plant produced 532,986 metric tonnes of finished product in 1963 as against 313,417 tonnes in 1962. Bhilai raised its output of finished products from 514,194 tonnes to 640,713 tonnes and Durgapur from 187,806 tonnes to 355,002 tonnes. Of salable pig iron, that scarce commodity and engineering raw material at the moment, Rourkela almost doubled its production from 50,246 metric tonnes in 1962 to 112,906 metric tonnes in 1963. Durgapur raised output sharply from 325,016 metric tonnes to 420,639 metric tonnes and Bhilai appreciably from 334,390 metric tonnes to 395,336 metric tonnes. The increased steel production not only met a bigger proportion of the country's demand, but in some categories domestic steel production not only equalled demand, but also showed a marginal surplus. It is in fact this situation which mainly influenced the Raj Committee to recommend substantial decontrol in steel — a recommendation which has already been implemented, and the free market in steel is not behaving badly.

Of the three steel plants in the public sector, Bhilai maintained production well above the rated capacity in coke, pig iron, steel ingots, blooms and salable steel. The average production of pig iron was 20 per cent more than the rated capacity and that of steel ingots, billets, rails and structural and merchant products ranged from 10 per cent to 20 per cent above the rated capacity from July 1963 onwards. Bhilai, it is also claimed, has completed a large order for rails for the Sudan Railways. Durgapur reached its rated capacity in coke and pig iron; the production of steel ingots, blooms and

billets and the section mill was above 90 per cent of rated capacity. Rourkela was utilising a lower proportion of its rated capacity, but there were enough indications that the "sick child" of the Indian steel industry was rapidly returning to health.

The third Plan expansion schemes for these steel plants have been delayed; there is no great possibility of their materialising by the stipulated time. However steps are being taken to quicken the tempo of work. With the Rs 47 crore loan from the West German Government, orders for all the major items of plant and equipment for the Rourkela plant have been placed and contracts for execution of the civil engineering work have been awarded. The foundation for the blast furnace has already been completed and piling work in the coke oven plant and cold rolling mills is nearing completion. Civil engineering work for the by-product plant, power plant, grey iron foundry, wagon repair shop, etc., is making good progress. The maximum tempo in construction will be reached in 1965 and the various units included in the scheme are likely to be commissioned during 1966. In Bhilai, expansion work started as early as 1962. This plant is being expanded to 2.5 million tons as against 1.8 million tons in Rourkela and 1.6 million tons in Durgapur, so it is to be presumed, albeit on common sense grounds, that the work in Bhilai would take a little longer time, but the report claims that everything is going according to the plan and the plant will yield the additional production by the scheduled time. As for Durgapur, things are less satisfactory. Tenders were finalised rather late and orders for all the expansion units excepting the sintering plant, were consequently delayed. A revised time schedule has had to be drawn up taking into account the actual delivery prospects of equipment, and the expansion work is expected to be completed not earlier than the middle of 1965.

Expansion in Private Sector

While on this subject, it will not be inappropriate to make a reference to the expansion projects in the two private-sector steel plants — TISCO and IISCO — and the progress of work concerning the Bokaro steel project and the alloy tool steels plant at Durgapur, which is to provide a vital missing link in the development of the country's steel industry. It is already well known that Tatas and Indian Iron have been allowed — in complete reversal of the policy dogmatically followed earlier — to expand capacity to 3 million tons and 2 million tons, respectively. Tatas have been even allowed to provide built-in capacity and common facilities for future expansion over and above the 3 million tons. The management is taking steps towards this end. The Indian Iron and Steel Company is to implement its expansion scheme in two phases — to 1.3 million tons in the first phase and 2 million tons in the second. The Government has already approved the first phase and the company is negotiating a loan with the World Bank to cover the necessary foreign exchange cost. The second phase of the expansion scheme has also been approved, but it will be taken up in the fourth Plan period. The concrete thing about the Bokaro project so far is that a new company by the name of Bokaro Steel Ltd. has been formed with an initial capital of Rs. 100 crores, and outside the control of Hindustan Steel. Messrs. Dastur and Company have already submitted a detailed project report for setting up a 4 million tonnes plant at Bokaro to be built in two stages — 1.5 million tonnes in the first stage rising up to 4 million tonnes in the second. The plant will produce flat products like sheets, tinplates, heavy plates, etc., which are now in short supply. The Board of Directors of Bokaro Steel are now considering the recommendations of the technical committee which scrutinised the project report. It is however the intention to buy such equipment indigenously as can be available in the country and to buy the rest on competitive terms from abroad with such credits as may be available. The alloy tool steels project is being built with Japanese credit and a consortium of five leading Japanese firms will be supplying the main equipment. A Canadian firm will supply furnaces for the forge shop, bar and sheet mills. Satisfactory progress is being claimed for the project, although its execution has been considerably delayed. The product-mix of the plant, as it is now planned, is 2,250 tonnes of high speed steel, 8,250 tonnes of carbon tool steel, 4,000 tonnes of alloy tool and die steel, 16,000 tonnes of alloy structural steel, 7,000 tonnes of case hardening steel, 2,500 tonnes of ball bearing steel and 18,000 tonnes of stainless steel. The plant of course will have to be expanded further during the fourth Plan.

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The prospect for India's tea industry — a major industry of eastern India — is variously assessed. The steady decline in the value of tea shares on the Calcutta Stock Exchange even before Mr. Krishnamachari's Budget had arrived, reflected the investor's pessimistic appreciation of the industry's future outlook. The significant point about the north Indian tea gardens' output is not that it is smaller, compared with that of 1962, but the average prices during the year were lower than that of the previous marketing season. The lower average price for north Indian tea is on account of increasing world competition, which if anything is likely to increase further in the future. For example, the north Indian gardens produced 255.12 million kilograms of tea in 1963 as against 261.44 million kilograms in 1962. This was also 18.5 million kilograms short of the record 1961-62 crop. But while North Indian estates lost in production due mainly to adverse weather conditions, Ceylon and East Africa considerably raised theirs — Ceylon produced 18.5 million kilograms more at 220.3 million kilograms and East African gardens raised their production by about 1 million kilograms. It is significant that the north Indian gardens exported 148.6 million kilograms in 1963-64, compared with 152.58 million kilograms in the previous season, while over a similar period, Ceylon increased her exports substantially. The distressing thing to note is that India has lost ground in the UK market, not because UK imports have shrunk but because other competitors have gained further ground. India should offer more quality teas if she is to maintain her position as a leading exporter of tea, but this can be made possible only with more planting and replanting in estates. This is what the Indian fiscal system has so far failed to encourage.

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Two leading companies in this part of the country — Dunlop Rubber and Union Carbide — have ambitious expansion schemes in hand. Dunlop Rubber proposes to expand its tyre making facilities, although the tyre market has not been experiencing a shortage. The managing director of the company, Mr. M. L. Bexon, has given no details of the expansion scheme, but he gave an account recently of the financial arrangements which the company has made to obtain the additional funds necessary for the project. Bank overdraft facilities have been arranged to meet temporary requirements. The Controller of Capital Issues is being approached for a rights issue. Meanwhile, an agreement has been reached with the Dunlop Rubber Company Ltd. of the UK to advance, the necessary sterling for expansion by way of a loan, and finally, a small increase of 3 per cent has been made in

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tyre prices since September 1963. Mr. Bexon hopes that the expansion project will be completed by the middle of 1965. Union Carbide's expansion project involves increases in the manufacturing capacity of the polythylene and chemicals plant in Trombay, on which the company proposes to spend a sum of Rs. 9 crores over the next two years. This is big expansion indeed. As for the methods of financing, the management has been authorised to issue 849,000 rights ordinary shares at a premium of Rs. 4 per share and in the proportion of three shares for every ten held. Two major loans have been contracted from the Export-Import Bank of the USA (Rs. 3.7 crores) and the US Agency for International Development (Rs. 2.2 crores). These loans are repayable over a ten year period commencing from a date in 1966.

Hurdles to Growth in Cotton Textiles

From our Correspondent

MADRAS:

THE TEXTILE industry is developing in a big way in the Southern States latterly. As it has been realised that there will have to be a considerable increase in installed spinning as well as weaving capacity in order to bring about a significant increase in output of yarn as well as cloth, nearly every important unit in Madras State is erecting additional spindles apart from erecting automatic looms. Even some of the spinning units are taking to the weaving of cloth. The Madura Mills Limited being the biggest spinning unit in the whole country is an instance in point. Apart from the expansion schemes of established units, new spinning mills are also being erected in Kerala and Andhra Pradesh particularly with a view to meeting the yarn requirements of the handloom weavers in these areas. At first, spinning units having an initial capacity of 12,000 spindles were licensed. But later it was decided that their capacity should be raised to 25,000 spindles.

The implementation of the expansion programmes has been delayed only by the difficulty in getting the required textile machinery from indigenous sources. The major engineering units are making serious efforts to step up their output while some others too are having plans for manufacturing looms and other textile machinery. The arrangements for importing equipment, which are not being produced in this country or are not available at an early date, should also prove to be helpful. But it is feared that, without a larger allocation of foreign exchange, the expansion and modernisation programmes cannot be completed in a short period.

Favourable Factors

The grant of additional depreciation allowance for third-shift working should be helpful to the industry and the indication that there may not be a power cut this year may also be regarded as a favourable factor. Mr. D. C. Kothari, Chairman of the South India Mill Owners' Association, however, stated that the industry would have done much better but for the difficulties in getting adequate raw cotton supplies and the pricing policy of the Government in respect of yarn and cloth which did not make it attractive to produce certain categories. Besides, he pointed out that there was no effective utilisation of spinning and weaving capacity. Apart from the difficulties involved in the running of third shifts and the bottlenecks relating to power availability until recently, the cost factor had a discouraging effect. With easier power availability and the additional depreciation for third shift working, there may probably be a larger increase in output of both yarn and cloth in the coming months. But unless there is a determined effort to eliminate the various bottlenecks and help the industry in various ways, the stagnant phase cannot be easily got over until such time as the new capacity was commissioned into production.

Mr. D. C. Kothari also emphasised the need for raising productivity in order to keep in check working expenses. He actually expressed concern over the suggestion for the appointment of a second wage board as the effects of the recommendations of the first wage board have not yet been got over and the exhortations to raise productivity of workers have not so far yielded the desired result. Some progress has no doubt been made as, consequent on the completion of modernisation in a few mills, workers have realised the need for increasing productivity and helping the managements to earn the higher depreciation charges without difficulty. But there is still much to be done.

There is also anxiety to know how the Bonus Commission's recommendations will be implemented because, according to Mr. Kothari, sufficient attention would not appear to have been devoted to the impact of the low level of productivity, rising raw material costs, dearer power and so on. In fact, he even said that the myth of cheap labour has been exploded and the industry is finding it very difficult to compete in export markets with the leading world producers. He, therefore, stressed that in determining the company's surplus, the legitimate requirements of the industry should be borne in mind and that full allowance should be made for the heavy amounts that would have to be paid towards direct taxes. Curiously enough, the Bonus Commission did not agree to the deduction out of the surplus the amount paid towards the Super Profits Tax on the plea that this tax was levied on excess profits and the balance left over would be sufficient for effecting bonus payments as well as ploughing back amounts into the business after distributing dividends. While it is difficult to agree with this interpretation of the Bonus Commission, it has to be pointed out that the Super Profits Tax has been replaced by the Surtax on company's profits and there is also a tax on dividends in the bargain. Again a higher rate of income-tax and super-tax is leviable on the profits of companies in which there was no substantial public interest. As it will be difficult for corporate bodies to distribute bonus on the basis suggested by the Commission in the altered circumstances, it has been argued that, apart from an adequate return on capital and liberal depreciation allowance to take care of replacement costs, the amount paid by way of tax of every kind should also be deducted. The textile industry has need for large sums in order to modernise its overaged plant and machinery. It has been indicated by the Chairman of even an efficient company like Buckingham and Carnatic that the modernisation programme can be implemented only with outside financial assistance.

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The problem of water supply for Madras City has once again been seriously discussed. The absence of rain for several months has caused considerable anxiety and it is feared, that, in the absence of an early monsoon, even the regular requirements of consumers cannot be easily met. With a number of industrial units coming up in the northern part of the City, the requirements for industrial purposes also have increased significantly and it is felt that it may not be possible to meet the increasing needs of a growing population and develop industries without putting through some new schemes. It is no doubt accepted that some additional water supplies can be had from bore wells sunk in the river beds. But a permanent solution would have to be found if a critical situation is to be avoided after some years.

Mr. Brahmananda Reddy, the new Chief Minister of Andhra Pradesh, during his recent visit to the City, again stated that his State would be prepared to supply 5 mft of water from the Krishna river. He, however, pointed out that the canal cannot be constructed until the Srisailam project was completed and that Krishna water would be available

only after five years. Whether this project will be taken up in earnest and its implications have been clearly understood, it is difficult to say at this stage. But it is incorrect to proceed on the assumption that the full consumption can be met by tapping underground water supplies and the purchase of irrigation rights of the area covered by the Red Hills Lake.

Water for Industry

Some idea of the large requirements of water even for industrial purposes would be evident from the fact that the oil refinery that is proposed to be set up in North Madras would require 15 million gallons daily while the petro-chemical complex would need another 35 million gallons daily. The water for this purpose is expected to be tapped from the Ponneri area where underground water resources are reported to exist.

Meantime, there is considerable anxiety about the decision that would be taken on the exact location of the refinery and the fertilizer factory. It was at first expected to be announced by the middle of May but the negotiations with the foreign firms have taken much longer time than expected and the actual choice may not be made known until July next. It is now, however, certain that Madras will have an oil refinery having a capacity of 2.5 million tons annually by 1966 and that there will also be a fertilizer factory nearby. The delay in finalising the scheme would seem to be due to the insistence of the Government that the participating foreign firm should confine itself merely to the manufacture of petroleum products while the distribution will be taken care of by the Government. To what extent there will be preparedness on the part of foreign firms to accept this condition is not known. The State Government, however, has selected a number of sites for locating the refinery and an expert team headed by Mr. Nayak, Chairman of the Oil and Natural Gas Commission, recently visited these spots. Further information is needed about the condition of the soil and the facilities for transporting crude oil from the oil terminal to the oil refinery site. In any case, the site will be in North Madras.

For quite sometime the Madras refinery will have to operate on crude oil imported from West Asian countries as conditions in South-East Asia are not quite satisfactory now. Even so, there will be a large saving in foreign exchange on account of the processing of crude oil. Within the country, it would facilitate the situation to a great extent if oil exploration in the Cauvery basin proves to be successful. On account of the non-availability of drilling equipment, the progress of work has been delayed to some extent. But it was indicated by Mr. Nayak that the drilling tests in Pattukottai were satisfactory and there was prospect of striking oil in commercial quantities given reasonable luck in this part of the country. The drilling operations in Karaikal should have commenced a few weeks back, but the equipment earmarked for this area has been diverted by the USSR to another. Arrangements are, therefore, being made to secure equipment from Gujarat. It is also felt that the off-shore areas should be exploited as the experts seem to be of the feeling that oil deposits may be located in parts of the Coramandel coast and Cambay and Cutch. The required surveys are proposed to be undertaken in collaboration with foreign experts as early as possible.

(Continued from page 1030)

unions based on political parties but the management perpetrates it when it begins to recognise them on the basis of their flags instead of their membership.

When a Cabinet Minister starts talking in terms of rolling of heads we may well assume that he is determined to change the unsatisfactory state of affairs under him. Mr. Subramaniam did so while expressing limitations in the personnel policy followed by his Ministry. He said that managers should be recruited on the same basis of "hire and fire" as is done by private undertakings. In the ultimate analysis their performance should determine their stay. Shortcomings in the steel and engineering industry are fairly well-known and some of them as wastages, extravagance, frequent breakdowns and labour troubles have become almost chronic, reflecting not to happily on the competence of the management. it is doubtful if the remedy suggested by the Minister will solve fundamental problems which have thwarted progress not only in steel plants but practically in all public sector projects. They relate to issues like the desirability of appointing civil administrators as heads of industrial undertakings, their decisive powers over those of technocrats, greater powers for managers, and lesser ministerial interference. Mr. Subramaniam favoured payment to public sector managers comparable to remuneration in private undertakings but unless the basic issues are settled, not only the problem of fixing responsibilities would remain unsolved but administrative tensions also would continue to occur in State projects.

Another handicap from which our steel projects and engineering plants appear to be suffering is the dual audit exercised by the chartered accountant and the Auditor-General. It was maintained by the Minister that the Auditor-General's objections over and above the chartered accountant's audit are mostly trivial and often serve as a damper on quick decisions. On the face of it the dual audit seems to be superfluous, though Mr. Subramaniam was hard put to explaining the wide divergence in estimates by his experts which range as high as 54 per cent — certainly not a trivial matter.

Eastern Economist 20 Years Ago

APRIL 28, 1944

WITHIN THE next six or eight months India will be called upon with the rest of the world to participate in a World Trade Conference to define and decide the future of international trade policies. Some tentative conclusions seem to have been arrived at by the General Policy Committee, which has agreed to the principle of multilateral trade agreement subject to certain safeguards and reservations in the interest of India. In defining her attitude to international trade policies India should primarily consult her own long-term economic interests, and where they are likely to be adversely affected she should have no hesitation or compunction in resisting conclusions and agreements not in harmony with her own national welfare, however lofty or noble these international conclusions may appear to be on paper. We need not apologize for this attitude of ours nor fear that we shall damage our position in the eyes of the rest of the world, for each of the big counrties does no less, with this difference, however, that by a process of self-delusion or specious reasoning it identifies its own interests with world's interests, and further is able to impose its views and policies on the rest of the world. Such internationalism in the long run helps no country, and India will be serving the best interests of the world no less than her own if she lays down courageously the principles of trade policy which would be acceptable to her.

The moving finger writes

THE DEBACLE of the Constitution (17th Amendment) Bill, to my mind, has two important lessons. The first one points to the inertia and listlessness which has come to characterize the conduct of government business in the legislature. It has become apparent that the Ministry of Information and Broadcasting is a whole time job and Mr. Satya Narayan Sinha is quite rightly giving his whole attention to it. The question is whether, in the circumstances, he should not at least have a Deputy to share his responsibilities in the Ministry of Parliamentary Affairs. Then there is also the question whether it is proper to postpone indefinitely a decision on the appointment of a Leader of the House for the Lok Sabha. The Prime Minister is certainly in no position now to assume and discharge actively the obligations of this office. It is, therefore, right and proper that a relatively young and active Cabinet Minister who moves around freely among Members of the Congress Parliamentary Party should be nominated for the job.

The second moral to be drawn from the failure of the Constitution (17th Amendment) Bill to summon requisite support for the consideration motion is that far too many Members of Parliament seem to have fallen into the habit of absenting themselves from the House far too frequently and for far too long periods during the day. This is not a situation in which our young democracy or those who would be its philosophers and mentors could take pride. The basic weakness, of course, is in the quality of the membership. I must emphatically state that neither the ruling party nor any of the opposition groups could indefinitely afford to ignore quality at the time of selecting candidates for electoral contests. At the same time, it might be said that, while the raising of the average standard of Members of Parliament is a great political necessity, it is also a fact that party leadership—and this is particularly true of the ruling party—does not take sufficient pains to encourage and give facilities for back-benchers to participate in discussions or otherwise be actively engaged in the work of Legislatures. It is perhaps a natural consequence of human beings being treated as mechanical robots to record a 'yes' or a 'no' as the occasion demands, that, at critical times, the mechanism breaks down. Here again, the Congress Party will do well to energise its leadership and its apparatus generally, if it is at all serious about avoiding the risk of losing the confidence and respect of citizens through such exhibitions of fecklessness as were witnessed on April 27. Incidentally, the view has been expressed that the present working hours of Parliament are wholly inappropriate in the context of the rigours of the Delhi summer and are, therefore, virtually a premium on absenteeism. The question of rationalising the working hours of Parliament is certainly one to be considered earnestly; and it is possible that sessions starting, say, at 5 p.m. and lasting till 10 p.m. or even half an hour longer could produce better results by way of attendance as well as attentiveness. There is, of course, the problem of the dinner hour, but it should not be difficult to solve it.

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I have heard some harsh things being said about Mr. A. K. Sen's part in the fiasco of the Constitution (17th Amendment) Bill and I must say that this criticism cannot be wholly ignored. A little filibustering at the right moment could have given the Whips a chance to herd into the chamber the requisite number of party men and the Minister who was piloting the Bill should certainly have been alert enough to arrange accordingly.

Talking of Mr A. K. Sen, it is perhaps necessary that he should go to the United States to secure dollar credit equipment for P & T and it is more or less reasonable that he should want to spend a few days in Europe on his way back home. How then was it considered necessary to put out the story in the Press that only the Stern Daughter of the Voice of God was responsible for Mr. Sen's short and sweet European programme? And if excuses are to be sought, could there not have been a more plausible one than the tall tale that Mr. A. K. Sen would be educating European statesmen on Kashmir? In any case, I should have thought that there is greater scope nearer home for any such exercise in the art of advocacy. Why does not the Law Minister try a little persuasion on Sheikh Abdullah himself? Or, may I add, on some of our newspaper editors?

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Mr Swaran Singh is reported to have said that the Government considers that sugar control has come to stay. A statement of that kind ought to be enough to earn the Food Minister his release from that portfolio. Surely, Mr. Swaran Singh's words amount to an abject confession of incompetence on the part of the Government. When Mr. Swaran Singh says that sugar control must continue, he is implying that the continuance of a shortage of sugar is unavoidable. But, then, he is wrong. His predecessor, up to the time of his departure from office, was asserting that the sugar output this year would be well over three million tonnes. Mr. Swaran Singh himself would persist in that whimsy claim that long after actual output trends had clearly indicated that production was unlikely to be more than 2.6 million tonnes. Is it now the Minister's case that the Government is giving up all hopes of a substantially higher level of production, say, three million tonnes or more? For, it is only if production stubbornly fails to improve could there be any sense in talking of the continuance of control.

The issue, therefore, is: Is the Food and Agriculture Minister keen on promoting production or is he only concerned with perpetuating controls? He may, as his words suggest, embrace the easy alternative of continuing the control, but public opinion will not certainly be satisfied that such a course is unavoidable. As a matter of fact, control on sugar is among the more obviously unnecessary and definitely harmful controls that we have. Sugar is not a poor man's necessity, except in very small amounts. And there can be no reasonable objection to allowing its price go up a little provided, as is the case, a slightly higher price could stimulate production in the short period. Today the position is that while control inhibits production, it has not brought relief to a large section of consumers whose interest it is supposed to serve. While sugar at the controlled rate is available in the larger cities (and also, on a more restricted scale, in other urban areas), it is only obtainable at very high grey market prices in small towns and villages. Thus the control fails that section of the population whom it should, in theory, be most particularly designed to serve. The sugar problem is wholly a government-made problem and I have little doubt that there would be enough production for both domestic consumption and exports if only the industry is spared for a time the clumsy attempt of the Government to police it to no purpose.

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The "Moving Finger", I am afraid, is likely to move rather erratically during the next few weeks, but I do intend making an attempt not to miss more issues than is strictly unavoidable.

V. B.

Trade Winds

JAPAN ACQUIRES ARTICLE 8 STATUS

THE JAPANESE Government has notified the international Monetary Fund that, with effect from April 1, 1964, it will accept the obligations stipulated under Article 8 of the IMF Charter and accordingly refrain from imposing foreign exchange restrictions for international balance of payments reasons. As an Article 8 nation, Japan will also abolish its restrictions on foreign currency transactions and will purchase Japanese currency held by other countries at their request.

Of the 103 member nations of IMF, Japan is the 25th to accept Article 8 status. The move had long been expected in view of the IMF notice to Japan in February 1963, stating that the Organization's Executive Committee no longer saw any justification for Japan to continue operating under the IMF Article 14. But the fourteen-month lag between the IMF notice and Japan's acceptance can hardly be called excessive when compared, for example, to two years in the case of the Netherlands and 16 months in the case of Italy. However, the belief is that Japan might have held off Article 8 status for a longer period than she did were it not for a number of pressures, international as well as domestic, that made an earlier acceptance desirable. The IMF's recommendations to Norway in 1962 and to Denmark the following year, and Australia's voluntary renunciation of foreign exchange controls brought about a growing trend towards Article 8 status that Japan, as one of the ten most industrially advanced of the IMF nations, could hardly ignore. An early acceptance of Aritcle 8 status was also warranted by the domestic preparations gearing Japan to fuller participation in international economic affairs, such as the progressive lifting of import restrictions preparatory to Japanese membership of the OECD.

In accepting Article 8 status, Japan received approval for a number of exemptions. One of these relates to a continuation of $500 per person ceiling for tourist visits abroad. Another is the continuation of Japan's open account payments agreement with the Republic of Korea. As far as the latter is concerned, the continuation of similar arrangements was approved by the IMF between the Netherlands and Indonesia when the Netherlands accepted Article 8 status. Other exemptions approved for Japan cover iron ore carriers chartered for one year and longer, technical assistance agreements, motion picture imports and certain capital transactions.

When on March 18, 1963, the Government of Japan raised the discount rate to forestall undue financial pressure as a consequence of Article 8 status, the general feeling indicated that the national economy was in a position strong enough to meet its new obligations. Already Japanese officials are looking ahead to September when Japan, for the first time, will be host to the joint annual meeting of the IMF, the IFC and the World Bank. With the expected participation of Kenya, top officials of the Finance Ministries and, the Central Banks of the 103 countries will meet in Tokyo.

INDUS BASIN DEVELOPMENT FUND

In pursuance of an understanding reached last November between the President of the World Bank, Mr. George D. Woods and the Pakistan President, Mr. Ayub Khan, a Supplemental Agreement to the Indus Basin Development Fund Agreement of 1960 has come into force with effect from April 6, 1964. The Supplemental Agreement provides the Indus Basin Development Fund with additional foreign exchange resources which aggregate $315 million and will be provided mainly by contributions in grants from the Governments of the United States, Canada, the U.K., West Germany, Australia and New Zealand. Proceeds of the United States Government loan to Pakistan would provide about $51 million while the proceeds of a loan from the World Bank and/or a credit from the International Development Association would provide about $59 million for the Fund. The Government of Pakistan would undertake the local currency expenditures that were not covered by the rupee contributions provided for under the 1960 Agreement. The first charge on the Fund, as now augmented, will be the cost of constructing the Dam on the Jhelum River and the Link Canals and Barrages specified in the 1960 Agreement. In addition, the Fund will finance the cost of a study — to be organized and administered by the World Bank — of the water and power resources of West Pakistan, which would provide the Government of Pakistan with a basis for development planning in the water and power sectors of the economy within the context of their successive five-year Plans.

EXPORT TO CHAIN STORES

A careful study of forign markets would reveal that chain stores are by far the best potential customers of India's handicrafts and handlooms. But, as such goods are of a fancy nature, the chain stores and other business enterprises engaged in their trade run considerable risk — the sale of such goods being uncertain depending upon consumer preferences. With a view to mitigating the effect of this risk, the foreign chain stores propose that there should be a two-way traffic between Indian goods and foreign goods. They agree to place larger bulk orders for Indian goods provided Indian importers also agree to take articles from these chain stores to the extent of half the value of goods exported by India. This view has been expressed by several parties in different countries. It is noteworthy in this connection that the acceptance of this condition will enable India to earn forcign exchange to the extent of 50 per cent of the value of goods exported. On the other hand, the importation of goods to the extent of 50 per cent of the value of exports will also result in some benefits. At present many of such goods are smuggled into India. Their regulated imports will mitigate smuggling and save foreign exchange. As the import of fancy goods is subject to fairly heavy import duties, their imports will add to the Government revenues.

The adoption of the chain stores scheme will thus result in stimulating India's exports to several markets in developed countries. After the initial introduction of these goods in the new markets, it may be possible at a later stage to make exports without linking them with imports.

NEW MONETARY FOUNDATION

In recognition of the services rendered by Mr. Per Jacobsson, the former Managing Director of the International Monetary Fund, a Foundation has been set up with a view to bringing fresh insight into the present-day international monetary problems. With this objective, the 'Per Jacobsson Foundation' will invite each year the best qualified individuals, with both academic and practical backgrounds to lecture on international monetary problems before appropriate audiences in the United States and elsewhere. The Foundation will print these lectures and give them wide publicity. The former US Ambassador to NATO, Mr. W. Randolph Burgess will be the Chairman of the Foundation. Other members of the Board of Directors will be Mr. Eugene R. Black, former President of the World Bank, Mr. Marcus Wallenberg, Vice-Chairman of the Stockholms Enskilda Bank, and as 'ex-officio', the Managing Director of the IMF, Mr. Pierre-Paul Schweitzer, and the General Manager of the Bank for International Settlements, Mr. Gabriel Ferras. Offices of the Foundation will be located in the IMF Building in Washington.

DOLLARS FOR FERTILIZERS

Two agreements were signed in Washington last week, providing two United States development loans totalling Rs. 23.6 crores ($49.7 million) for one of India's largest fertiiizer plants to be built at Visakhapatnam, Andhra Pradesh. The loans will be extended to Coromandel Fertilizers, Ltd., a new company organized by an Indo-American consortium. The new plant, expected to be in operation in the 1967, will produce 365,000 tons of ammonium phosphate and 16,500 pounds of prilled urea annually. When in full production the factory is expected to supply more than a third of the estimated fertilizer consumption of Andhra Pradesh and also meet some of the requirements of Mysore, Madras, Orissa, and Madhya Pradesh. These fertilizers will be particularly suited for the major crops of the area such as rice, sugarcane and tobacco. The new plant will result in an annual saving of foreign exchange of about Rs. 10 crores.

Coromandel Fertilizers, Ltd., has been organized by the EID-Parry Ltd. of Madras, the California Chemical Company, a wholly-owned subsidiary of the Standard Oil Company of California, and the International Minerals and Chemicals Corporation of Illinois. The two American companies will invest $6.08 million in foreign exchange (Rs. 2.8 crores) in the shares of Coromandel and will bring to the project extensive and successful experience in operating a number of fertilizer plants in the United States. The remainder of the financing, Rs. 9.29 crores will come from the EID-Parry Ltd. and the Indian public, who will own a majority of shares of the new company.

Of the two agreements signed, one is for a loan from the US Export-Import Bank totalling up to $27 million (Rs. 12.9 crores). The second is from the US Agency for International Development (USAID) for an amount up to $22.5 million (Rs. 10.7 crores) under the Cooley Amendment of the Food for Peace (PL 480) programme.

LOAN FOR TRUCK MANUFACTURE

The World Bank has agreed to give a loan of $90 million (about Rs. 45 crores) to India for the purchase of components and raw materials required for the manufacture of commercial trucks. Mr. R. V. Raman, Joint Secretary in the Department of Heavy Industries, is leaving for Washington on May 1, to finalise and sign the loan agreement. During this trip, Mr. Raman will also explore the possibility of receiving US collaboration for some of the fourth Plan projects which the Government wants to go into production in the early part of the Plan. He will also visit the UK on a similar mission.

The working groups set up for fixing targets for various industries in the fourth Plan have recommended, in their interim reports, the setting up of certain projects which have also been approved in principle by the Planning Commission as well as the Finance Ministry. This list of projects includes a structural factory at Bokaro, a 10,000 tons structurals plant at Ranchi (under the Heavy Engineering Corporation), plants for the manufacture of machinery required by fertilizer and the chemical plants, and a foundry forge plant. Mr. Raman will explore the possibilities of receiving American and British collaboration for these projects.

IRON AND STEEL PRICES

The Iron and Steel Controller, Calcutta, has announced that the concessional prices of different categories of iron and steel materials for export purposes, as per notifications dated June 20, 1963, November 17, 1962 and June 1, 1963, will continue to be applicable even after February 29, 1964. This will, however, be subject to the following conditions:

(i) In regard to despatches of steel including billets at concessional prices, producers should continue to charge the exporters, the concessional prices which were in force on February 29, 1964, plus an amount per tonne equivalent to the increase in the excise duty for the category concerned, after February 29, 1964.

(ii) Where the supply of steel is against a replacement quota, the increase in excise duty will not be recovered from exporters, but will be paid to the producers from the equalisation fund.

(iii) Producers will have to recover from the exporters, excepting in cases where supplies are for replacements, the concessional export prices as well as the additional excise duty which the exporters will be able to recover as drawback.

(iv) Subsidy will be paid to the producers from the equalisation fund to the extent of the difference between statutory notified prices for controlled categories (or prices notified by the Joint Plant Committee for decontrolled categories) and the amount recovered from the exporter.

SUGAR PRODUCTION BY COOPERATIVES

The production of sugar by the co-operative sugar factories is compared, in the following table, with the total production and the production of the private sector:

From Nov. 1 to Feb.29 — Figures in lakh tonnes

	1963-64	1962-63	Increase Quantity	Increase Per cent
Co-operative Sector	4.20	3.21	0.99	30.84
Private Sector	15.01	13.52	1.49	11.02
TOTAL	19.21	16.73	2.48	14.82

It would be observed from the above table that the production of co-operative sugar factories up to the end of February 1964, recorded an increase of 30.84 per cent over the corresponding period last year; the corresponding increase in the private sector was only 11.02 per cent and for the industry as a whole only 14.82 per cent.

During the last season (1963-64) eight co-operative sugar factories manufactured 0.81 lakh tonnes of raw sugar. This season 18 co-operative sugar factories, (16 in Maharashtra and 2 in Andhra Pradesh) have offered to manufacture about 1.47 lakh tonnes of raw sugar for export on FAS (Free Along Side) i.e. excluding loading charges price basis. The Government of India have accepted only 1.23 lakh tonnes offered by 14 co-operative sugar factories in Maharashtra.

S.T.C. TO IMPORT CAUSTIC SODA

The State Trading Corporation will import 12,000 to 15,000 tons of caustic soda (solid, technical grade) from the USA under AID loan No: 082. The material will have a minimum of 96 per cent sodium hydroxide contents. The prices (quoted on FAS, FOB, C & F, CIF basis) will not include the commission payable to Indian agents as the same would be settled separately in Indian rupees. The tenders which the Corporation has invited from the U.S.A. will close on 4th May, 1964. The details have been published in the AID Small Business Circular No. 64-204 dated 13th April, 1964, issued by the Agency of International Development, Office of the Small Business, Washington.

Company Affairs

INDIAN ALUMINIUM

INDIAN ALUMINIUM Co Ltd., has completed its increased production capacity and has achieved higher levels of sales and earnings in 1963. Mr. H.V.R. Iengar, Chairman, while addressing the annual general meeting held recently, indicated that total value of sales at Rs. 13.89 crores was 32 per cent higher than last year. Gross profits also improved as also net profits, despite the higher tax charges in 1963. Primary aluminium production increased by 10 per cent to over 25,000 tonnes, in spite of a prolonged power cut in Alupuram. The output of semi-fabricated products increased even more steeply to 15,000 tonnes from less than 13,000 tonnes in the previous year.

The Chairman informed the shareholders that the company was still carrying out the expansion of the Alupuram smelter and the foil mill at Kalwa, the first benefits of which are expected only after 1965. To finance this expansion the company increased its authorised capital to Rs. 10 crores by the creation of additional 4,000,000 ordinary shares and increased the issued capital of the company by rights issue of 801,276 new ordinary shares of Rs. 10 each at a premium of Rs. 15.50 per share. Moreover public issue of 7 per cent debenture stock for Rs. one crore was made early in 1963 and the Commonwealth Development Finance Co. Ltd., was issued £100,000 sterling debenture stock completing the issue of £500,000 sterling debenture stock. There was also a bonus issue of 1,200,889 fully paid ordinary shares of Rs. 10 each in the proportion of one for four. The Chairman was of the opinion that the actual requirement of aluminium might be more than has been planned to be produced by the end of the fourth Plan. The company, therefore, proposes to secure the permission from the Government to expand on the West Coast. Following discussions with the Minister of Steel, Mines and Heavy Engineering the company proposes to submit an application to set up a smelter with a capacity of 30,000 tonnes which will form nucleus of a much larger scheme of integrated aluminium production in that region.

Mr. H. V. R. Iengar drew attention to two elements of cost of production — power supply and labour productivity — which needed to be considered very seriously. It has been the experience of the company during the last few years that power cuts reduced its productivity considerably and consequently raised costs. Throughout the first half of 1963 it suffered long spells of power cuts at its Alupuram smelter which resulted in a loss of 950 tonnes of metal production. Similar losses were recorded during the previous two years and in the current year also 25 per cent power cut was enforced from February and has been increased to over 40 per cent from March. These interruptions in power supply cause serious technical dislocations apart from reducing output, and consequently cause the costs to go up. The chairman added, that the State Governments had a tendency to levy duty on electricity consumption which again means higher costs. Electricity being a major raw material for the aluminium industry, it is very significant that the sanctity of long term contracts is preserved for reasons of sound economy.

The Chairman observed that low labour productivity in India was confirmed in a study which he conducted a few years ago by comparing certain Indian plants with similar sized plants in other countries. It is true that output per worker is influenced by a large number of factors but one must agree with the Chairman that an important influence on productivity is the human factor involved in management and labour relations. He felt that understanding through collective bargaining and mutual consent was becoming ineffective and sometimes considerable damage was done before some understanding was reached. He has, therefore, made a very sound suggestion to conduct a fresh study of the problem "by a body such as the National Productivity Council, which, happily, has a tradition of joint approach to problems of productivity by trade unions, employers and Government, with the assistance perhaps of outside experts". The Chairman was hopeful that something useful may emerge out of the discussions with the National Productivity Council.

BUCKINGHAM AND CARNATIC

Mr. D. W. Law, Chairman, the Buckingham and Carnatic Co. Ltd., while addressing the annual general meeting of the company indicated that gross sales exceeded those of the previous year, in spite of a loss of nearly ten days' production due to a stay-in strike. The company, however, could not maintain its export sales which during the year ended December 31, 1963 were around Rs. 1.17 crores as against Rs. 1.64 crores last year. Restrictive import policies in Ceylon led to lower exports and demand was also lower in Malaya and Burma. Another reason for this decline, according to the Chairman, was that cotton mixture fabrics like terylene-cotton blends, which are easier to wash and require little or no ironing, are in greater demand in most of the sophisticated export markets. He felt, therefore, that conventional cotton piecegoods manufacturers should increase their output of mixture fabrics, and accordingly this company has made considerable progress in this field.

The Chairman expressed satisfaction over the improved situation in respect of raw cotton. The carry-over at the end of August 1963, he said, improved to 1,950,000 bales as compared with 1,450,000 bales at the end of August, 1962. The cotton crop output for 1963-64 is estimated at around 58 lakh bales and this quantity, though quite up to expectations, is not enough for the increasing demand at a time when additional spindles and looms are being installed at various places. The Chairman, however, added that urgent measures are being taken to improve the overall yield of cotton per acre, and he suggested that more attention should be paid to incentives and scientific farming.

In line with other textile producers in the country, Buckingham and Carnatic Co., has under active consideration plans for the progressive modernization and expansion of its plant. Particular attention is being paid to the modernisation of certain dye-houses processes and to the provision of increased capacity for generating process steam. Modernisation is even more necessary for a company which wants to increase its export. Consequently, it intends to install modern, high speed machinery so as to increase productivity and reduce costs to be able to compete in the world market. The Chairman was of the opinion that imported textile machinery is necessary for this purpose and he hopes that the Government will assist the company to obtain such machinery by releasing the foreign exchange required.

KAMANI ENGINEERING

Mr. R. H. Kamani, Chairman, Kamani Engineering Corporation Ltd., informed the shareholders at the annual general meeting that the company had attained a state of sustained growth so that it could look forward to a continuous process of increasing investment and returns. Profits before providing for depreciation etc. increased from Rs. 36.38 lakhs last year to Rs. 41.84 lakhs during 1963-64. Profits during 1961-62 were around Rs. 24.30 lakhs. The company had achieved these favourable results, in spite of a difficult situation in respect of raw material supply. Mr. Kamani pointed out that considerable difficulties were being felt regarding timely delivery of matching sections during the last two decades and hoped

that the Joint Plant Committee, set up recently, would adjust the production programme to the requirements of the industry. He referred to a recommendation of the Raj Committee that certain quality of steel should be allowed to be imported to ensure timely availability of matching sections. He hoped that such imports would be allowed on the basis of the individual fabricating capacity and the producers allowed to exchange controlled categories of steel among factories in order to meet the shortages to a certain extent.

The chairman outlined the distinctive achievement of the company as it has completed five major transmission lines covering about 600 miles in five States — Gujarat, Orissa, West Bengal, Andhra Pradesh and Mysore—and it was indeed a matter of considerable achievement that 240 miles of 132 kV trunk lines from Dhuvaram power station in Gujarat and 100 miles of 132 kV lines in Orissa passing through extremely difficult terrain were completed in record time. The chairman also informed that three power generating sets for Trisuli Hydro Electric Project in Nepal were supplied by the company and a transmission line was being constructed for the project. Another notable achievement of the company was the contract for the installation of a Ropeway with a big haulage capacity of 450 tons per hour which had been secured from Indian Iron & Steel Co. Ltd. in collaboration with the leading German firm of Pohlig. This is going to be one of the largest ropeways in the world and will be operating over a distance of 40 miles. The civil engineering work on this project has already started and the project is expected to be completed by the end of 1966. It is significant to note that Kamani Engineering is perhaps the only exporter of transmission line towers and other structures, and in spite of considerable competition it expects to secure orders from Nigeria for 132 kV transmission line towers. Mr. Kamani also indicated that two large orders had been secured from National Power Corporation, Manila, Philippines, in the face of Italian and Japanese competition. This is a tribute to the efficient functioning of this company.

BANGALORE WOOLLEN MILLS

After the emergency, demand for Angola produced by the Bangalore Woollen, Cotton and Silk Mills Co. Ltd., increased considerably with the result that during 1963 its gross sales were over Rs. 8.5 crores. Mr. D. W. Law, chairman of the company, while addressing the annual general meeting held recently, informed shareholders that substantial section of the mills worked on three shifts in order to complete Government's requirements within the specified time. Another positive effect of substantial significance was that 'Varsity' a terylene-woollen, suiting which was introduced during the end of 1962, made satisfactory progress. In the field of exports the performance was not so bad. Exports of Cotswol and Angola to various markets, including the USA, Canada and the USSR, were considerable and the prospects seemed to be attractive for their sales in the United Kingdom.

To meet this pressure of demand the company has carried through a programme of expansion and modernisation. The 34 additional looms expected during 1963 arrived in time and were installed. Materials ordered to modernise parts of the carding and spinning departments also arrived by the end of the year. The Chairman indicated that negotiations with the labour association in connection with the modernisation of plants in these departments were progressing. Several new machines for improving the efficiency of the dye-house were installed, thus enabling this section to maintain proper level of efficiency. Mr Law also indicated that the changeover from coal to oil firing was complete by the middle of 1963 which has resulted in considerable cleanliness, although the cost of oil firing is only fractionally higher than coal firing.

Following the announcement towards the later part of 1963 that mills would be allowed to increase their loom capacity by 10 per cent and their spindleage by 7½ per cent, the company proposed to seriously consider the comprehensive expansion and modernisation of its plant. The chairman rightly indicated that at a time when even the latest equipment is becoming out of date, it needs considerable care to purchase machinery, provided the necessary foreign exchange was available, so that the company can compete effectively in export markets.

The chairman expressed satisfaction over the financial position of the company which was a reflection of the continuous expansion and modernisation of the plants. The company consequently was able to pay a final dividend of Rs. 18 per share, which brings the total ordinary dividend for the year to 24 per cent, gross, — 6 per cent more than for 1962. This increased dividend, the chairman indicated, was justified in view of the performance during the year although the company has followed a policy to conserve funds for expansion and modernisation.

CAPITAL ISSUES

Four companies have been authorised to raise fresh capital amounting to Rs. 6.50 crores. Of these, three are issuing equities and the fourth is floating debentures. One of the companies is offering part of its equity capital for public subscription. The new issues include a Central Government Undertaking.

The consent of the Controller of Capital Issues is valid for 12 months in all cases.

The following are the details:

Heavy Electricals (India) Limited, Bhopal, a Central Government Undertaking, is to issue further capital of Rs. 3 crores, divided into 30,000 equity shares of Rs. 1,000 each for cash at par. The capital will be utilised for civil engineering works including transport vehicles, purchase of plant and machinery, training of engineers etc.

Birla Jute Manufacturing Company Limited, Calcutta, is to issue debentures of Rs. 2 crores in denominations of Rs. 1,000 each carrying interest not exceeding 7½ per cent per annum. The capital will be utilised for part financing in setting up a cement plant at Chittorgarh and Oxygen and Acetylene plants at Birlapur, West Bengal.

Insulator Manufacturers Limited, Calcutta, will be issuing Rs. 1 crore in 10,00,000 equity shares of Rs. 10 each for cash at par. 51 per cent of the capital will be subscribed privately and 9 per cent will be offered to the public. The money will be utilised in the manufacture of HT and LT insulators.

Nirlon Synthetic Fibres & Chemicals Limited, Bombay, is to issue Rs. 50 lakhs capital in equity shares of Rs. 100 each and to be subscribed entirely privately for cash at par. This consent is in supersession of previous consent dated September 26, 1962 for issue of Rs. 106 lakhs equity capital.

The capital will be utilised partly for reimbursing the outlay on existing Nylon Plant and the balance for purchase of land and initial expenditure for the expansion project.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act 1951 — during the week ending 18th April, 1964. The list contains the names and

addresses of the licensees, the items of manufacture and annual installed capacity:

IRON AND STEEL CASTINGS AND FORGINGS

Barkar Engineering & Foundry Works Ltd., Thaper House, 124, Janpath, New Delhi (Bihar) — Grey Iron Castings 3000 tons per annum.

ELECTRICAL EQUIPMENT

English Electric Co. of India Ltd., D-3, Gillander House, 81, Netaji Subhas Road, Calcutta-1 (Madras) — Instantaneous, Time current, Voltage and auxiliary relays, Differenital and Buchholz relays 30,000 Nos. per annum.

PLASTICS

The Metal Box Company of India Ltd., Barlow House, 59-C Chowringhee, Calcutta-20 (Calcutta, West Bengal) — (After expansion annual capacity) Thermoplastic closures and components 60 tons; Blow moulded bottles 3.36 million Nos.; Polythene Layflat tubes and films 2.80 lakhs lbs.; Polythene bags 34.2 million Nos.

INORGANIC HEAVY CHEMICALS

Bengal Chemical and Pharmaceutical Works Ltd., 164, Maniktala Main Road, Calcutta-11 (Choudwar, Orissa) — (Annual Capacity) Sodium Stanate 8280 Kgs.; Zinc Chloride stick 8280 Kgs; Sodium Aluminate 360 M.T.; Magnesium Tricilicate 84 M.T.; Zinc carbonate 84 M.T.; Magnesium carbonate 36 M.T.; Copper Naptha (soluble) 162000 Lt.

DRUGS & PHARMACEUTICALS

Biological Products Private Ltd., 18/1, 18/3, Azamabad, Hyderabad-20 (Andhra Pradesh) — 4-Acetamido Benzaldehyde Thiosemicarbazone 30 tonnes per annum. Rallis India Limited, T.C.F. Division, Rallis House, 21, Ravelin Street, Bombay-1 (Maharashtra) — Nandrolone (Parenteral) 1,92,000 Xone ml. ampoules per annum. Sandoz (India) Ltd., 3, Wittet Road, Ballard Estate, Bombay-1 (Maharashtra) — Syntometrine Ampoules 1 ml. 4,00,000 ampoules per annum; Calcium Gluconate tablets with Vitamin D2. 15,00,000 tablets per annum.

May & Baker Ltd., Bhandup, Bombay-78, (Maharashtra) — (Annual Capacity): 'Phenedyl' capsules 1,20,00,000; 'Embacetin' Brand Chloramphenicol capsules 20,00,000 capsules; 'Embacetin' Brand Chloramphenicol suspension 1,500 litres; Chloramphenicol / Dihydrostretptomycin capsules 10,00,000 capsules; 'Majeptil' Brand Thioproperazine Methanesulphonate tablets 6,00,000 capsules; 'Majeptil' Brand Thioproperazine Methane-sulphonate solution 40 litres; 'Terfluzin' Brand Trifluopera zinc 35,00,000 tablets; 'Terfluzin' Brand Trifluperazine solution 20 litres; 'Tixylix' Brand Linctus 32,500 litres.

Glaxo Laboratories (India) Private Ltd., Dr. Annie Besant Road, Worli, Bombay-18 (Maharashtra)—(Expansion envisaged per annum) — Tablets of Prednisolone 30,00,000 tablets; Ointment of Prednisolone 1,368 Kilos; Bendrofluaxide 45,00,000 tablets; Betnelan Tablets (0.5 mg.) 1,02,00,000 tablets. Betnesol eye/ear Drops 0.1 per cent 3 ml. 36,000 units Betnesol/N eye/ear Drops 3 ml. 84,000 units; Betnesol Ointment Eye/Ear 0.1 per cent 3g. 48,000 units; Betnesol N Ointment Eye/Ear 0.1 per cent 3g. 84,000 units; Betnesol Skin Ointment 0.1 per cent 3 g.—24,000 units; Betnesol N Skin Ointment 0.1 per cent 5 g. 60,000 units Betnesol Injection 60,000 units; Betnesol N Nasal Drops 1,320 units.

Geoffrey Manners & Co. Ltd., Magnet House, Dougall Road, Ballard Estate, Bombay-1 (Maharashtra)—(Annual Capacity) Equagesic tablets 6 million Nos; Intravenous Injections of conjugated estrogens 1,200 Gm.; Analgin tablets 12 Million tablets; Analgin Injections 1,800 litres; Analgin Drops 1,200 litres; A.P.A.P. tablets 12 million tablets; A.P.A.P Elixir 6,000 litres; Antacid tablets 12,000,000 Nos.

COTTON TEXTILES

India Woolen Textile Mills (Private) Ltd., G.T. Road, Chheharta, Distt. Amritsar, (Punjab) — 13,000 spindles for the manufacture of cotton yarn. Sree Akkamamba Textiles Ltd., Venkatarayapuram, Tanuku, Andhra Pradesh (Tanuku, Andhra Pradesh) — 100 automatic looms for the manufacture of cotton cloth. Amitabh Textile Mills Limited, Premnagar, Dehradun (Lucknow, Uttar Pradesh) — 13,464 spindles for the manufacture of cotton yarn; Digvijay Spg. & Wvg. Co. Ltd., Lalbaug, Parel, Bombay-12 (Maharashtra) — 2,72,500 Kgs. of Non-Woven fabrics per annum. The Tata Mills Ltd., Bombay House, Bruce St., Fort, Bombay-1 (Maharashtra) — 4,17,500 Kgs. of Non-Woven fabrics per annum.

PAPER BOARD & STRAW BOARD

Arun General Industries Ltd., 15, India Exchange Place, Calcutta-1, Proposed Name: Arun Board & Paper Mills (Bezwada, Andhra Pradesh) — Straw board & Duplex board 3,000 tonnes per annum; Pulp 3,000 tonnes per annum.

OTHER RUBBER GOODS

Dunlop Rubber Co. (India) Ltd., 57-B, Free School Street, Calcutta-16 (Ambattur, Madras) — Large solid and rubberising of wheels, rims, bogies, rollers 6,336 Nos. per annum.

CHANGE IN NAMES (Owners or Undertakings)

(During the week ending 18th April, 1964)

(Information pertains to particular licences)

From M/s. Andhra Electric Steel Ltd., Calcutta to M/s. Andhra Steel Corporation Private Ltd., Calcutta. From M/s. Andhra Pradesh Glass Works Limited, Hyderabad to M/s. Associated Glass Industries Limited, Hyderabad.

LICENCES REVOKED OR SURRENDERED

(During the week ending 18th April, 1964)

(Information pertains to particular licences)

M/s. Alembic Chemical Works Co. Ltd., Baroda — Oxytetacycline capsules, etc. M/s. Alembic Chemical Works Co. Ltd., Baroda — Obeandomycin capsules, etc. M/s. Doon Scientific Glass Works, Dehra Dun — Borosilicate Glass Tubes and Rods, Scientific Glassware, Borosillicate Pressedware and ovenware.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

Notice is hereby given that the Board of Directors of this Company have declared payment of a Final Dividend on the Company's Preference Stock for the year ended 31st March, 1964 at the rate of £2-14-8.16/49d. per cent less Income Tax at 7s. 9d. in the pound equal to £1-13-6d per cent. Payment will be made on 29th May, 1964, to those stockholders whose names are registered in the Company's Stock Register on 11th May, 1964.

Applications for transfers received in this office before 12 O'clock noon on Monday, the 11th May, 1964 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above dividend.

BY ORDER OF THE BOARD,
D. P. M. KANGA,
AGENT.

VICTORIA HOUSE,
CALCUTTA, the 24th April, 1964.

THE INDIAN SMELTING & REFINING COMPANY LIMITED

'Industry House' 159, Churchgate Reclamation, BOMBAY-1.

Cable : 'ISARC'

Phone : 245006 & 246281|2

Manufacturers of

1. ALLOYING & CASTING DIVISION

* Antifriction Bearing Metals
* Gunmetals
* Leaded Bronzes
* Phosphor Bronzes
* Brazing Solders
* Type Metals
* Tin Solders
* Fine Zinc Die Casting Alloys—'ISMAK-3'
* Cupro Manganese
* Aluminium Base Die Casting Alloys
* Brass & Bronze Rods—Solid & Cored
* Finished Castings—rough & machined.

2. HOT ROLLING DIVISION

* Commercial Quality Brass Sheets
* Commercial Quality Copper Sheets
* Brass & Copper Heavy Base Plates
* Copper Anodes

3. COLD ROLLING DIVISION

* Cold Rolled Industrial Quality Brass Sheathings, strips & Coils from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.
* Cold Rolled Industrial Quality Copper Sheathings, strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.

BOOKS BRIEFLY

The Case of Case-Studies

Cases in Indian Administration: Published by the Committee on Case Studies, The Indian Institute of Public Administration; Price Rs. 7.50.

Reviewed by N.S.J.

ADMINISTRATION IN India has, as in Great Britain, a strong amateur tradition. The higher civil service has always been something of a mandarinate with a background of liberal education carrying on the tasks of ruling with a becoming contempt for them. An attitude of dabbling and dilettantism, of ad hoc coping and improvising as one goes along is of the essence of the outlook. There were, of course, the tiresome rules, but the baboos would take care of them and see to it that one did not slip up too badly. The attitude was not unlike that of the French symbolist poets one of whom said, "As for living, our servants will do it for us." In other words, and in the language of the text book, administration was more an art than a science. The cultural conquest of the rest of the world by the United States has changed this easy going view of life. The Americans with their irrepressible itch for reducing everything to a problem to be licked have converted many a gentlemanly vocation into a grim kind of science. For a people to whom everything from bee-keeping and poultry farming to physics and philosophy is a subject to major in, management and administration cannot long remain outside the pale of systematic study. There is much naivete, both academic and of other kinds, in this approach. It often leads to the most solemn dissertations on trivialities reading which it is difficult to keep a straight face. Its influence on language has been disastrous, the jargon, the pompousness and the passive voice trying to impart to the subjects a weight they cannot bear and in the process making the English language uglier than it need be.

Practical Consequences

And yet, the practical consequences of this approach to problems are so evident in the increased efficiency of American industry and even administration, that we cannot long ignore it with supercilious scorn. There is, to be sure, much hocus pocus in all this, and part at least of the inflation of this kind of expertise is Parkinsonian. And yet, there is enough substance in it to make Britain, the last bastion of the amateur tradition and academic conservatism to succumb to it. The six new universities planned are consciously slanted the American way and even Oxford has relented enought to think of a course of studies in business management. In India too, the attitude has made a significant dent not only in the amateur tradition but also in the general slovenliness of doing things. Institutions like the Indian Institute of Public Administration are a symbol of our final acceptance that there is room for this kind of pedagogy.

Among the ideas under original American inspiration tried out by the Indian Institute of Public Administration is that of case studies. The general idea is to take up specific "burnt out" administrative decisions and examine them as in a post-mortem operation. The idea has its obvious uses, though the claim made for it in the introduction in the book are rather extravagant. It is said that the aim of these case studies "is to provide a deeper and wider understanding of the functions of the Indian Administration in its institutional frame work." They also aim at "the building up of a body of systematic knowledge about the administrative process in India." Reference has also been made to the possibility of a "theoretical framework" based on the hypotheses, thrown up by these case studies. For, these hypotheses, "tested by a large number of case studies of similar type and not refuted, would provide a systematic body of knowledge." All this sounds perilously like pseudo-science to me, especially the last part that hints at inductive reasoning based on the principle of verification and elimination of the apparent exception. In my view, the only utilities than can be legitimately claimed for these studies are the practical ones of the exemplary or the cautionary morals of particular decisions, and such insights into decision-making as are given by seeing the whole picture of the action and interaction that precede particular final decisions. Anything wider than this is futile to look for unless the Institute of Public Administration is planning to do for administration what Machiavelli did for politics in "The Prince", or Kautilya in Arthashastra. Such a manual would no doubt be of extraordinary interest and even use, but I doubt whether it is what the Committee on case studies had in mind when they wrote the introduction.

Worthy Aim

But the more modest aim of these studies, that of arranging a kind of conducted tour of the backrooms of decision-making is certainly a worthy one. But even here certain inherent limitations are to be recognized. There are the difficulties in obtaining access to the really valuable cases from a bureaucracy that is understandably cagey about letting strangers loose in its archives. For unsuspected skeletons may emerge from cupboards discreetly kept locked. In fairness, however, it must be said that four of the five cases discussed in these pages may be considered even in post mortem embarrassing and inconvenient enough to Authority to testify to its readiness to co-operate in the venture. Secondly, for obvious reasons, these studies do not present the total reality of the cases. Inevitably, they deal with recorded actions and no attempt has been made to obtain from persons concerned clarifications that might have thrown more light on the various facets of the decisions. The studies thus ignore what the authors themselves call in characteristic jargon "the values and goals, human relationships, group pressures etc" that either the decisions. Decisions are after all taken by men and women and when personal motivation is excluded, a good part of the mechanics of decisions will become meaningless. Such motives need not necessarily be improper. For even actions of officials of sea-green incorruptibility are not taken in a psychological vacuum. There are the clash of wills, the departmental jealousies and cross purposes in the exercise of power by the representatives of what has been called the "anonymous empire". The bureaucrat is faceless only in allegories.

Another kind of reality that the studies inevitably ignore is the considerable amount of action and decisions that do not get congealed in the record. The pulls and pushes of the many secondary actions, the personal interviews, the telephone calls that put in a word or a spoke (depending upon one's attitude to the case, the sneaky preview of files, the interested passing on of information, the whole human drama, in fact, is excluded from these studies. This is the kind of reality that is the staple of the Secretariat Superintendents' conversation, even, as it has been sometimes alleged, in their sleep. There is a whole world of illumination to be found in this kind of "shop", which will reveal an almost existential involvement in administration, and which the case studies ignore. The defeating of this man's promotion or that man's increment, or the working with devious cunning the interests of one's wife's fourth cousin's brother is another facet of this reality. There are then the stresses and strains of provincialism, the nuances of sub-caste affiliations to be studied. Impressionistically, it may be stated that none of these is strong enough to allow the perpetration of major administrative injustices, though they may sometimes be powerful enough to win for one's friends and relatives many minor and

not wholly deserved gains. But this impression needs verification.

All this is only another way of saying that the Secretariat still awaits its Dickens and Sir Charles Snow, the one to explore the basement and the other the corridors of administrative power. Since the case studies have far less ambitious aims, it is a little unfair to blame them. Nor indeed am I blaming, though I do wish to emphasize the importance of these elements. In any event, a percipient reader can, especially if he knows the ways of the Secretariat, read between the lines all the drama. I have mentioned earlier, especially if he knows some of the principals in the case. One of the most fascinating things about this book is the continuous occasion it gives for such reconstruction of this other kind of reality. Indeed, a really clever writer can provide for much material of this sort without once openly offending the code the Committee on Case Studies has prescribed for the authors.

But within the limits the authors have set themselves, there is a lot of wisdom to be gleaned. Taking the case of Decontrol of Foodgrains in 1952, the sequence of events illustrates what difference a genuine flair for administration at the top can make for the country's well being. Successive food ministers have not been able to cut through the ideological smog that was clouding thinking in high places until two persons both with strong personalities and a sure instinct for administration turned the searchlight of commonsense on the question. The quickness with which the incubus lifted once Rajaji and Kidwai acted firmly has lessons of inestimable value for the present.

Administrative Technique

The second case of the Grant of Extension to the Inspector General of Forests is by far the most important from the point of view of what may be called the technique of administration. It is also the case in which we would have been most grateful for a view of the other kind of reality I spoke of earlier. The case is important not only in itself but for the circumstance that it led collaterally to the abrogation by the Government of certain self-imposed restraints on itself. Briefly, in 1946, Government in a fit of austere self-discipline, imposed upon itself an obligation that constitutional provisions did not either then or later lay on it. This was the necessity to consult the Federal Public Service Commission (as it then was) in all cases of granting of extensions of service beyond the date of customary superannuation to officers in the senior services. The clash of opinion between Union Public Service Commission and the Government over the question of granting extension to a particular encumbent of the post of the Inspector General of Forests resulted in the Government's decision to withdraw the rule about prior consultation.

As to the merits of the particular case in which extension was eventually granted against the UPSC's wishes, it is difficult to be dogmatic, though as an exercise in persuasion the UPSC's was the better performance. The constantly shifting grounds of the arguments of the representatives of the Government showed that they were erecting principles as they were going along and as the case developed. This is not necessarily indicative of administrative bad faith, for there are no immutable first principles of administration. Those who have some knowledge of government's workings know that it is happening all the time. (The case study, by the way, illuminates also how to do it plausibly!) But the greatest weakness of the Government's case is undoubtedly its refusal to settle for the "re-employment" of the officer and its insistence on an extension of service, which imposed greater financial obligations on the Government. This unwillingness to fall in with the wishes of the UPSC throws grave doubts on the seriousness of the Government's arguments in favour of extension based on the officer's indispensibility. The UPSC was willing enough, after initial reluctance, to concede the officer's irreplacability and suggested the idea of re-employment which would have secured his services for the Government without violence to the principles that the UPSC argued for. As far as can be discovered from the case study, there has been no convincing reason why this way out suggested by the UPSC was not taken.

Apart from the merits of the case, why did the Government think it expedient to change the rule about prior consultation? The ends of the particular case would have been met by Government over-riding the particular advice of the UPSC. It has in theory the right to do so and it does exercise this right in practice sometimes. But the withdrawal of the rule about consultation in such circumstances is a serious matter. Mr. Muttalib's observations on this point are somewhat obscure. He says, "If the soundness of the executive order is to be judged by the reduced number of cases of non-acceptance, the Government assessment of the situation seems to be almost faultless — if during the first four years there were 13 cases of non-acceptance, (including six cases of extension), during the six subsequent years Government elected to depart from he advice of the commission in only four cases". This seems an odd comment. The first question is: "Government's assessment of what?" If it is the Government's assessment of the soundness of the decision to abrogate the executive order of 1946, then the kind of comparison that Mr. Muthalib institutes is totally irrelevant. Surely no meaningful inferences can be drawn from a comparison of total acceptances in two periods in one of which extensions figured and in another of which they did not. The more useful investigation would have been, first, the number of extensions granted by Government after the watchful eye of the UPSC was blinded unceremoniously, and second, the merits of such decisions. Judged by this criterion, the general impression is that what the Government has done, either by intention or by accident, is to free itself from an inconvenient fetter. It must be admitted, however, that there is no data available with the public to verify this impression, though one circumstance confirms it obliquely. The recent increase of the age of superannuation to 58 has had many reasons advanced in its favour. Among the unavowed one is undoubtedly the desire to obviate the very considerable patronage in the form of "extensions" that both Government and individuals in it possessed. The exercise of this patronage was assuming the proportions of a farce or scandal, depending upon the way one looks at these things, and had to be "regularised". Such an honest and sensible way of coming to terms with facts is to the credit of the Government but it answers the question about the soundness of the withdrawal of the executive order pretty conclusively.

Passing the Buck

Apart from these questions of principles, the percipient reader will glean from this study many an important lesson that he will find useful before he earns his pension. Among these are how to pass the buck to another, how to stall and how to sabotage quietly a proposal you do not agree with and even how to manage ministers without their suspecting that they are being managed. These lessons, of course, are in invisible ink between the lines.

The study of the Extension of Bokaro Thermal Plant brings home the need for looking ahead in power planning. The Public Hospital case illustrates two archetypes of officials. The one, pettifogging and rule-bound, who ties himself and others with endless yards of red tape and who is not above needling his betters by obsequious but insistent pointing out of irregularities. The other, with dash and energy, contemptuous and probably ignorant of rules, and not above cutting a corner or two in cutting the red tape. It is impossible that one man should combine both qualities and it is difficult to say that one is necessarily better than the other. Administrations all over the world have solved the problem by having both types in them each keeping within bounds the extravagances of the other. The last case study gives an interesting account of the evolution by trial and error of the administrative unit for Community Development in Mysore.

ASSOCIATION MEETING

Erroneous Sugar Policy will Retard Development

In his Presidential Address delivered at the 31st Annual General Meeting of the Indian Sugar Mills Association held at New Delhi on the 27th April, 1964, Rai Bahadur Seth G. M. Modi said :

The food and agricultural sector of which sugar is an integral part embodies efforts and aspirations of a vast majority of our people. In the matter of Plan priorities also which reflect the country's basic approach towards planned economic development, this sector has been accorded highest priority. The problem of food and agriculture is really complex. Land which has been neglected for years together without replenishing its fertility has to be exploited. Our agricultural operations at present are mainly dependent on the vagaries of nature. Only 16 per cent of the land is irrigated and production mainly depends on the bounty or fury of nature. In these days of scientific development, we should not merely be exposed to the mercy of nature but should take positive steps to provide adequate supply of water, fertilisers, drainage etc. The funds earmarked for the development of agriculture and irrigation over the First, Second and Third Plans have not been fully utilised. This is not desirable because, for development of agriculture and irrigation, foreign exchange hardly presents any problem and all requirements in this behalf can be met from internal resources.

Cane Development has also suffered, especially in the North due to dependence on weather conditions. There is urgent need for provision of adequate water supply in sugarcane areas through tubewells. The rate of supply of water from the tubewells at present works out to nearly Rs. 70 per acre in U.P. against Rs. 32 for supply of water through canals. This high rate has prevented the growers from taking full advantage of the tube-wells already installed by the State Government. Cost of chemical manure being about Rs. 46 per bag, its utilisation is beyond the reach of cultivators. The price should be reduced through an appropriate subsidy by the Government. Adequate drainage facilities should also be provided.

The basic problems of cane development have been with us for all these years but have remained unsolved. Without effective participation of the Central Government this problem may not be satisfactorily solved. Since sugar is a Central subject, it is most appropriate that larger and direct responsibility is assumed by the Government of India in the matter of cane development also to ensure quick results. The Central Government's participation in the intensive cane development schemes initiated in U.P., Bihar and the Punjab is welcome.

Most of the existing factories were put up during 1932-33 with a daily cane crushing capacity of 600 to 800 tonnes and their subsequent progress has been entirely dependent on the availability of quality cane. Since cane cost accounts for 70 per cent of the cost of sugar production, such of the factories as were fortunately placed in the matter of cane supplies expanded their plants while others located in areas of cane shortage have been marking time and have not been able to keep pace with the general development. They continue to be small size units with higher cost of production and are sometimes classified as uneconomic. Cane yields per acre and sucrose content continue to stagnate around the level obtaining when the facories were put up. Functioning under such handicaps if some factories have not been able to expand, it is hardly desirable to call them uneconomic or obsolete. While revising the price for the current season on the basis of actual working results of factories, Government should take into account the uneconomical working of the small units and compensate them adequately. The taking over of such units by the Government will not solve the problem. Provision for rehabilitation of such units in the price structure itself, as allowed in the case of cement factories, should solve their problems.

SUGAR OUTPUT

It is estimated that sugar output in the current season 1963-64 will be around 26 lakh tonnes which is less than what we need and had hoped for. Last year though sugar production was only 21.6 lakh tonnes, due to a very large carry over of 10 lakh tonnes from the preceding season, it was possible to export about 5 lakh tonnes and also distribute internally about 26 lakhs tonnes; but the carry-forward stocks at the end of last year were very nominal being barely 1.5 lakh tonnes.

Government, therefore, rightly decided upon various measures to maximise sugar production during the current season. Cane price was generally raised to Rs. 1.75 per md. and factories in gur competition areas were authorised to pay a minimum cane price of Rs. 2 per maund. Rebate in excise duty was granted to factories to enable them to start early and this concession also applied for the remaining part of the season. Simultaneously, Government also imposed restriction on inter-State movement of gur and khandsari and assumed powers to regulate cane supplies principally to the factories. This integrated policy embracing the three sweetening agents was indeed boldly conceived.

Initially the aforesaid measures had their desired effect on gur and khandsari prices which tended to decline. By November, 1963 as many as 129 factories had started against 86 during the corresponding period last year and production was higher by 70,000 tonnes. But as the season progressed, gur and khandsari prices again resumed their upward trends and the failure of winter rains and draught in certain areas of the North caused damage to the standing cane. There was large scale diversion of cane from factory areas to gur and khandsari and it is estimated that the industry lost about 5 to 6 crore maunds of cane as a result of such diversions. It is appreciated that the Food Ministry has been vigilant and has taken prompt measures from time to time to enable the factories to counteract competition from gur and khandsari. In March 1964, factories in U.P. were authorised to raise cane price by another -/6/- per maund. This helped the factories, particularly those in certain districts of West U.P. to prolong their crushing operations for some time and produce an additional output of about 50 to 60 thousand tonnes of sugar.

The measures taken by the Government have a limited impact and are not broad-based. They do not provide a lasting solution to the problem of securing equitable distribution of available cane supplies among the three users. For this, it is essential that the factories should be ensured freedom and flexibility in their working camparable to that enjoyed by gur and khandsari. Since the factories have no resources of their own, this freedom and flexibility to factories is possible only through an appropriate sugar policy by Government.

SUGAR MARKETING BOARD

The setting up of a Marketing Board in Sugar will perpetuate controls on the sugar industry and will upset the parity between the alternative users of cane which would inevitably affect sugar output adversely. The conditions under which a Sugar Marketing Board operates in Australia are basically different to Indian conditions. In Australia sugar factories consume all the available cane and there are no alternative users. Moreover, here we have wide disparities in the operating conditions of factories and consequently evaluation of their costs will not be simple. Its creation would result in a shaded market for the industry and will destroy all initiative to improve efficiency and the quality of sugar. With its restrictive effects on production, interests of the consumers will also suffer and they will be required to pay higher prices. It will also sap initiative in the industry for expansion and extension which will again go to hamper production in the long run. The Indian Sugar Delegation which visited Australia and Indonesia in 1955 recommended that the question of setting up a Central Body for sugar should be postponed until economic conditions reached a certain degree of stability. Conditions prevalent today are far from stable and do not justify the introduction of the Marketing Board.

COST INCREASES

An economic price structure is equally important for maintaining production and ensuring development of the industry. The Government are adopting the regional Tariff Commission Cost Schedules for computing control rates Costs have gone up in diverse ways since the preparation of the schedules on the basis of the cost data for the season 1957-58. Unless all such cost increases are taken into account and provided for fully in the cost structure, the industry cannot be assured of a fair price. The Indian Sugar Mills Association has submitted a detailed memorandum to the Government with necessary data in support of each item of cost where increases have taken place. Government should examine the data expeditiously to be able to provide for the same in the price finally fixed for the current season 1963-64. This is of vital importance to the industry.

LOW PROFITABILITY

The uneconomic price structure generally allowed to the industry has undermined its financial stability. The level of profits presently accruing is far from satisfactory. The Reserve Bank Study published in its monthly Bulletin of June '63, the Analysis of 1962-63 Financial Results of a large number of sugar companies in the North and the 'Financial Express Index Number' of Equities reveal that the sugar industry is making extremely meagre profits by any standards. It is beyond the means of factories to set apart adequate funds for rehabilitation, expansion etc. Were it not so, we would not be confronted with the acute problem of small units. Adequate profits must be assured to the industry.

SUGAR EXPORTS

The emergence of India as a sizable exporter of sugar in the World Market has been a most welcome feature of the sugar economy in recent years. Sugar exports are no more conducted to merely balance demand and supply within the country. They form an important part of our export drive to earn foreign exchange. In 1963 about 5 lakh tonnes were exported and the foreign exchange earnings are estimated to be over Rs. 32 crores. Raw sugar was produced in the country only last year. The immediate success that we achieved in producing raw sugar is indeed heartening. About 40 factories produced nearly 2.60 lakh tonnes in the last season and most of it was shipped to Japan, USA and Canada. We are now recognised as important suppliers of raw as well as white sugar.

In the current year, however, there is likely to be a setback in the export performance. This is entirely due to lower production in the country. It is likely that our total exports this year may be less than 3 lakh tonnes although the World Sugar Market has been quite firm for sometime past and this was the best opportunity for us to earn the maximum amount of foreign exchange. This slight set back is, however, a temporary phenomenon and with production increasing appreciably in the years to come, exports would be stepped up to at least 5 lakh tonnes per year if not more.

FUTURE PROSPECTS

Bright prospects lie ahead of the sugar industry. Demand for sugar in the country is continuously rising. During the third Plan period the rate of increase in demand has been placed at 1 lakh tonnes per annum while during the Fourth Plan it is expected to go up to 2 lakh tonnes. In keeping with this increasing demand, the Development Council has placed the 4th Plan production target at 45 lakh tonnes and there are indications that this may further be stepped up to 50 lakh tonnes. We have a vast export market to absorb surplus output and the industries dependent on sugar for raw materials such as alcohol based industries, are steadily progressing.

In the above context, it is regretted that while the Finance Minister has allowed certain important industries a rebate in corporate tax, sugar has not been included in the list of industry in whose case this concession would be applicable. This concession must be allowed as the development in this industry has a direct impact on the agricultural economy and sugar is a sizable foreign exchange earner.

NEXT SEASON'S SUGAR POLICY

Government should announce the next season's sugar policy as early as possible. Cane price for the next season has already been announced and it is hoped that the Government would give favourable consideration to the request for authorising the factories in the Northern and Central regions to pay a minimum price of Rs. 2 per maund as in the current season. Equally necessary is the announcement of Government's Policy with regard to other connected matters like early start etc. This would facilitate prior planning which is so necessary to achieeve the best results.

The Century Spinning and Manufacturing Co. Limited

Registered Office:

Industry House, Churchgate Reclamation, Bombay.

NOTICE is hereby given that the Sixty-seventh Annual General Meeting of the Shareholders of the Company will be held on Wednesday, the 27th May, 1964 at 4-30 P.M. at Industry House, Churchgate Reclamation, Bombay, to transact the Ordinary and Special Business mentioned in the Notice which is being posted to the shareholders alongwith the Explanatory Statement required Under Section 173 of the Companies Act 1956, the Balance Sheet, Profit and Loss Account and the Directors Report for the year ended 31st December, 1963.

N.B.:— A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.

NOTICE is also given that the Register of Members and Transfer Books of Equity Shares of the Company will be closed from Saturday the 2nd May, 1964 to Friday the 22nd May, 1964 both days inclusive.

The Directors have recommended payment of a final Dividend of Rs. 13 per equity share (subject to deduction of tax under the Income Tax Act) for the year 1963, to be paid out of the Dividend Equalisazation Reserve.

The Dividend when sanctioned will be made payable at the United Commercial Bank Ltd. Churchgate Reclamation Branch, Bombay from 3rd June, 1964 to those shareholders whose names stand on the Register on 22nd May, 1964, to whom dividend warrants will be posted.

BY ORDER OF THE BOARD
R. S. VENKITESWARAN
Secretary.

COMPANY MEETINGS

MANAGEMENT DEVELOPMENT IN HINDUSTAN LEVER

Speech delivered by Mr. P. L. Tandon, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Tuesday, 28th April, 1964.

Even more than capital and raw materials has a rapidly developing economy to think of its resources of management. For ultimately how well the economy grows will depend upon the calibre of its managers and their attitudes. We, in India, have been fortunate in this respect. Growth of trained management has been rapid and much attention has been paid to this need, and how big is the problem may well be judged from a simple calculation. Out of two million jobs estimated to be created in each year of the Third Plan, even at a ratio of 2 per cent of them being managers we shall need to train 40,000 new managers every year. This is indeed no small task, more so when it is considered that a manager not only must possess a basic discipline such as engineering, accountancy or marketing but to be really effective also receive training in how to be a manager: we have to develop in him besides his function the skills and attitudes of management.

We have always been conscious of this task, and how we view it and what we do about it is the subject of my speech today, as I feel you may be interested in knowing something about this most important aspect of our Company.

Although founded by the genius of one man, our parent company has always been professionally managed. This has been a strong tradition with us and one we have valued in Hindustan Lever. We have always bestowed a lot of care on the proper selection, training, development and promotion of men and women; we have looked ahead at our needs, foreseeable and unforeseeable, and tried to provide for them before they arise. Nearly twenty years ago, as an instance, we appreciated the need for Indianising our management, and the process was handled with care but with boldness till it ceased to need any further impetus some years ago. Over twenty years ago we began our Management Trainee selection scheme, which over the years has with attention and assimilation of new techniques improved until today it stands high by international standards. Opportunity for men from the general staff to rise to management has been another of our conscious efforts.

We have today 341 managers, of whom 178 or 52 per cent have risen from the ranks; a total of 11 or 3.2 per cent are expatriates; our selection and training department in 1963 recruited 26 managers and put through training courses 25 managers as well as 17 non-management staff; 5 from the staff were promoted to management. Our management strength forms 5.2 per cent of our total employees. Although essentially a manufacturing and marketing company, we have 27 women managers, who interestingly possess a diversity of specialised skills like psychology, operational statistics, scientific research, accountancy and home economics.

Management development with us is a complex of activities whose purpose, simply stated, is to ensure three things. First, to anticipate our requirements over the next five to ten years; second, to select, recruit and train men and women to fill those requirements; third, to develop attitudes and values in individuals that prepare them to meet their responsibilities at the standards we consider desirable. All this, ultimately, like capital expenditure, budgeting, annual estimates and erational plans, is the responsibility of the Board, assisted the active participation of all our managers and operated by the Personnel Department, which has a member on the Board.

MANAGEMENT FORECASTING

It takes time to make managers, especially to befit them for higher responsibilities; but we do not believe in age as a determining or even a particularly important factor, in fact it seldom enters our calculations. It is our experience that it takes about ten years to prepare a young manager to take over senior responsibility. If he has the ability and responds to development, with the opportunities that are constantly opening up in a growing and decentralised concern like ours, we would in fact be disappointed were he not able to receive his first shot of a senior independent charge in his early thirties. For all this much forward planning is necessary, especially where the future winners are concerned, for they have to be picked, groomed and trained for twenty years or more. And we may lose some in the process.

The instrument of forecasting is the Management Review which is prepared every year for the next five years. It is much like the Cash Forecast. It evaluates in terms of managers the needs of our business which will arise out of expansion, new projects, new products and organisational changes. This need is then equated with our internal resources, what will be generated by way of promotions from the staff to management, the losses that are likely to occur through retirements and losses through anticipated and unexpected separations. The exercise ultimately throws up our net requirement, which in a growing country and an expanding business must happily be always on the plus side.

The advantages of this exercise are three. In analysing our needs we make sure that they are genuine and not Parkinsonian; and in quantifying them we know when they are likely to arise and how we will meet them. Otherwise it can easily become a case of people retiring or new vacancies arsing without their having been provided for well in advance. We begin thinking of the replacement of retiring men some years ahead of the event. Men are nominated and tried, more so for senior positions. Planned transfers and cross-postings are also a part of development, often into functions different from their original skill or training. The third and important advantage is that the promotion potential within the firm gets carefully looked at. As it is the first priority to promote from within, each department in stating its needs will carefully consider how it can meet them from its own resources.

The Management Review is normally brought up to date every year, but sometimes circumstances may need an ad hoc study. Its preparation and follow up, like the Cash Flow, keep our management resources under constant study.

SELECTION AND RECRUITMENT

The five-year plan is reduced to an annual operating plan of recruitment and the Board is kept in touch with its progress. Every quarter a statement of the total strength of the Company is prepared showing staff in each category, retirements, separations, promotions and recruitment, and this is examined by each department, its director and finally by the Board.

From where do we get our managers? First, always, we look within. Who is ready to be made a manager and who is ready to move up? The process of following initial selection of staff with a good original record, observation, training and grooming should ensure a regular flow from within and a ladder for the men and women with the right qualities to climb to the higher levels.

Secondly, we recruit young trainees, fresh from the Universities with good degrees in humanities or sciences for the general side, in engineering and technology for production, qualified accountants for finance and audit. Experience may help, but we primarily look for a good mind and a likely ability to possess and develop the set of attitudes that we consider important for our business. These may be called "management-like qualities"; not easy to define but meaningful when they are there, and the cause of management failure when they are missing.

We resort to direct recruitment when it is necessary. In actual practice this is mostly confined to specialists as in our agricultural operations, animal feeding-stuffs, research, economics, statistics, engineering, medical and legal fields where we do not have specialist resources within the Company. But sometimes even in non-specialist jobs if we have not got a suitable qualified person, rather than lower the standard we will go outside.

Despite all the care we take in selecting, 20 per cent of our trainees do not make the grade. This may sound a high proportion and is costly, but one we would not like to see reduced through a sacrifice in our standards or through overcaution. These are young men who are basically able and well qualified but have either not taken to business or have not developed the attitudes we need. The answer perhaps lies in a keener follow-up on our part; to carefully isolate these attitudes; to try and build them into our training and of course to ensure that those training the trainees are themselves conscious of them. This is a task that we are now attending to. Were I to attempt defining them I would say that they are, positively and negatively, a dedication to our business, keenness for achievement without a desire for power for its own sake, a deep social sense, and ability to get on with the job without wasting time on the frills. In short, we prefer solid ability to just virtuosity. I am of course taking for granted the usual qualities of intelligence, industry, integrity, self-confidence, etc. We like poise and ease but put no premium on background as a veneer. We have also managed to be respected by those who recommend candidates to us, for we will carefully look at everyone who knocks on our door because we are anxious to take in talent, but we make no concessions to influence.

Some interesting features of our selection procedure may be worth mentioning. All applications—and we receive nearly 1,000 for every person selected — are screened for conforming to basic requirements of age and qualifications. Those who meet the requirements are sent a printed application form which, apart from details of the school and university career and any jobs held, asks for some data that would throw up academic and extra-curricular interests and hobbies, ideas about his career and any leadership experience at school and college. These are again screened by experienced persons, and the promising candidates are invited for a preliminary interview at the Head Office or one of our branches. Those who show promise are then invited to our Head Office at Bombay for final selections, which are held in two parts.

In the first part of final selections, a group of six to eight candidates is brought together to a conference table and given a choice of subjects and a case study which they discuss in the presence of four senior managers, who however only act as observers. The group is "leaderless" and has to organise its own discussion and provide opportunity to each member to display his qualities of mind as well as leadership and being led. Our consulting psychologist, who knows us and our requirements well, is also present at these group discussions, which he follows up with an interview at which each candidate is put through some psychological tests.

In the second part of final selections, the most promising candidates are put up before a senior board of at least two directors, the Personnel Director and some senior managers. From this group we finally select and offer appointments to as many as reach our standards, though we are always willing to take some risk with otherwise promising material. This must account for some of our losses. I should like to add that we try to make our selection procedure as objective and impartial as possible, particularly so that it leaves those who are not selected with a feeling that the process was fair. Secondly, the psychologist has not a decision making function; his role is confined to the use of technical methods of assessing such aspects of personality requirements as are relevant to the job. The information that is gained through his tests is considered along with other impressions formed of the candidate. The psychologist's opinions are helpful to the selection Board but not decisive. All opinions of the psychologist are treated as confidential.

We find from experience that the group method of selection has several advantages. It provides for greater scope for studying the different aspects of a candidate's personality. A group can be given certain tasks which cannot be given to an individual. The men are seen together and are therefore easier to compare. Rejection is also less painful in a group method, and although the unsuccessful may not always agree with the decisions of the selectors, group inter-action will usually make it abundantly clear as to who stands out. In fact the candidates when questioned individually, will usually pick the right ones themselves. Lastly, the procedure is economical.

TRAINING

Whatever the methods and techniques followed in the selection procedure, personal interviews, group discussions, psychological tests, etc., selection is only the first stage in the total process of acquiring and developing managers. After selection begins our real task.

Training is given individually and on the job. We have found from experience that young intelligent trainees do not like to spend months in circulating around the various departments of the Company watching how others do their jobs; instead they like to get down to a job themselves and so our training programme is now job-oriented. Also, this is the best way of judging their performance and potential at an early stage. After a very quick familiarisation programme lasting only about four weeks in a Division, they are put to work in it. Let us take the marketing side, which absorbs the largest number of trainees. The young man will go into the field and work under a salesman for a month, after which he will work independently as a salesman for three to four months. He then works under a sales supervisor for a month and then independently as a supervisor for another three months or so. By now he has been "blooded" and can hold his own in the field. The men who work under him later should recognise that behind what he expects them to do lies experience and ability to do it himself, and well. After this spell of about nine months in the field he works in a junior management capacity in branch administration where he learns to deal with the field work from the office end. After some months of this he is seconded to a sales manager and

helps him run an area. At the end of one and half years of all this training he is given his first managerial responsibility and appointed an Area Sales Manager. From then on he will go as far as he deserves.

All through the training his seniors devote a good deal of their time and attention to his progress, and the Board constantly receives reports on his progress. His Director will meet him regularly, and the Chairman occasionally. The progress reports are discussed in detail in a committee of the Vice-Chairman, his own Director and the Personnel Director. His training finished, a recommendation will be put up for confirming him in the covenanted grade of management; and the Chairman will usually personally hand him the covenant. He is from now on the Company's most valued investment, and we are deeply disappointed at our occasional failures, though they have to be faced in the interests of the Company as much as for his own sake.

Training never really stops. We have designed our own courses, principally to give the managers a broader picture of our operations and its environments and to sharpen their managerial skills. These courses are always residential and there they meet men and women from other sides of our business. The courses can be general or functional, as in marketing, finance, O. & M. To many of them we invite as participants men from our associate Unilever companies in Africa and Asia. We also send our managers to courses, seminars and conferences held outside the Company to provide the stimulus of meeting people from other organisations and particularly from Government and its undertakings. We send them to the Administrative Staff College at Hyderabad, the new Institutes of Management of Calcutta and Ahmedabad, the regional and the All India Management Associations, the National Productivity Council and to other more strictly functional courses.

Unilever's training facilities in the United Kingdom and its specialist courses in Australia and America are also open to us. We have also sent men to Henley and Harvard. Lastly, we send a few men every year to the United Kingdom for specialised training with Unilever companies in that country and on the Continent.

We find all this training, carefully planned for both its content and timing, an integral part of the growth of a manager. It has to be judiciously controlled though, to stop it from becoming a fad. Each name for outside training is examined carefully by the Board and each manager is made to realise that he can get out of a course only in proportion to what he himself puts in.

A very useful aspect of training is the encouragement we give to our managers to accept various extra-mural responsibilities. In a developing economy, it is natural that demands should be made on our managers by Government and other organisations and it is only right that we should make our contributions in the fields in which we have special knowledge or experience. We are, therefore, always prepared to help as long as the demands made on us are consistent with the priorities and requirements of our own business. We believe that this kind of assistance is to mutual advantage and, in the ultimate analysis, we gain as much from such efforts as we give because it adds to the knowledge and experience of our managers.

PROMOTION

Promotion is always and invariably on merit, irrespective of age or length of service. We frankly believe in the logic of the best man for the job because only then will the job be done best. But evaluating merit is not an easy task. We therefore do not leave such evaluation entirely to the time when the need for promotion arises but make it a continual process so that when the time comes it is quite obvious who the man is; in fact normally he has already been groomed for it. Evaluation with us is a constant process, consisting of progress reports, thorough training, personal contacts by the seniors and by annual personnel reports, discussions at the monthly Board meetings, job evaluations, short lists of promising men; all this helps to ensure unbiassed and objective judgment.

How do our managers respond to this system which takes away the crutch of "automatic" promotion? They accept it implicitly when they join us and, in fact, they often tell us that they regard this as one of the best reasons for joining us. The system, which they themselves will have the responsibility to operate, assures a fair assessment, and cases of unfair promotions are almost unknown. There may be two views on a quick or unexpected promotion but nearly always the sense behind the decision soon becomes obvious. The capable rise rapidly, so that they don't lose the fine cutting edge; some are inevitably left behind — arithmetic must work inexorably, for after all the shape of a management structure must be pyramidical. Those left are well looked after and have a very useful function in which their interest is kept alive through training and sometimes a change of job. In fact it is not that many are left behind but that some must get further and faster. To use an American phrase: There cannot be all "Chiefs and no Indians" (the American kind).

You may have noticed that I have frequently mentioned the Board in connection with selection, training and promotion of managers. This indicates not the control the Board exercises over these processes but the interest it takes in what I have already referred to as our most valuable asset. Management Development, as I have tried to describe it, is an integrated operation which has a quality of wholeness like marketing or manufacturing; and not merely the application of a series of isolated techniques. How well we grow, how successfully we meet the challenges will depend in the end on how well we select and prepare each man for his job and inculcate the right attitudes. I have tried to present to you the thinking and practice on this subject, but let me be clear. We are, of course, aware that what we are trying to do can be improved upon. To effect such an improvement is our constant endeavour.

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

YOUR ATTENTION PLEASE

To ensure prompt action, kindly address

all your correspondence to :—

The Manager,

EASTERN ECONOMIST,

UCO Bank Bldg., Parliament St.,

P. O. Box 34,

New Delhi-1.

MAHINDRA & MAHINDRA LIMITED

Speech delivered by the Chairman, Mr. Keshub Mahindra, at the 18th Annual General Meeting of the Shareholders of Mahindra & Mahindra Ltd., held in Bombay on 23rd April, 1964.

Ladies and Gentlemen,

It is a proud privilege for me to be addressing you for the first time and to be able to extend to you a warm welcome to the Eighteenth Annual Meeting. In their report to you, your Directors have expressed their deep feelings at the sad and sudden death of our Founder Chairman, the late Mr. K. C. Mahindra. Many of you in this room who knew him intimately over the years, will agree with me, that his greatness lay in his sensitivity towards people—which produced in all of us a deep sense of affection for him. He looked forward to meetings such as these, for they provided him an opportunity to share his thoughts with you on many issues. His speeches were the products of a mind which had a unique appreciation of knowledge and a remarkable gift of language and judgement. His appraisals invariably germinated food for thought.

Today I can think of no better way of paying adequate tribute to his memory and to the memory of the late Mr. J. C. Mahindra, than to narrate to you the story of the growth of your Company. It was in 1945—that our late Chairman together with his brother, laid the foundations of your Company. The first ten years were spent in formulating long term objectives, procuring talent, laying down sound management controls and training technical and managerial personnel. This was the time spent in exploring and choosing. Financial resources were being harnessed for the period of growth. These were the foundations laid for establishing manufacturing industries basic to the country's economic development. The record of the last eighteen years bears testimony to their zeal, devotion and tireless efforts.

Machinery Manufacturers Corporation was the first venture with public participation. This Company was formed with the object of manufacturing carding engines for the textile industry. The history of this Company may be known to many of you. In the years that followed serious setbacks had to be faced and met. The lack of a well defined protective policy, as well as initial resistance to an indigenously manufactured produce aggravated the situation. It is, therefore, of considerable satisfaction, that after years of struggle for survival, today the Company continues to be the largest producer of carding engines in the country. After fifteen years of operation, the maiden dividend was declared two years ago. It was perhaps this experience which made the Founders hestitate initially in inviting public participation in our new ventures.

Over the years a wide range of products were chosen for manufacture. The Automobile Division which forms the principal activity of the Company, now has an installed capacity to manufacture 10,000 Jeeps per year. This has been possible through an association with a large group in the U.S.A. and we have the privilege of having their President on our Board of Directors. The dependence on imports for components is fast diminishing and with continuing progress in the field of ancillary production, it is anticipated that an indigenous content of 90 per cent will soon be achieved. The Division is fully staffed with skilled technicians, and through its intensive training programmes for operators and engineers, it is to a great extent self-generating in its requirements of personnel. New factories are under construction at Kandivili, and it is envisaged that well integrated units will be ready for occupation by early next year.

Recognising the advantages of linking substantial investment with the procurement of technical "know-how" from abroad, your Company promoted a number of other units, which today serve our economy. In partnership with organisations in the U.K., various companies were formed to manufacture a range of products such as trailers, sintered products, air-cooled diesel engines, water meters and instruments. In collaboration with a German firm, a company was formed to produce synthetic resins, enamels and varnishes, while in association with an American company a unit has been set up to produce elevators.

Steel has always played an important role in the affairs of your Company, and while the import of steel sustained the Company during its formative years, a need was felt to establish a manufacturing unit in the country. To this end in collaboration with a leading French firm a Company has been floated for the manufacture of alloy steels. This, as you are all aware, is a large project involving considerable capital outlay. A second large project is the manufacture of tractors in collaboration with one of the largest corporations in U.S.A. This Company has been formed and shares will be offered to the public in the course of this year.

Looking back, it was in 1955 that shares were offered to the public for subscription. At that time the Company was privately owned by the family. Before the public issue, an offer was made to all employees of the Company who had five years service or more, to participate in the share capital. It is gratifying to remember that nearly all employees took advantage of the offer.

The First Public Issue was made with an offer of about 47 lacs of capital. The response from the investing public was overwhelming. Over the years there have been two further rights issues, incidentally both were over-subscribed, bringing the capital of the Company to the present level of Rs. 253 lacs and the number of shareholders has increased from 1860 to over 5500 today.

While the role of capital is not to be underestimated, it is labour which gives its meaning in industry. I think of labour in its integrated sense, embracing all members of an industrial enterprise, whatever their functions. Without the effort of labour to plan and to execute, capital remains stagnant. Corresponding with the increase of capital, our own labour strength in the parent Company has increased from 1200 in 1955 to nearly 5000 today. Labour in the Company looks to the future for increased earnings, for opportunities to better their way of living and for chances of promotion. Over the last four years, over 800 vacancies have been filled through promotions from within—sufficient assurance that ample opportunities exist in your Company for advancement. Better pay, good service conditions and a share in the prosperity of the Company have been the benefits accrued to labour. In response, the Company has their assured loyalty and a desire and enthusiasm to meet the ever growing need for better skill and more productivity.

In all our varied manufacturing activities we have always laid emphasis on quality control and I can say, that the quality of our products has ensured consumer satisfaction. Nor does our responsibility end with the sale of the product—the importance we have given to after sales service

has instilled a sense of confidence in the consumers, which must reap rich dividends in the future.

It is your faith and confidence that has made possible this growth. Great care has been exercised by your directors to ensure fair and reasonable dividends. Keeping in mind the need for liquid funds for expansion and diversification, your Directors have favoured a stable policy of dividends. The operations of the Company over the years have fully justified expectations, reflected by the profits earned from year to year. The shareholders enjoy an added sense of security that the reserves of the Company have increased to 80 lacs while the investment portfolio stands at 63 lacs. In conformity with the views expressed by many of you, a modest beginning was made in offering you shares in the new steel company. I hope that with continuing growth, there will be further opportunities for you to invest in new companies or in the expansion of the existing units—so that you may share in the prosperity of your Company—a share which rightly belongs to you.

The economy has reached a difficult stage in its development. The country through the Five-Year Plans is in the process of reappraising the methods by which desired social objectives can be achieved. You may well ask whether this transitional period will have any effect on our industrial philosophy. I can only answer you by affirming that practically every unit in the group is in the process of expansion and that we have our sights fixed on more ambitious targets in the future. We would be failing in our duty if we did not continue to contribute to the growth of the community to which we belong. In these endeavours we do not doubt that there will be vast difficulties. The large commitments we have already undertaken are a measure of the confidence we have in the future.

In reminiscing over the past, I may have taxed your patience. The encouraging and the guiding hand of the late Chairman is no longer with us. I am, however, fortunate in having the wise counsel of my colleagues on the Board which will make my task less burdensome. I have the loyalty of our employees and I hope your confidence. I am sure that you would like to join me in welcoming our two new Directors, Mr. Iengar and Mr. Hydari—they need no introduction from me.

You will be glad to know that for the five months of the current financial year that is to the end of March 1964. our operations in all divisions of our Company have been satisfactory. Production of Jeep vehicles averaged 900 vehicles per month and deliveries have kept pace with this production. The Steel Division has maintained its rate of booking and the Machine Tool Division anticipates a considerable volume of business during the year. I would not like to conclude before thanking all the staff for their loyalty and devotion to work during the year.

I thank you.

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

KAMANI ENGINEERING CORPORATION LTD.

Speech of the Chairman, Shri R. H. Kamani, on 23rd April 1964

Following is the summary of the speech of Shri R. H. Kamani, Chairman of Kamani Engineering Corporation Ltd., delivered at the 16th Annual General Meeting of the Shareholders on the 23rd April, 1964 at the Office of the Company at Bombay.

Welcoming the Shareholders, Shri R. H. Kamani, Chairman of Kamani Engg. Corporation Ltd. presented the Directors' Report, Audited Profit & Loss Account and the Balance Sheet and proposed the same to be adopted.

It was a matter of great satisfaction for Shri Kamani and the Directors that the company had attained a state of sustaining growth and it could look forward to continuing enjoyment of the fruits of the investment and faith of the Shareholders in the Company. He found that the new tax proposals were to a certain extent favourable to the basic industry, as in case of this company to whom a tax relief of 10 per cent in Income Tax and Super Tax and of 20 per cent in Sur Tax was available under these proposals. The latest concessions granted by the finance Minister allowed an additional depreciation of 50 per cent on the major portion of the plant and equipment which were normally working on three shifts.

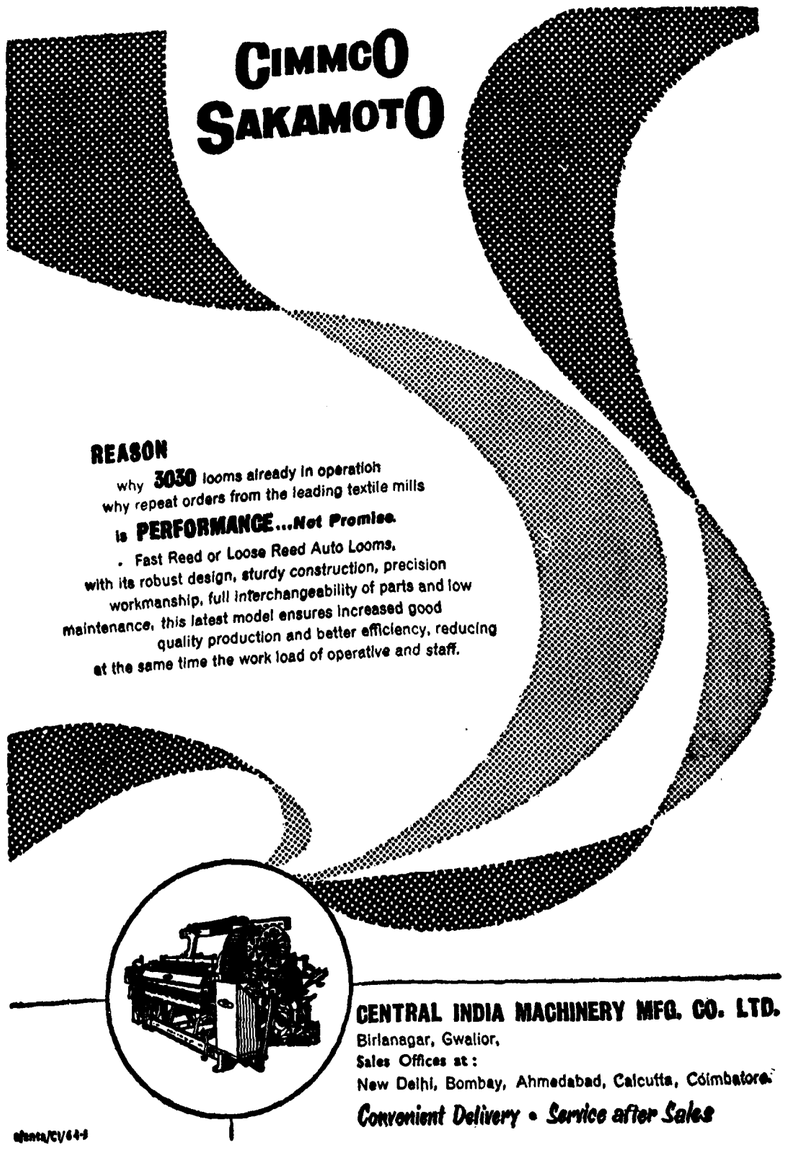
COMPANY'S WORKING :

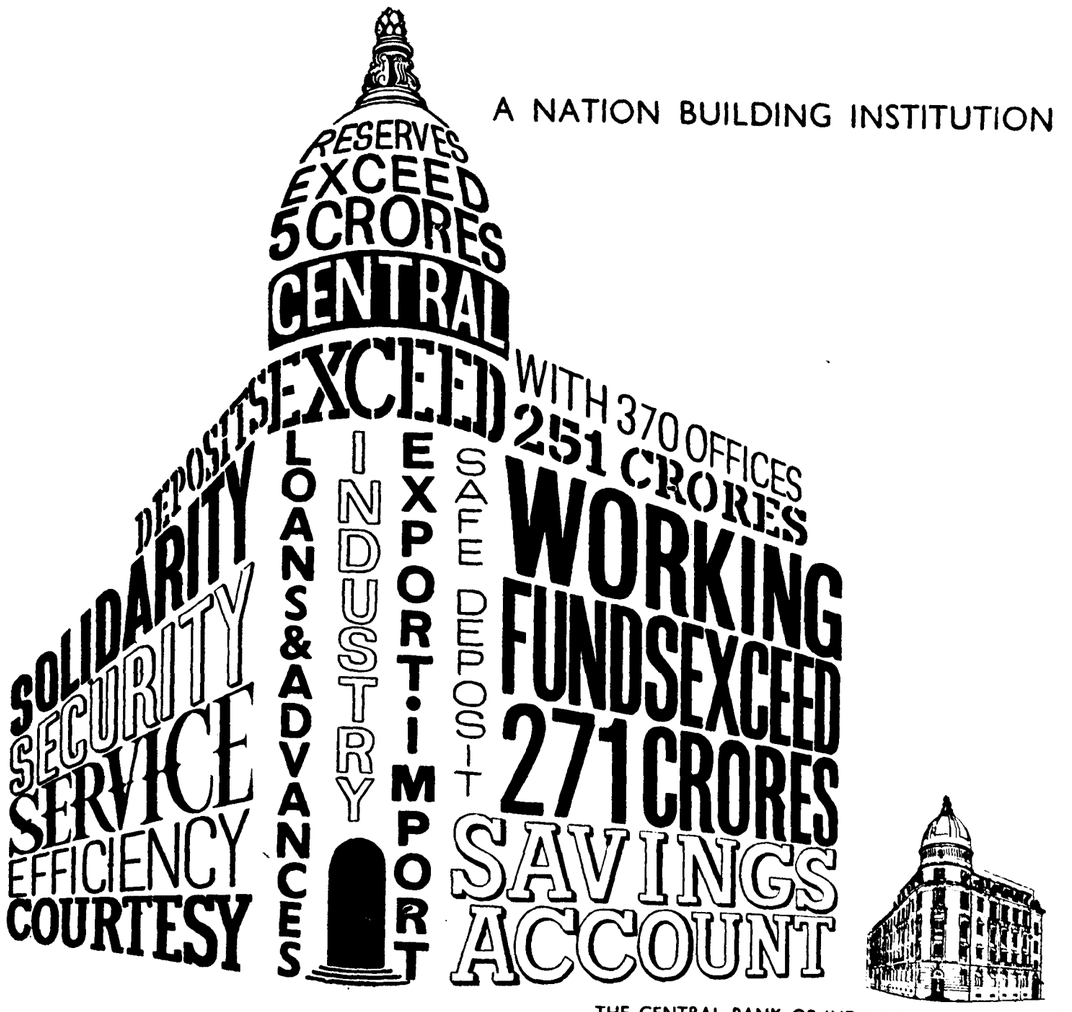
Mr. Kamani, deviating from the usual practice of specifically pointing out details of the Accounts already included in the Directors' Report, the Balance Sheet and the Profit & Loss Account, highlighted all round improvement in matters of profits and sales which were the highest in the company's history. The profits before providing for the depreciation and the Managing Agents' remuneration had increased from Rs. 36.38 lakhs to Rs. 41.84 lakhs which recorded a rise of nearly 14 per cent. The profits had risen in previous two years from Rs. 24.80 lakhs by more than 68 per cent, which has enabled the directors not only to increase the dividend from 9 per cent to 12 per cent in 1962-63 and to maintain 12 per cent but also to add to the reserve fund a further amount of Rs. 9 lakhs, inspite of their considerably increased burden of taxation during the same period.

RAW MATERIALS:

Referring to the raw materials position, the Chairman stated that as a result of emergency a very large portion of indegenous steel was being diverted towards high priority defence requirements; which made the supply position more difficult than ever. Certain categories of steel had been decontrolled recently on the recommendation of the Raj Committee in the hope that it would help ease the supply position. It had, however, inevitably resulted into some confusion and difficulties in supply as also into steep rise in prices. The Joint Plant Committee appointed on the Raj Committee's recommendation had twice increased the prices and at present the Indian Steel prices were the highest in the world. Shri Kamani could not overemphasise the need for stabilising these prices at a reasonable level, as they had a very great effect on the economy of the country.

Shri Kamani further pointed out the difficulties regarding timely delivery of matching sections which were being felt for last two decades and he earnestly hoped that the Joint Plant Committee and the main producers would adjust the production programme to the demands of the industry. He also hoped that the export oriented industry like this, would get steel at





concessional prices as was the case in every exporting country in the world.

Further, the Raj Committee had recommended import of certain quality of steel particularly some special sections, to ensure timely availability of matching sections keeping the prices at a reasonable level. Shri Kamani hoped that this recommendation will be implemented. He further sugested that the industry should be given regular quotas to import such matching sections on the basis of individual fabricating capacity and that the government should permit exchange of controlled categories of steel amongst factories in order to ease to a certain extent the difficulties of getting timely supply of urgently needed steel sections.

Shri Kamani also felt that the ultimate effect of the implementation of the Raj Committee Report will be in the interest of the country and of advantage to this company.

TRANSMISSION LINE TOWERS & STRUCTURES

Shri Kamani expected the demand for transmission line towers and structures to increase in direct proportion to the rapid increase in generating capacity of electric power, which was expected to be raised from 5.7 million KW in 1961 to 23 million KW in 1971. He, however, cautioned that the installed capacity, including the newly licensed capacity was more than the prospective demand in 1971, and any addition to the existing capacity will be detrimental to the economy of the industry.

'TRACTAMOUNT' ROAD ROLLER

In view of the increased demand, the factory had undertaken a programme of increased production of the improved model of these rollers and it was proposed to add some new items of implements to this line of manufacture.

ERECTION :

The Chairman was happy to report to the Shareholders that the company had completed five major transmission lines totalling to about 600 miles in five states viz. Gujarat, Orissa, West Bengal, Andhra Pradesh and Mysore, and that it was a matter of considerable achievement that 240 miles of 132 kV trunk lines for Dhuvaran power station in Gujarat and 100 miles of 132 kV lines in Orissa passing through extremely difficult terrain were completed in record time. Construction works were going on in full swing all over the country—in Andhra, Assam, Bihar, Gujarat, Maharashtra, West Bengal etc.

Shri Kamani informed that three power generating sets for Trisuli Hydro Electric Project in Nepal were supplied and a transmission line was being constructed for the project. This was a gift to the Government of Nepal from the Government of India.

Yet another notable achievement, as mentioned by Shri Kamani was the contract for the installation of a Ropeway with a big haulage capacity of 450 tons per hour, secured from Indian Iron & Steel Co. Ltd., in collaboration with the leading German firm of Pohlig. It would be one of the largest ropeways in the world and would be operating over a distance of 40 miles. The civil engineering work on this project had already started and the project was expected to be completed by end 1966. The orders on hand for supply of towers and erection were, at present, about 30% more than during the previous year.

EXPANSION :

In order to meet the increasing demand of towers as also to retain the foothold in export market our expansion scheme had been launched in Rajasthan which is expected to be completed within coming two years, when the capacity would increase by 30,000 tons per annum, and would greatly assist in meeting the demands of the northern regions like Rajasthan, the Punjab, Uttar Pradesh, Madhya Pradesh and adjoining territories, besides helping increase exports. The Govt. had already given clearance to the company's application for import of necessary machinery and plants of the value of Rs. 45 lakhs.

It was rather early to indicate the profitability of the scheme but Shri Kamani assured the Shareholders that the expansion programme will involve no reduction in the amount to be distributed as dividend and will be to the best advantage of the company. Once the production starts, the profits would proportionately increase.

RAILWAY ELECTRIFICATION :

The first contract for Railway Electrification in Eastern Zone having been completed, the company had participated in tenders for similar work in other zones and there were good hopes for securing further substantial business, Shri Kamani reported.

EXPORTS :

In the country today, Kamanis were the only exporters of transmission line towers and other structures, and inspite of numerous difficulties all the pending orders were successfully completed. The order from the Nigerian Government for 132 kV transmission line towers was under execution. Shri Kamani was sure that the Shareholders would be happy to learn that two large orders valued at over Rs. 28 lakhs had been secured from National Power Corporation, Manila (Philippines) inspite of keen competition from well known international firms including the Italian and the Japanese. These orders when completed during the current year would bring the total export efforts of the company to approximately Rs. 88 lakhs.

Referring to the various difficulties felt by the Company in execution of export orders, the Chairman commented that it was a difficult and unattractive proposition as timely delivery of matching sections, shipping space at reasonable rates, facilities of prefinancing etc. were not available. In order that quick delivery and longer credits demanded by foreign indentors be met, he suggested that higher priority should be given to steel for export orders and concessional prices should be charged, as was being done all over the world. He earnestly hoped that Government would seriously consider these suggestions in order that not only the export level is maintained but also be substantially raised during the coming years.

RESEARCH :

Various types of structural designs to effect economy in weights had been evolved, as a result of which Kamanis were the first in India to design, supply and erect 450 ft. high masts for All India Radio.

AGENCY BUSINESS :

The Agency business has shown good results with an increase of about 25% over last year's, mainly due to very large orders for insulators.

Recently the company was awarded an order for three power generating sets for Hydro Electric Power Station for Kuttiadi Project in Kerala.

LAHORE ASSETS :

Shri Kamani referred to the Directors' Report and stated that necessary legal proceedings had been instituted for the recovery of the company's property in Lahore, as the same had been released from the Custodian of Evacuee Property, Pakistan, and he was hopeful of getting it back.

He attributed the progress achieved by the company to the sincere efforts and willing co-operation of the workers and the members of the staff as also encouragement received from time to time from the Central and State Governments and the backing of the Shareholders and thanked them for the same.

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

THE BUCKINGHAM & CARNATIC CO. LTD.

CHAIRMAN'S SPEECH

Presiding at the Forty-third Annual General Meeting of the Shareholders held at the Company's Office at Madras on Tuesday, 28th April, 1964, Mr. D. W. Law said:-

GENTLEMEN,

It is my pleasure to welcome you to the Forty-third Annual General Meeting of The Buckingham & Carnatic Co. Ltd. Since you have had an opportunity to study the Directors' Report and the Accounts for the year ended 31st December, 1963, I shall, with your permission, take them as read.

TRADING CONDITIONS AND THE HOME MARKET:

Gross sales once more exceeded those of the previous year emphasising the continued demand for your Company's products and indicating that output was maintained at a satisfactory level. Sales would have been still higher if the Mills had not lost the equivalent of 10 days production in June due to a stay-in strike. The additional turnover has not resulted in a higher margin of profit as costs have risen and selling prices for the home market are still controlled. The effect of increasing costs cannot, therefore, be offset by greater margins and the present margins can only be maintained by greater efficiency in plant operation and economy in the use of stores.

EXPORTS:

Foreign exchange earnings unfortunately show a marked fall when compared with 1962. Export sales total Rs. 1.17 crores as against Rs. 1.64 crores in the previous year. The Ceylon market, once the major market for your Company's products, again did not come up to expectations due to restrictive import policies and the acute shortage of foreign exchange. As in the previous year, demand from Malaya and Burma was also disappointing and at the moment there are no prospects of the Burma market improving. Efforts are being made to obtain a greater share of the Malayan trade where for so many years your Company's cloths have been in constant demand.

Other erstwhile satisfactory export markets are commencing to establish their own textile industries, thus affecting Indian mills. In an endeavour to find new outlets, members of the Company's Sales staff have made lengthy journeys overseas and it remains to be seen whether their efforts will bear fruit. Initial reactions are encouraging.

There is no doubt that cotton mixture fabrics (especially Terylene-Cotton blends) which are easier to wash and require little or no ironing, have made their mark in the more sophisticated export markets, thus reducing the demand, to an extent, for conventional cotton piecegoods. Your Company is making progress with such mixture fabrics, but whether export business will result is problematical.

Indian mills can only continue as major exporters if they can lower their costs, improve their quality and cater for changing fashion demands more quickly.

COTTON:

The 1962-63 Indian cotton crop was very good and the carry over at the end of August 1963 improved to 19¼ lakh bales as compared with 14¼ lakh bales at the end of August 1962. In September 1963, Government suspended the Compulsory Survey Scheme introduced at the beginning of the previous season, because the current season started with a larger carry over and the progress of the crop was encouraging.

We now know that the 1963-64 cotton crop is a good one, and at present it is estimated at around 58 lakh bales. Quantitywise, the crop is up to expectations, but with all-India mill consumption figures proving to be very much higher than expected the supply position is by no means easy, particularly as additional spindles and looms are being installed in various parts of the country. As a result, raw cotton prices are high.

To make good the shortage of this essential raw material, it is most important that urgent measures are taken to improve the overall yield of cotton per acre, which continues to be well below that of other major cotton growing countries, and the stage has now come when intensive and scientific farming must be undertaken. The Central and State Governments are alive to this problem, and it is hoped that before the end of the third five-year Plan a substantial improvement in the quality and quantity of cotton grown in India will have been achieved.

FINANCIAL INFORMATION:

The financial position of your Company continues to be strong though owing to unusually heavy deliveries of cotton during the last two months of the year, the Bank overdraft was substantially higher than at the close of 1962. Your Board are now actively considering ways and means of financing the substantial programme of modernisation and expansion to which I shall refer later in my speech. It may be necessary for outside aid to be obtained, the extent of the financial burden possibly being beyond the Company's internal resources.

The usual amount of Rs. 5 lakhs has been allotted to the Debenture Redemption Fund bringing the total amount now set aside to Rs. 60.44 lakhs.

Shareholders will notice that the accounts, with the permission of Government, have been drawn up this year in a more modern form which is designed to present at a glance the salient features regarding the Company's financial position. Details have been relegated to notes and schedules.

LABOUR:

Last year I made a reference to the Settlement reached with representatives of labour on the rationalisation of the Spinning Departments and to the negotiations for rationalisation in other departments which were then in progress.

In May 1963, after the settlement on Rationalisation in the Spinning Departments had been in operation for over two months, a Settlement was reached before the Labour Commissioner on the re-organisation of the Engineering Department and the revision of wages of the workers therein. This Settlement was based on the Award of the Industrial Tribunal, Madras, in respect of textile mills in Coimbatore and Madurai and was in some ways more favourable to our workers than the Award of the Industrial Tribunal. However, implementation was obstructed by an unrecognised Union which incited the workers of the Engineering Department, who had gained substantial benefits from the Settlement, to stage an illegal stay-in strike. Despite this obstruction, the productive departments of the Mills were kept working for over two weeks. When this unrecognised Union failed in its attempt to bring the Mills to a standstill, other minor Unions stepped in and brought about an illegal stay-in strike in the Spinning Departments, and the Company was obliged to close the Mills. With Government's help, however, and the co-operation of the vast majority of the workers, who were anxious to work, the Mills resumed operations some days later.

The regrettable state of affairs that results from inter-Union rivalry was also seen in many textile mills in Coimbatore immediately after the bonus dispute had been settled through the good offices of the Chief Minister of Madras — and I hope that steps will soon be taken by Government to eliminate the threat to industrial peace presented by the uncurbed activities of minority Unions.

Barring the unfortunate closure of the Mills in June last year, I am glad to report that industrial relations have been generally satisfactory. Absenteeism, however, showed no significant improvement.

During the year an agreement was reached with labour whereby an enhanced retirement gratuity becomes payable. The total estimated liability not provided for amounts to Rs. 1.20 crores. Provision will be made out of profits for liabilities accruing in future which are estimated at about Rs. 5 lakhs per annum while the question of meeting out of Reserves payments in respect of past services, is now receiving consideration.

The report of the Bonus Commission has recently been released and I can only say that the majority report is unrealistic and unsympathetic to the needs of industries in a developing economy. If this country's five-year Plans are to prosper, the need to rehabilitate and modernise existing plant and machinery and to ensure a return on capital sufficient to attract the investing public, both at home and from overseas, cannot be disregarded. The majority report of the Bonus Commission makes no provision for rehabilitation or modernisation as a prior charge when arriving at the distributable surplus before granting bonus — and even the rate of return on capital, which was considered to be fair and reasonable by the Labour Appellate Tribunal in 1950 has in effect been reduced. The representative on the Commission of the employers in the Private Sector has submitted a Minute of Dissent with regard to these particular issues, and I hope that Government will give due weight to it before taking action on the Commission's report.

DEVELOPMENT:

In common with many Textile Mills in India, much of our machinery is old and your Directors have under active consideration plans for the progressive modernisation and expansion of the plant. Particular attention is being given to the modernisation of certain dyehouse processes and to the provision of increased capacity for generating process steam.

In order to increase the Company's export business it is intended to install modern, high speed machinery, so as to increase productivity and reduce costs. Imported textile machinery is necessary for this purpose and it is hoped that Government will assist the Company to obtain such machinery by releasing the foreign exchange required.

DIVIDEND:

Your Directors have again recommended a final dividend of Rs. 12 per share bringing the total ordinary dividend for the year to 18 per cent gross. The increased dividend paid for 1961 and 1962 has thus been maintained, but I would again remind shareholders of the need to conserve funds and would point out that in paying a total dividend of 18 per cent for the year, the transfer to General Reserve has been reduced from Rs. 8 lakhs in 1962 to Rs. 2.50 lakhs this year.

FUTURE PROSPECTS:

In 1964 costs again are expected to rise but as against this, the Emergency Insurance Fund Levy is unlikely to be the burden it was in 1963 when it cost your Company over Rs. 8 lakhs.

The Tariff Commission appointed to investigate the industry's selling prices has not so far issued its report. As each day passes there is a stronger case for permitting mills to raise their selling prices and it is to be hoped that the representations made to Government by the textile industry will be listened to with sympathy.

ACKNOWLEDGEMENT:

The results achieved, in spite of the loss of production in June, are due to the continuing loyalty and endeavours of the Officers and Staff of your Company, who, as I said last year, in spite of fresh problems and complications have continued to serve with that efficiency and steadfastness which we have come to expect. You will no doubt wish to join me in thanking them for their services during 1963.

In conclusion, I would like to record my thanks to my colleagues on the Board for their loyal support and co-operation.

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

THE BANGALORE WOOLLEN, COTTON & SILK MILLS CO. LTD.

Presiding at the Eighty-first Annual General Meeting of the Shareholders held at the Company's Office, Agraharam Road, Bangalore City on Monday the 27th April, 1964, Mr. D. W. Law said:-

GENTLEMEN,

I have pleasure in welcoming you to the Eighty-first Annual General Meeting of The Bangalore Woollen, Cotton & Silk Mills Co. Ltd. The Directors' Report and the Accounts for the year 1963 having been in your hands for the prescribed period, I shall, with your permission, take them as read.

TRADING CONDITIONS AND THE HOME MARKET:

The year under review was exceptional due to the very considerable demands for your Company's products by Government and since the cloth concerned, Angola, is an expensive one, Government's demand had the effect of increasing the gross value of sales of all qualities to over Rs. 8.5 crores. Substantial portions of the Mill machinery worked on three shifts in order to complete Government's requirements within the specified time. As a result of this pre-occupation, the output of Cotswol and cotton qualities was reduced and we had perforce to disappoint many of our faithful customers.

In the Cotton Section selling prices continue to be controlled and thus the only method of maintaining margins is to increase efficiency and effect economies wherever possible, in spite of the rising cost of spare parts and vital stores.

Last year, I mentioned that "Varsity" a Terylene Woollen suiting which was introduced towards the end of 1962 had made satisfactory progress, and I am glad to confirm that the future envisaged for this cloth 12 months ago has materialised, and as soon as raw materials and manufacturing capacity permit, production will be further increased.

The Silk Section, although small, continues to play its part and make its contribution to the prosperity of the Company. As usual, difficulties were experienced in procuring

raw materials and it is to be hoped that the silk supply position will be better this year.

EXPORTS:

Active steps are being taken to improve exports both of Union and Cotton fabrics but, unfortunately, Ceylon, which until 1961 had been one of the best of overseas markets, has been forced to curtail imports thus affecting your Company's exports of cotton piecegoods to that Island.

Trading conditions in Malaya have also not been encouraging, but exports of Cotswol and Angola to various markets, including the U.S.A., Canada and the U.S.S.R., were not inconsiderable, and I hope in 1964 business with these countries will still further develop. The United Kingdom is also showing an interest in these two cloths and recent reports from our Sales staff indicate there are prospects for both cotton piecegoods and union fabrics in certain European countries and in West Africa. The necessity to export and to earn foreign exchange has our constant attention.

COTTON:

The 1962-63 Indian cotton crop was most encouraging and the carry over at the end of the season improved to 19¼ lakh bales, which was better by 5 lakh bales than in the previous year. Government, in September 1963, suspended the Compulsory Survey Scheme introduced in the previous season because the current season commenced with a larger carry over and crop progress was encouraging. It is estimated that the 1963-64 commercial crop will approximate to 58 lakh bales which is satisfactory, but with mill consumption increasing, quite apart from the installation of additional spindles and looms, the supply position is not without its difficulties. The long term solution to the country's ever increasing demand for cotton is to improve the yield per acre. Both Central and State Governments are aware of this necessity and efforts are being made in this direction by further utilisation of fertilisers and the scientific development and distribution of seed cotton.

IMPROVEMENTS:

The 34 additional looms expected during 1963 duly arrived and have been installed, thus completing the union establishment. Conversion materials ordered to modernise parts of the Carding & Spinning Departments have arrived and by the end of the year, negotiations with the Labour Association in connection with our modernisation plans in these departments were well advanced.

Several new machines for improving the efficiency of the Dyehouse were installed, thus enabling this important section of the Mill to keep up to date and to operate in an economical manner.

The changeover from coal to oil firing was finally completed on May 28th, 1963. The difference in the appearance of the Mill now that coal is no longer used is most marked. The cleanliness resulting from oil firing has already had its effect both on morale and on the quality of your Company's products. The cost of oil firing the boilers is only fractionally higher than when coal was used.

GENERAL:

Included in the Profit and Loss Account under the heading "Provision made in previous years no longer required" is a sum of Rs. 6,75,184. This figure represents the excess provision for the cost of electrical energy between 1955 and March 1963 when the rate at which your Company was charged by the Mysore State Electricity Board and its predecessors was in dispute. This excess provision is, therefore, shown as income in the 1963 Accounts. I am glad to report that a fresh Electrical Energy Agreement with the Mysore State Electricity Board, which is valid for 5 years, was signed on the 30th September, 1963.

FINANCIAL POSITION:

The Company's financial position continues to be excellent which is as well because the cost of our expansion and modernisation plans, which will be implemented during the next few years, is considerable.

Shareholders will notice that the accounts, with the permission of Government, have been drawn up this year in a more modern form which is designed to present at a glance the salient features regarding the Company's financial position. Details have been relegated to notes and schedules.

DIVIDEND:

A final dividend of Rs. 18 per share has been recommended, bringing the total ordinary dividend for the year to 24 per cent gross, which is 6 per cent more than for 1962. Your Board considers that, on the year's results, this increased dividend is justified, but would draw shareholders' attention to the need to conserve funds for expansion and modernisation.

FUTURE PROSPECTS:

It is to be hoped that this year there will be some relaxation in the price control of cotton piecegoods enabling mills to recoup some of the increasing costs of raw materials and stores, for, as you know, mills' selling prices have been pegged since the end of 1960. During the latter part of 1963 it was announced that mills would be allowed to increase their loom capacity by 10 per cent and their spindleage by 7½ per cent. Your Company, intends to take advantage of this announcement and a comprehensive expansion and modernisation programme is under active consideration. World technique in textile machinery manufacture have recently advanced so rapidly that there is a danger of new equipment becoming outdated soon after it is installed. The choice of which machine to purchase, provided the necessary foreign exchange is available, is thus a most important factor which is receiving the most careful consideration for, apart from the assistance the indigenous textile machinery manufacturing industry can give, it will be necessary to purchase the latest and most up-to-date equipment from overseas in order that your Company, and the Cotton Textile Industry as a whole, can compete effectively in export markets.

LABOUR:

It gives me pleasure to report that the cordial relations which have existed between the Management and Labour in these Mills in the past, continued throughout the year, but once again successive absenteeism has been a factor affecting production and this serious social problem is retarding the country's advance due to the many man-hours lost.

ACKNOWLEDGEMENT:

Once again I am confident you will wish to join me in expressing a tribute to all the officers, staff and employees without whose efforts the satisfactory results achieved would not have been possible.

During the year your Company suffered by the deaths of Mr. Bennett and Mr. Nagesha Rao, both officers of considerable experience whose services we have enjoyed for many years.

At the end of March this year, my colleague, Mr. R. E. McLellan, who was the Director in immediate charge of your Company since 1958, retired after over 30 years service with the Binny Group. I would like to place on record our appreciation of his contribution to this Company over this long period during which your Company has progressed from strength to strength. Mr. McLellan has fully earned his retirement and I wish him and his wife all happiness in the future.

In conclusion I would like to express my gratitude to my colleagues on the Board for their loyal support and co-operation throughout the year.

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

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(Amalgamating National Bank of India Limited, Grindlays Bank Limited and the Eastern Branches of Lloyds Bank Limited)

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

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

London Branch:

13, ST. JAMES'S SQUARE, S.W.I.

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

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

Delhi Branches:

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

NGBANSA



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Bata

INDIAN ALUMINIUM CO. LTD.

Address to members of the Company, by the Chairman, Mr. H. V. R. Iengar, at the twenty-sixth Annual General Meeting held in Calcutta on April 27th, 1964.

I have pleasure in welcoming you to the twenty-sixth Annual General Meeting of the Company.

I think it will be in accordance with both the pattern set by tradition for Chairman's speeches and with my own conception of what such speeches should contain if I adopted as a general theme today the responsibility of an organization such as Indaluco in the developing economy of our country. But I would like first to deal with our performance in 1963.

As industrialization of the country proceeds, the market for our products continues to grow, and large areas of demand remain unsatisfied or undeveloped. In these continually favourable conditions, and benefiting from the completion of increases in capacity undertaken in previous years, the Company achieved new levels of sales and earnings in 1963. The total value of sales at Rs. 138.9 million was 32 per cent higher than in 1962; gross profit improved to Rs. 38.2 million from Rs. 24.0 million, and net profits were also markedly higher at Rs. 16.0 million compared with Rs. 12.6 million for 1962. The latter increase was achieved despite the higher tax charges in 1963 which reflected a reduction in Development Rebate, the impact of Super Profits Tax, and the company tax incurred in respect of the bonus issue. Taken together, all these figures are evidence of our sustained growth and amply justify our past investments in new productive units.

Whilst primary aluminium production rose by 10 per cent to over 25,000 tonnes, despite a prolonged power cut in Alupuram which reduced this smelter's output, and to which I will refer again later, there was a sharper increase in production of semifabricated products which rose to over 19,000 tonnes, from under 13,000 tonnes in the previous year. This increase in semi-fabricated output was made possible by the expansion at Belur completed in 1962 and by overcoming teething trouble encountered when the new equipment was first put into production. Output from our other plants continues to be very satisfactory.

To meet part of the capital requirements for the current expansion of the Alupuram smelter, and for the foil mill under construction at Kalwa, the first benefits of which are not expected until 1965, a number of security issues were made during the year. The authorized capital of the Company was increased to Rs. 100 million by the creation of an additional 4 million ordinary shares, and the issued capital of the Company increased by rights issue of 301,276 new ordinary shares of Rs. 10 each at a premium of Rs. 15.50 per share, part of which is still to be called.

Additionally, a public issue of 7 per cent Debenture Stock for Rs. 10 million was made on January 11, 1963, and the Commonwealth Development Finance Company Limited were issued £100,000 Sterling Debenture Stock on March 30th, completing an issue of £500,000 Sterling Debenture Stock agreed to in 1962.

Finally, on December 30th, there was a bonus issue of 1,200,889 fully-paid ordinary shares of Rs. 10 each in the proportion of one for four. Whilst this issue did not increase the amount of shareholders' funds employed in the Company, it brought the issued capital more into line with the true shareholders' investment.

On the basis of the results for 1963, and in view of the satisfactory level of activity experienced at the beginning of this year, your Directors felt justified in recommending a total dividend for 1963 of 17½ per cent on the augmented ordinary share capital. Simultaneously, the allocation to general reserve has raised it from Rs. 19.5 million to Rs. 31.5 million.

You will wish to know the immediate effect of the Budget proposals on the Company. Allowing for uncertainty of interpretation, the estimated net effect of the proposed changes will reduce the provision for Company taxation in respect of 1963 by about Rs. 2 million, which will appear as a credit in the 1964 accounts.

The Company will benefit from the rebates to be allowed against income and super-tax and also against the new surtax. The Finance Minister's general policy of encouraging the development of particular industries includes the aluminium industry, and will facilitate future expansions.

We welcome the Finance Minister's intention to continue the Development Rebate for key industries beyond April 1st, 1967. It is important to an industry such as ours in which new productive units require large amounts of capital and relatively long construction periods, to be assured of some stability in the fiscal climate. The Minister's assurance in regard to continuation of Development Rebate will be helpful from this point of view. Nevertheless, the proposed tax on bonus share issues and the 7½ per cent tax on distributed profits both seem certain to have an adverse effect on the capital market and to make the task of those who find it necessary to raise fresh capital considerably more difficult.

Looking into the future, our Company will continue to make progressive efforts towards supplying metal and fabricated products at reasonable prices, permitting us to pay good wages to our workers and to earn and distribute satisfactory profits. Beyond the pursuit of these interests, however, we feel a further responsibility to make such contribution as we can towards the expansion of aluminium production so badly required in India.

When the Emergency arose as a result of the Chinese invasion, Indaluco offered immediately (a) to step up the production of aluminium in Alupuram by an extra 5,000 tonnes although, from certain points of view, this was not an ideal location for increased smelter capacity; (b) to make special alloys required by the Defence Services; and (c) to loan to Government, without any obligation, some highly qualified technical members of the staff, to enable Government to decide on the planning of the industry in the light of the rapidly changed Defence situation. All this was intended to be a measure of short-term assistance. On the long-term, the Company assessed what its place in the economy should be against the background of the requirements of metal in the country in future.

On the best assessment we can make the country will require, by the end of the fourth Plan, very much larger quantities of metal than have been planned for at present. Your Directors realized that, if the Company should take its appropriate place in the context of metal required in the future, it should make an earnest effort to expand its operations. Naturally, they hoped that while the siting of new operations would be based, primarily, on the sources of power and of bauxite, it could be so adjusted as to lead to rationalisation of the Company's own transport structure which at present, due to historical reasons, is not entirely rational. All the arguments suggested that the Company should concentrate on getting permission from Government to expand on the West Coast.

I am glad to inform shareholders that we have had satisfactory discussions with the Ministry concerned, viz., the Ministry of Steel, Mines and Heavy Engineering, who have now asked us to submit an application for an Industrial Licence. We are submitting an application shortly. The intention is that, initially, we should put up a smelter with a capacity of 30,000 tonnes, but this will form a nucleus of a much larger scheme of integrated aluminium production on the West Coast.

Despite the strong demand we foresee, it is obviously desirable that production costs should be brought down, and

it is the policy of Indaluco to make every endeavour in this direction. I wish to draw your attention to two elements of cost over one of which the Company has no control and over the other only limited control. The former is a matter of power supply and power costs; the latter of the productivity of labour.

Throughout the first half of 1963, we suffered long spells of power cuts at our Alupuram smelter, which resulted in a loss of 950 tonnes of metal production. In 1961 and 1962, similar power cuts had resulted in a loss of 150 and 400 tonnes respectively. There had been intermittent power cuts at Alupuram even before this period but we had reasons to believe that with the augmentation of power-generating facilities in the State there would be no recurrence of such power cuts. But the situation appears to be worsening. The extent of the 1963 power cut was more severe than any in the previous years and in the current year also a 25 per cent power cut has been enforced from February which has further been increased to over 40 per cent from March. These interruptions in power supply not only seriously affect production but cause technical dislocations which take considerable time and expense to remedy. Consequently, costs go up. However, we have an assurance from the Kerala Government that every effort is being made to increase generating capacity further and it is expected that by the end of 1965 the necessity to impose power cuts will be obviated to a great extent.

There is also the tendency on the part of State Governments to levy duty on electricity consumption, which has the effect of increasing the contracted price for power. As electricity is a major raw material for the aluminium industry, aluminium producers seek to enter into long-term contracts with suppliers of electricity (State Governments, in our case) to ensure continued supply of power at rates which may sustain the industry on a long-term basis. It is, therefore, obvious that the sanctity of such contracts should be preserved not only as an act of faith but for sound economic reasons. Without belittling the omnipotence of the legislature, it seems necessary to point out that legislative powers, where they seek to vary or abrogate contractual relations, should be used, if at all, with great discretion and in the real interest of the community at large; never as an expedient to raise some additional financial resource.

Apart from power cuts, an important factor which is preventing a reduction in costs is low productivity in India. A study which I had had made some time ago showed very unfavourable comparisons between our own plants and similar sized plants overseas. I am not suggesting that the comparisons necessarily reflect adversely on the efforts of workers. Production per employee is influenced by a large number of factors other than the efforts of workers. Such other factors would include mechanization, size of the productivity unit, adequacy of raw material supplies and transport, production planning, management and scientific knowledge and so on. My submission is that each of these aspects should receive close attention and scrutiny, for thus only can we achieve internationally competitive standards of productivity and maximum economies of production.

An important influence on productivity is the human factor involved in management/labour relations. Last year, in my address to you, I had mentioned that it was imperative that we secure the co-operation of trade unions and industrial workers in order to achieve a standard of productivity which is comparable to those outside India. Your management has been unsparing in its efforts to develop such standards of productivity. I have pleasure in informing you that following the understanding we have reached with the Union in Hirakud there has been significant improvement in production and efficiency. I am also happy to inform you that our Alupuram Union has recognized the necessity for further increasing productivity and rationalizing work standards and has agreed with the management to make every effort to man the new smelter with the existing personnel, as far as possible. I consider this a significant step demonstrating an enlightened trade union attitude.

In a democratic society, industrial disputes are bound to occur and it is common knowledge that such disputes are invariably resolved in course of time. It is also obvious that the most enduring way of resolving these disputes is through collective bargaining and mutual consent. And yet I find these processes becoming increasingly ineffective and slow. Sometimes a great deal of damage is done both to the industry and the workers by such procrastination. In the majority of cases, the delay hardly improves the bargaining position of either of the parties and only contributes to a national wastage of effort. It seems that both sides must train themselves to negotiate in "good faith". Exaggerated demands in the hope that an understanding would be reached somewhere at the "half-way point" should be eschewed. There should be sufficient appreciation of the fact that a co-relationship exists between wages, production and costs. Collective agreements are, no doubt, the results of give-and-take but methods which the parties pursue should be based on goodwill, a scientific approach, and must demonstrate a regard for the public interest. I feel that if these considerations are kept in view, a tradition of healthly, mutual negotiations will be established in the country and will prove beneficial both to industry and the workmen.

On this problem of human relations as affecting productivity in industry views appear to have become stratified. The different parties concerned, viz. the Governments, both the State and the Union Governments, the Trade Unions of different persuasions, and different employer organizations have taken up positions, involving some rigidity of posture. It may be that a solution has to be many-sided; it may involve re-thinking on the part of all three parties. It seems necessary that a fresh look should be given to see where a break-through is possible. A solution may arise out of a fresh study of the problem by a body such as the National Productivity Council which, happily, has a tradition of a joint approach to problems of productivity by Trade Unions, employers and Government, with the assistance perhaps of outside experts. Your management has discussed the problem—not as a problem affecting Indaluco but as affecting Indian industry generally—with the National Productivity Council and has also offered to finance a research project up to a lakh of rupees. I hope something useful will emerge out of our discussions with the N.P.C.

Before I conclude, I have to make reference to a sad fact, of which I am sure all of you are aware. Mr. K. C. Mahindra, who was at the helm of the Company's affairs for over twelve years, died on October 31st, 1963. As an industrialist, a philanthropist, and an elder statesman, Mr. Mahindra was well known throughout India and many obituaries have been written mentioning these traits. Your Company's relations with him were, however, more intimate. He guided the policies of your Company and set the pace for its continued growth and for its high standards of efficiency. In many of his addresses before you, he pledged the Company's resources to the development of the aluminium industry in India. In his last address to you, he made a prophetic observation. Referring to the expectation that India would reach the stage of a self-sustaining economy by the end of the Fourth Plan, i.e. 1971, he said: "In our own sphere of industrial operations, I make bold to state that the Indian Aluminium Company would reach this stage five years ahead; I mean that expectations are that your Company would by 1966-67 achieve sufficient strength to stand on its own and generate enough technique, enough management, and enough resources to follow through further expansions." Probably, his hopes have already been realized, but let us, in mourning his loss, resolve to fulfil all his expectations through dedicated service to the Company, the industry, and the country.

Finally, I wish to thank on your behalf the management and all the employees of the Company—the staff and the workers—for their efforts and co-operation which contributed to the satisfactory results of 1963.

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NATIONALISATION OF BANKS WILL HAVE DISTURBING EFFECT UPON FOREIGN ASSISTANCE, SAYS SIR HOMI MODI

Summary of the Speech delivered by Sir Homi Mody, Chairman, Central Bank of India Ltd., at the Annual General Meeting of the Shareholders on Tuesday, April 28, 1964.

"On the whole, it would be correct to describe the year under review as one of economic stagnation", observed Sir Homi Mody, Chairman of the Central Bank of India Limited, at the Annual General Meeting of the Bank on Tuesday, the 28th April. There was a decline of a little over 3 per cent in the total agricultural production, the set-back in the main cereals like rice and wheat being as much as 7.5 per cent, which, viewed against the background of a relentless growth in the population, was a matter for much concern. Sir Homi said that this cannot be allowed to be explained away by casual references to natural phenomena. The fault really lay in the doctrinaire land policies forced on the country, mainly for ideological reasons. Some hundreds of crores of rupees had been spent in the last ten years on Community Development and Extension Projects. That they should have yielded next to no results indicated the failure of both planning and execution.

Although industrial production had recorded an improvement of about 8.5 per cent, it was less than the rate of increase envisaged in the Third Plan. The growth of national income was feeble and halting and there was an upward pressure on the general price level. The mid-term appraisal of the Third Plan had come as a rude reminder of the basic defects of Government's planning policies. Undue concentration on heavy industry, Sir Homi remarked, had become an obsession with the architects of our Plans and had imposed on the common man a heavy burden of privations, which he was required to put up with in the present, in the fond hope that some day, his progeny would enjoy the fruits of his sacrifices.

Turning to the Budget of the Central Government, Sir Homi recalled how at the last Annual General Meeting he had emphasised that any scheme of fresh taxation based on the grossly inaccurate estimates which were being presented annually to Parliament could not but be unfair and oppressive. Last year's figures, he said, told the same old tale, an estimated deficit of Rs. 16 crores having been converted into a surplus of Rs. 88 crores! Yet, every Budget ignored this trend and proceeded to levy fresh burdens on the helpless tax-payers. Meanwhile, Government's administrative expenditure, not all of which could be considered productive, mounted, and inflation and the resultant fall in the real value of the rupee continued to inflict greater and greater hardship on the common man.

When the present Finance Minister assumed office, much was expected of him and it was believed that he would make a realistic approach to the whole scheme of taxation and give substantial reliefs. Instead, the present Budget proposals merely rectified some anomalies, put the income-tax rate structure on a somewhat more scientific basis, leaving the totality of the burden alone and actually increasing it by Rs. 40 crores, of which the share of the Corporate Sector was estimated to be Rs. 11 crores. It is impossible to understand how the economy of the country could recover and how the capital market which had dried up could ever come to life in these conditions. "When one comes to the specific proposals for taxation," observed Sir Homi, "one does not need to be an economist to appreciate the dire consequences of some of the burdens the Finance Minister is seeking to impose. The grand design is becoming clear — the further crippling of the Private Sector, and the elimination, by rapid stages, of whatever remains of the much-abused Capitalist class, to which India owes so much of her economic development. He would indeed be a very foolish person who will not see in these drastic socialist moves a grave threat to the stability and progress of the country."

Dealing with the monetary and banking spheres, Sir Homi referred to the impressive increase of Rs. 430 crores in the volume of money supply with the public. Scheduled Banks' deposits had also increased by Rs. 210 crores to touch Rs. 2,352 crores at the end of the year, the major portion of such increase being accounted for by Demand Deposits. Similarly, Scheduled Bank credit which stood at Rs. 1,422 crores in December 1962 expanded by as much as Rs. 158 crores during the year under review. To enable the banking system to meet the ever-increasing demand for credit from all sectors of the economy, the Reserve Bank found it necessary, at the commencement of the current busy season, to liberalise the borrowing quotas allowed to Scheduled Banks. Unfortunately, this facility turned out to be short-lived. The pace at which Scheduled Banks' advances have moved upwards has been so rapid that the Reserve Bank has now thought it necessary to apply the axe somewhat ruthlessly. Not only have the basic borrowing quotas been reduced, but the rate of interest has been so stepped up on each successive slab, that the effective cost of the total borrowings from the Reserve Bank has risen substantially. Coming as it has done, when the busy season has reached the highest peak, this action has placed the Banks in a difficult position.

The suggestion made by the Reserve Bank that, in their efforts to mobilize deposits, Banks should re-examine the pattern of interest rates had created a controversy in banking circles. The Inter-Bank Agreement on maximum rates of interest on deposits had been working satisfactorily and had helped to keep down the general cost of deposits for the banking industry as a whole and in preventing unhealthy competition. In such a context, the present suggestion of the Reserve Bank, though well-meant, had already given rise to a move on the part of some Banks to opt out of the Agreement. This was an unfortunate development, observed Sir Homi, and it was necessary that every effort should be made to check it. The Indian Banks' Association would shortly be meeting at the highest level to thrash out the difference of opinion that had arisen

Sir Homi then referred to the cry raised in ill-informed quarters in this country for the nationalisation of Banks. It was satisfactory to note, Sir Homi said, that the spokesmen of Government have expressed their opposition to this move for naionalisation which had found little public support, and he hoped that the ghost would soon be laid at rest He recalled how a similar threat of nationalisation which Banks in Great Britain faced in 1934 was successfully met by the united opposition of the Chairmen of all the major Joint Stock Banks. Sir Homi warned that if any move was initiated in this coun-

try to nationalise banks, it would have, among other things, a profoundly disturbing effect upon foreign aid and foreign participation in our various industrial projects, whether in the public or the private sector. Indian banking was already under the rigid control of the Reserve Bank, and the recent amendment of the Banking Companies Act had only added to its many fetters. Incidentally, it seemed to be extra-ordinary that legislation of such a far-reaching character should have been rushed through Parliament by Government with the help of its cast-iron majority, without any worthwhile consultation with the interests primarily concerned.

Referring to a Note published recently on the inter-locking of directorships of Banks and other companies, Sir Homi felt that no right-thinking person could agree with the inference drawn by the author that it had the effect of consolidating corporate power as against the State and Society. The safeguards that existed at present against concentration of economic power in the hands of a few were more than adequate, and there was no justification for forging fresh weapons so far as Banks were concerned. If there was anything that the Note had brought out, it was the unpalatable fact tha we had in this country only a limited number of persons possessing all-round business experience and financial standing. It would be foolish to prevent Banks from utilising this available talent. There was also no substance in the contention that Bank shares were concentrated in the hands of only a few persons, giving them undue power. So far as the Central Bank was concerned, out of a total of 24,828 shareholders, the individual holding of as many as 23,030, that is, nearly 93 per cent ranged from one share to one hundred shares only.

Sir Homi denied the sweeping charge levelled against commercial banks that they were not responsive to the financial requirements of small-scale industries and pointed out how the Central Bank, for instance, had been increasingly engaged in financing small-scale industries and had every intention of supporting this sector of the economy.

Referring to the complaint that commercial banks had neglected to provide direct term-credit to agriculturists, Sir Homi explained that this allegation failed to take account of the basic facts concerning the role of commercial banking and the inherent deficiencies in the general set-up of our rural economy. In India, agriculure had been looked upon more as a means of subsistence than as an economic or commercial proposition. Some of the factors which stood in the way of Indian commercial banks venturing into the field of farm credit were the diversity of inheritance laws and land tenures in various regions, the fragmentation and uneconomic size of individual holdings, the incapacity or unwillingness of the vast majority of agriculturists to keep regular and separate accounts and the absence of a scheme of crop insurance. Where agricultural activities like plantations had been organised on business lines, the larger Indian Banks did not hesitate to finance them. He also pointed out that commercial banks had been providing finance on a substantial scale to agriculturists for marketing their produce, which was quite an important economic function. Commercial banks were likely to evince greater interest in medium-term agricultural credit, now that the Agricultural Refinance Corporation had been formed, if they had the backing of crop insurance and provided the State Governments helped them actively in the follow-up and recovery of such advances, as in the case of co-operative institutions.

Referring to the Balance Sheet and the Audited Statement of Accounts of the Bank, Sir Homi pointed out that although the total Deposits had crossed the Rs 250-crore mark, the rate of increase was lower than in the previous year, due partly, to the closure of the Bank's Rangoon branch following nationalisation of banking in Burma. The Central Bank's share in relation to the total deposits of all Scheduled Banks, however, continued to remain at over 11 per cent.

The closing figure of the Bank's Advances at Rs. 187 crores represented an increase of over Rs. 12 crores, compared to the previous year. The Bank's share in the total volume of Scheduled Bank credit was nearly 12 per cent. The demand for Bank finance remained relatively subdued till almost the end of December, but thereafter, it came with a rush, placing the banking system under a heavy strain.

Sir Homi invited the attention of the shareholders to the fact that the previous year's gap of Rs. 27 lakhs between the market and book value of the Bank's holdings of Government Securities which had operated against the Bank had now been converted into a difference of Rs. 75 lakhs in the Bank's favour at the end of the year.

The improvement of Rs. 1.36 crores in the Bank's gross earnings over the previous year had been more or less neutralised by the increase of Rs 68 lakhs in payment of interest and of Rs. 59 lakhs in staff emoluments, exclusive of bonus. Sir Homi observed that the rate of increase in salaries and allowances of the staff had been disturbingly high, and expenditure under these heads continued to absorb a large share of the Bank's total earnings, the proportion being as high as 34 per cent in 1963.

Sir Homi also voiced his concern at the rate at which overtime allowances paid to the Bank's staff were going up in spite of additions to the staff. In Western countries, Banks had achieved a considerable measure of advance by modern methods and machinery. In India, apart from the difficulty of importing accounting machines and their components in sufficient quantities, there was a stiff resistance on the part of large sections of Bank employees to any attempts at mechanisation. The fear that machines would displace men and result in the retrenchment of staff arose from a short-sighted view. Banking business in India is constantly expanding and acquiring new dimensions, and even if mechanisation was introduced on a substantial scale, there would still be a growing demand for more and more men. Sir Homi hoped that the staff would give dispassionate consideration to this aspect of the matter and co-operate with the Management in introducing new methods so essential for the streamlining of the Bank's manifold operations.

Besides the interim dividend of Rs. 2.40 per share already paid out, it was recommended that a final dividend of Rs. 2.60 per share, subject to tax, be paid out of the Special Reserve, as was done last year.

Sir Homi paid a glowing tribute to the services rendered by Mr. N. K. Karanjia who had retired after a long and distinguished career of 45 years. He welcomed Mr. F. C. Cooper who was appointed General Manager on Mr. Karanjia's retirement and wished him a successful term of office. Sir Homi also expressed his warm appreciation of the very valuable services rendered by the Vice-Chairman, Mr. C. H. Bhabha, in looking after the affairs of the Bank and in developing its business. Sir Homi ended by observing that "the contribution which a Bank of our size and status can make to the economic growth of the country is immense, and if we continue to enjoy the confidence of the business community and if all of us give of our best to the service of the institution, we have every hope that the Central Bank will long continue to occupy the proud position it holds in the banking system of the country."

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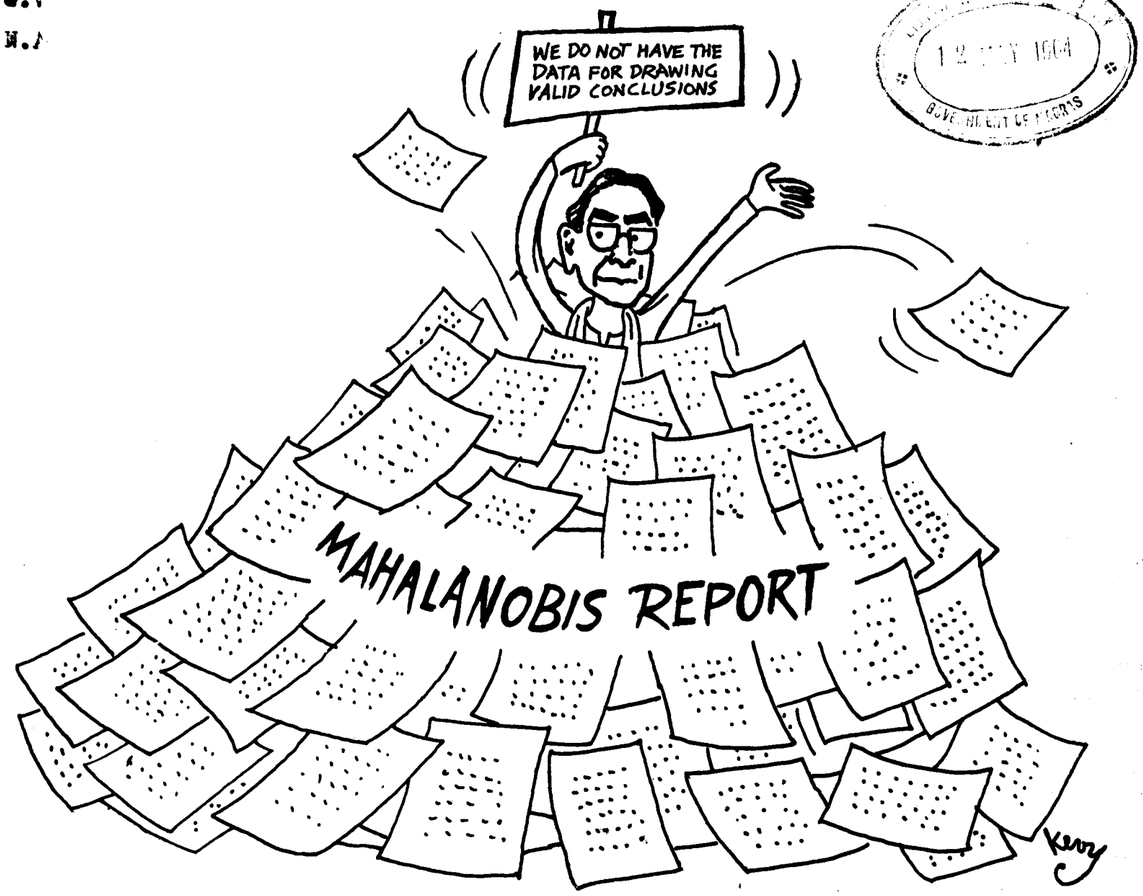
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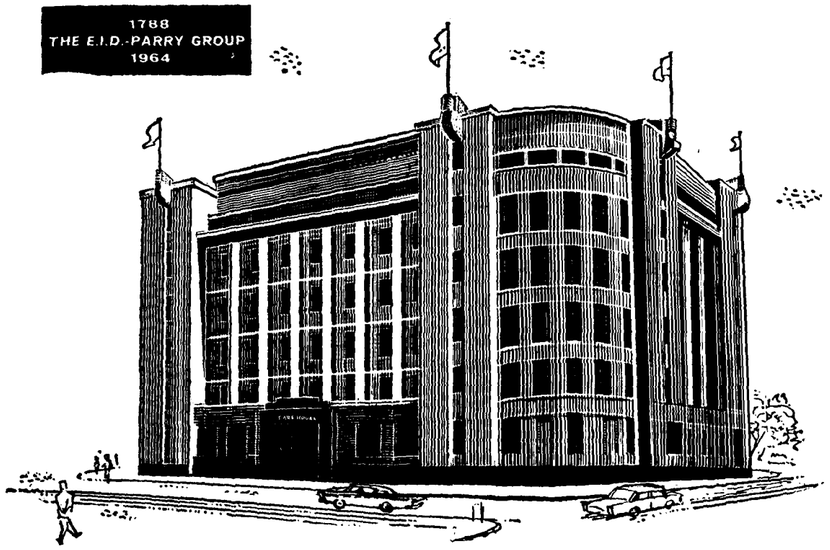
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An Academic Exercise

THE REPORT of the Committee on distribution of income and levels of living (headed by Professor Mahalanobis), presented to the Lok Sabha recently, is a disappointing document in more ways than one. In the first place, it is an incomplete report in the sense that only the first part has been finalised while the second part is still under preparation. Secondly, it has failed to arrive at any definite conclusions which may provide guidance to the Government for formulating its future policy regarding the terms of reference. Thirdly, the report has no soul of its own. In fact one hears, while scanning through its pages, three different and distinct voices crying themselves hoarse. The first is that of the pure scientist who seems to be throwing his hands up in despair all the time because he does not find facts and figures (even after more than three years' continuous labour!) from where he might draw "valid conclusions". Then, there is the voice of the biassed participant who is determined to arrive at a pre-conceived conclusion—even though the facts hardly exist to justify it—that "concentration of economic power in the private sector is more than could be justified as necessary on functional grounds". There is the third voice, and a sober one, but equally emphatic in its assertion, that there is no concentration of economic power in this country. There are some big units which operate efficiently and their bigness is justified on the basis of the sound principle of economy of scale. In the midst of these voices, the reader is left to fend for himself

The report bemoans over and over again that the data available to the committee was inadequate and that is why full justice to the terms of reference could not be done. The chapter dealing with national income, for example, explains that no direct method of aggregation in the preparation of national income estimate was feasible in this country as "very few or practically no households keep complete accounts". The national income and other accounts were being estimated in an indirect manner which introduced elements of error ranging up to 10 per cent in the aggregate, according to the final report of the National Income Committee. In some of the sectors the element of error was as high as 33 per cent. The inferences to be drawn from such data are undoubtedly of a dubious nature. Similarly, while discussing the income tax statistics, the Committee has drawn attention to the various conceptual difficulties. In other words, even the income tax assessees constituting less than one per cent of the total population of the country, cannot be studied in an objective manner.

The same limitation applies to the income distribution data obtained from the various sample surveys. The Committee has made special mention of the high degree of illiteracy, the large number of "different languages, communities and classes" and serious limitations emerging out of not only the sampling errors but also from "reporting and non-response errors". In regard to distribution of wealth also, the Committee came to the conclusion that it was difficult to collect comprehensive information on asset holdings of the population as the households did not keep regular accounts. Again, in its concluding observations regarding the distribution of income and wealth, it has stated in categorical terms that "we do not have the required data for drawing valid conclusions concerning the changes in income distribution which might

have taken place over the two Plan periods."

Regarding concentration of economic power, again, the report has stated that the necessary data are not available and wherever information is available, it is of a highly limited nature suffering from various defects. Here is a quotation from the report: "In studying the extent to which the operation of the economic system has led to concentration, it would have been useful to have had statistical data running over the entire period of the first two five-year Plans. Unfortunately, such data are not available, for the most part, in regard to concentration; and even when available as in the case of income-tax and allied data, it is difficult to use them without qualification. Moreover, it appears that no trend as such could be identified in terms of either bettering or worsening of the situation in respect of the broad pattern of distribution".

Whatever the limitations from which the national income figures suffered, the Committee attempted to arrive at rough estimates of the general improvement in the level of living of the people. It came to the conclusion that as against a rise of 44 per cent in national income, consumption rose by 36 per cent only. A part of this increase was absorbed in providing for the new entrants into the population during the decade; the balance induced a rise in per capita consumption of the population which worked out to an average rate of 1.1 per cent per year. On the distribution of the increment in consumer expenditure, the Committee could not get any data and hence had to content itself with the broad observation that on the basis of a general feeling, it had come to the view that both in the rural and urban areas the people were "better fed, better clothed and better housed" at the end of the second Plan than at the beginning of the first Plan. It did not discern any clear indication of a significant change in income distribution over the decade. Broadly, it came to the conclusion that the stimulus provided to national income during the planned era had given a dynamic touch to the economy which was well on the road to the attainment of the take-off stage.

The Committee has analysed the findings relating to the structure of public companies as revealed by the Reserve Bank Study as well as the one undertaken by Dr. R. K. Hazari. The table alongside compares the results of the two inquiries for 1951 and 1958. It shows that the loans have come to occupy a greater role in the financing of the public limited companies. The share capital has lost some of its importance because its proportion has declined from 35 per cent to 28 per cent in the period under review in so far as the "20-complexes-study" by Dr. Hazari are concerned. The role of the reserves also has declined from 22 per cent to 16 per cent while the loans have recorded the maximum gain from 20 per cent to 30 per cent. Similar shifts have been confirmed by the Reserve Bank of India Sample as well. The Committee has rightly come to the conclusion that the big units have been able to raise loans primarily because of their creditworthiness. In other words, the financial structure of the corporate sector is such that "it tends to support the large and established enterprise against the small and struggling entrepreneur".

In the following paragraph the Committee has completely shattered the bogey of the harmful effects emerging out of the expansion of the complexes: "There is such a thing as the economy of scale, which works in favour of big business, on purely economic grounds; and economic considerations are certainly relevant especially in the context of our scarce resources and the imperative need for our making the most economic utilisation of these resources. In many industries, the size of the domestic market is small in relation to the size of the plant at which maximum average costs begin to obtain; and any attempt to reduce the degree of concentration by breaking down economic-size units into a large number of uneconomic size plants would only lead to economic waste". It has given, thus, ample justification to prove that the manner in which some of the complexes have grown in this country does not constitute any anti-social policy. It was nowhere stated in India's Plans that the well-run and well-established units shall not expand through their own resources or through the resources borrowed from the market. In fact, but for the role played by these units much of the 44 per cent increase in national income whose distribution the Committee was studying would not have been there.

If any charge of concentration of economic power can be levied, it is at the door of the public sector and not of the private sector. The Committee has demonstrated that the relative expansion of the public sector in industry is much faster than that of the private sector. During the first three five-year Plans, the contribution

STRUCTURE OF COMBINED BALANCE SHEET OF PUBLIC COMPANIES

(Percentages)

Sl. No.	Liabilities	1951		1958	
		20 complexes1	R.B.I. sample	20 complexes1	R.B.I. sample
	(1)	(2)	(3)	(4)	(5)
1.	Share Capital	35	35	28	29
2.	Reserves	22	19	16	18
3.	Loans	20	21	30	28
4.	Other liabilities	23	25	26	25

1Excluding banking and insurance but including finance companies.

Source: Hazari, R.K. "The Structure of the Corporate Private Sector", Bombay, 1963, p. 257.

of the public sector will increase from less than 2 per cent to nearly 25 per cent in organized manufacturing industries. Similar is the case in mineral production wherein the share of the public sector will increase from less than a tenth, to over a third. In the sphere of investment as well the third Plan investment is likely to be around Rs 1530 crores as against Rs. 1050 crores in the private sector. This is an unmistakable trend of shrinking the relative share of the private sector. The fear has rightly been voiced recently by chairmen of some of the private sector companies that a new danger is looming large in the Indian economic scene because of the concentration of economic power in the State and especially in the hands of a few bureaucrats who are in control in the public sector units.

The charge of concentration of economic power in the private hands is disproved by the facts collected by the Committee itself. The Committee has drawn attention to the countervailing measures which are being taken by the Government in order to contain the activities of the private sector. The State regulation of industries in the private sector has been tightened. The expansion of new industries is governed by an industrial policy which has given encouragement to medium-sized firms competing with the large enterprises. Legislation has also been initiated so as to eliminate abuses and malpractices. A number of new institutions have been set up recently in order to attract new entrepreneurs and to encourage small-scale industries. In other words, the Committee itself has marshalled enough facts to give the lie to the tainted paragraphs in its own report which have, however, lent a paradoxical colour to it.

Two concrete suggestions have been made by the Committee, one relating to the establishment of a suitable machinery to organise the collection of data so that it may be possible to answer the questions which the Committee had failed to tackle and the other regarding the setting up of a commission to study the problem of monopolies. The second suggestion of the Committee has already been accepted by the Government by the establishment of a Monopolies Commission. The other suggestion is still being studied by Government. It needs to be remarked here that if all the existing organisations, both official and non-official, failed to collect data to throw light on the problems posed to the Committee, it is highly unlikely that any other single organisation on a small scale will be able to deal with these problems. Perhaps a much bigger machinery will be needed than the country can currently afford. There is a limitation to expenditure relating to fact-finding errands also.

The New Challenges

A SURE SIGN of a dynamic economy is the degree of interest that company managements take in subjects like training their personnel, especially managerial personnel, and increasing production-consciousness by inculcating interest among workers and trade unions in such concepts as productivity. The selection of these subjects as the main theme of their addresses to shareholders, at their respective annual general meetings, by Mr. P. L. Tandon of Hindustan Lever, Ltd., and Mr. H. V. R. Iengar of The Indian Aluminium Company, Ltd., must, therefore, be welcomed as a refreshing departure from the beaten track. Mr. Tandon devoted practically the whole of his speech to a discussion of the importance of resources of management to a developing economy with, of course, particular reference to how Hindustan Lever has been tackling the subject in so far as its own personnel are concerned. Mr. Iengar, however, dealt with productivity as one of the several factors, among many, affecting production in his company, but this need not be construed to mean that he minimized the importance of productivity. On the other hand, he vividly brought out the vital importance of productivity by drawing on his own comparative study of productivity in India and other countries.

Time was when the public—including the shareholding public—never cared to bother about who ran a business undertaking and how he or they did it. But times have changed. The exacting demands of modern times, on the one hand, and the impact of increasing interest in company management, even of private companies, by the State, on the other, make it difficult for the old time business executives to carry on as before. Business executives today are seldom the sons or nephews of oldtimers, except where they have gone through the mill, as it were, and have had specialised or practical training, preceded, more often than not, by a course of theoretical study in a reputed university in India or abroad. Very often, although an undertaking may have been the outcome of the genius of one man, it is not the same man nor, necessarily, his descendants that happen to carry on the business of the undertaking today. These are not days of born managers in all conscience. More companies now-a-days are manned by professional managers than ever before. The professional manager is slowly coming into his own. His number is still small, but the professional class that has begun to come up, it is gratifying to find, is one of the best, judged by any international standards.

The absence of a strong and adequate professional class of managers is a lacuna common to both the public and the private sectors (including what may be described as the family sector). An idea of the large number of managers that the country would require

was provided by Mr. Tandon. "Out of two million jobs estimated to be created in each year of the third Plan, even at a ratio of two per cent of them being managers," he said, "we shall need to train 40,000 new managers every year." To train so many managers is, indeed, no small task.

Mr. Tandon no doubt mentioned the Administrative Staff College at Hyderabad, the Institutes of Management at Calcutta and Ahmedabad and the regional and the All-India Management Associations, but, shrewdly, he did not hazard any view on whether what these organisations have been doing is adequate from the point of view of the country's requirements. Rather he chose to leave his listeners to draw what inference they felt like drawing by merely touching on how Hindustan Lever has been dealing with the problem of preparing its own managerial talent. Even this is not an insignificant business, considering that the company has over 340 managers and recruits over 25 managers every year The importance that the company attaches not only to recruitment of the right type of personnel but also to their proper training and to the principles and the procedures to be followed in this behalf is something that those who are never tired of asking the State to take over anything and everything from farming to banking will do well to reflect upon. If a company, even if it be of the large size of Hindustan Lever, sets so much store by anticipating the company's requirements of managers over a five-year period, selecting and training young men and women and developing in them attitudes and values satisfactorily to meet their future responsibilities, what should be the measure of responsibility of our planners in the matter of preparing managers? Are they even aware of the enormous magnitude of the problem? It is time they at least started to think of the problem in respect of the fourth Plan.

If we have to achieve internationally competitive standards of productivity and maximum economies of production—both are a must if our export targets that rise from plan to plan are to be reached—all the factors that affect productivity, such as mechanisation, size of the unit, adequacy of raw material supplies and transport, production planning, management and scientific knowledge and so on, not merely the effort of workers, must receive close and careful attention and scrutiny. In order to achieve a standard of productivity comparable to those outside India, as Mr. Iengar said, it is imperative to secure the co-operation of not only industrial workers but also their trade unions. Once the workers and the trade unions recognise the importance of increasing production not from just the narrow angle of manufacturers' profits but from the broader point of view of the interests of the country as a whole, it should not be difficult to augment the country's output. INDALO's own experience should be an eye-opener. But this country's misfortune is there is as yet too much politics and too little of the breadth of outlook that permits of a proper appreciation of national interest among our trade unions and labour leaders.



TEST LAUNCHING

Highlights of the Week

T.T.K. MEETS THE PRESS

A RELAXED Finance Minister met the journalistic fraternity at a Press Club Luncheon at New Delhi on May 2 — and it was very much of a family gathering with TTK playing his familiar role of "Uncle". It might be, as he described it, a game of "pull devil, pull baker" when Ministers meet newsmen, but on this occasion it was certainly a one-sided game and the devil (meaning the local Press) got the worst of it. The forty-minute meeting that there had been between Sheikh Abdullah and Mr. Krishnamachari excited curiosity, but questioning, though persevering, bent futilely against Mr. T. T. Krishnamachari's diplomatic silence. He blandly said that out of the 40 minutes which he spent with Sheikh Abdullah, he himself might not have taken up in talking more than four minutes. Rather thoughtfully he went on to say that they did not discuss Kashmir.

There is, however, one remark of the Finance Minister which, had some significance, and which needed to be mentioned. At one place he remarked casually that although Ministers' residences are supposed to be provided with furniture worth Rs. 32,000, the furniture actually provided would not fetch Rs. 6,000, if auctioned. Here, there is a clear hint from the Finance Minister of the Government of India that the difference of Rs. 26,000 is getting lost somewhere in the labyrinthine viscera of the Central PWD.

The Finance Minister said that China might attempt another attack on India in 1966 because the Chinese expected that conditions in India in 1966 would be more propitious for another attack. Their logistics would also improve by 1966. He said he was basing his statement on both information and his own reading of the situation. The increased defence expenditure after the Chinese invasion had not done serious damage to the Indian economy. He expected India to do well by the end of the fourth Plan and "manage" that Plan much better than the second and the third.

The Price Line

The Finance Minister exhibited extreme concern about the rising prices. He was of the opinion unless people were prepared to accept some amount of discipline — some control over wholesale trade and some form of rationing — it was not possible to arrest the rising prices. While he was not defending the Government in the matter of prices, he said that any scheme evolved for controlling prices must get the co-operation of the States.

About the recent visit of about 40 leading industrialists from the USA, he said that some good must come out of it. From the discussions he had with them he felt that they were earnest about investing their capital in India. Their assessment on the Government's economic objectives was extremely fair. Asked whether his proposal to attract more foreign capital to India would not lead to the foreign lobby becoming more active, Mr. Krishnamachari replied, "I will not subscribe to that statement".

About unearthing black money, he said that if one went through this year's Finance Bill, he would find a good number of provisions relating to this matter. He had not framed these provisions in plain language. Had he done so, they would have met with great opposition from members like Prof. Ranga and Mr. M. R. Masani. Although there was a long way to go to bring out black money, the provisions in the Finance Bill would "make things moving". Regarding the stock exchanges, he said that there was no proposal to set up an inquiry commission.

He said that he had not read either the text of the summary of the Tek Chand Committee's report. Prohibition had done enormous good to the people in the rural areas, while in the urban areas it was an increasing evil. How to get rid of the evil in the urban areas and retain the good in the rural areas was the problem.

About the Russian offer of assistance to build the first stage of Bokaro, he said that the Russians had earlier indicated their willingness to assist India in building a steel plant in the fifth Plan. Now they would be helping India in setting up a steel plant in the fourth Plan.

He said the Government was attempting to reduce disparities in income by increasing the lower levels of income without an increase in prices. Taxation alone, he cautioned, could not reduce disparities completely. An attempt had been made to reduce disparities in living standards by introducing expenditure tax and wealth tax.

It would be a good thing if employees were also shareholders of the firm in which they worked. He felt that shares could be issued to employees out of the profits (bonus) given to them.

About the restrictions on foreign travel, he said that because of foreign exchange shortage, it was not possible to be very liberal in allowing people to go abroad. But the Government allowed journalists to go abroad. While the "P" form could not be removed, the issue of "P" form would be liberalised.

Asked whether after his return to the Cabinet, he had come closer to the Prime Minister, Mr Krishnamachari replied, "We are all close to the Prime Minister". He said, "I suppose so" when another correspondent asked whether Ministers in the Union Cabinet were close to one another.

ANOTHER BHILAI

THE DAMPENED hopes of India's steel production catching up with the rising steel demand once again revived with the announcement in the Lok Sabha on May 1, by the Minister for Steel, Mines and Heavy Engineering that the Soviet Union had expressed its willingness to assist India in the building of the integrated Bokaro steel plant. Since the withdrawal of its request from the US Government, after the adverse Congressional decision on aid for Bokaro, the Indian Government had been exploring from various avenues financial and technical assistance for India's fourth public sector steel plant. Some tentative proposals had, in fact, been put forward for consideration of the Government by private steel building interests in the US, the UK, Japan, France, West Germany and Italy. But with more than one interest participating in an integrated plant of the size of Bokaro, there was a danger of its becoming another Rourkela, whose not-so-pleasant memories with regard to the difficulties of co-ordination amongst the collaborating companies, were still fresh with the Government. The search for a partner in Bokaro has now come to an end with the promised assistance from the USSR.

Although the assistance that the Soviet Union has initially offered will be for Bokaro's first stage, which envisages pro-

duction of 1.5 million tonnes of ingot, the plant will ultimately have a capacity of four million tonnes. The project will be largely on the pattern envisaged by the Dasturco report, but some marginal modifications will have to be made on the advice of the Soviet experts who are expected shortly in India for discussions and finalization of the project. The total foreign exchange cost of the project, according to this report, will be Rs. 300 crores, while the US team of experts had estimated it at about Rs. 500 crores. The first stage of the project, which, according to the Dasturco report, is expected to be completed before 1967-68, is estimated to be completed at a cost of Rs. 100 crores. Machinery and equipment will be supplied by the Soviet steel complexes in Zhdanav, Donbas and Magnitogorsk from where the machinery for Bhilai came. Some of the machinery for the first stage is likely to be produced at the Heavy Engineering Plant at Ranchi which is also being built with Soviet assistance. Thus, if the subsequent expansion is made with the help of indigenous equipment produced at Ranchi, it can be expected that the ultimate foreign exchange cost of the project might be still lower than the Rs. 300-crore estimate. It was disclosed by Mr. Subramaniam in Parliament that the Soviet credit for Bokaro will be made available on similar terms as were provided for Bhilai. These terms, in India's present circumstances, are extremely favourable. The Soviet Union had granted the credit for Bhilai at the annual rate of interest of 2.5 per cent on a 12-year deferred payment basis, and the repayment was to be made in terms of exports of Indian traditional goods to that country.

With the major hurdle of securing foreign assistance having been successfully crossed, the Government should not be lulled into complacency. The provision of auxiliary facilities, such as the development of sources of raw material, improvement of transport, supply of power and water, is no mean job, and the authorities will have to take effective steps for a speedy development of these facilities. The rehabilitation of persons who will be displaced following the construction of the Bokaro plant is another important job, and it is heartening to note that the Government is already attempting to resolve it. Mr. Subramaniam has assured that the displaced persons would be allotted land both for housing and for cultivation. It is also proposed to train one member of each of the affected families for employment in the plant.

While announcing in the Lok Sabha the Soviet offer of assistance for Bokaro, Mr. Subramaniam did not forget to appreciate the interest shown by the private foreign steel interests, and said that the possibilities of utilizing their friendly offers would be explored later, as Bokaro was not the only steel plant which India proposed to build in the near future. There are firm indications now that this country, to achieve the fourth Plan target of 16 million tons, will be taking up immediate steps for the setting up of two steel plants at Visakhapatnam and Bailadila-Vishakhapatnam regions, each with a capacity of 1.5 million tons. The feasibility reports of these projects are already with the Government for consideration.

BOND OF FRIENDSHIP

ON MAY 4, 1964, King Mahendra of Nepal laid the foundation-stone of the Rs. 52 crore Gandak barrage at Bhaisalotan near the tri-junction of Bihar, Uttar Pradesh and Nepal. Present at the function were India's Prime Minister, Mr. Nehru, Mrs. Indira Gandhi, the Irrigation and Power Minister, Dr. K. L. Rao, the Minister of State for Agriculture, Dr. Ram Subhag Singh, the Governor of Bihar, Mr. A. S. Ayyangar, the Chief Minister of Bihar, Mr. K. B. Sahay and the Chairman of the Council of Ministers of Nepal, Dr. Tulsi Giri and his cabinet colleagues, Mr. B. L. Pradhan, Dr. Nageshwar Prasad and Mr. K. N. Bishta. The project will take four years to complete and will bring about extensive benefits on either side of the Indo-Nepalese border. The preliminary work on the project was started as early as December, 1959 when an agreement for the purpose was signed between India and Nepal though much progress could not be made till the agreement was finally reviewed and amended in February 1964 when India's Minister for Irrigation and Power, Dr. K. L. Rao, visited Kathmandu. India will bear the total cost of the project. The Government of Bihar will share the major cost i.e. Rs. 36.56 crores, the balance of Rs. 15.44 crores being the responsibility of Uttar Pradesh.

Beneficiaries of New Project

The Gandak irrigation system will have a western canal of 120 miles and an eastern canal of 155 miles (of which 18 and 50 miles respectively will run through Nepal) with a gross area 'under command' of 30,00,000 acres in Bihar, 8,00,000 acres in Uttar Pradesh and 1,40,000 acres in Nepal. It has been estimated that irrigation benefits from the project will ensure additional annual yield of crops valued at Rs. 23 crores in Bihar and Rs. 80 lakhs in Nepal. The bulk of the additional yield, both in Bihar and Nepal, will be in respect of paddy and sugarcane

According to the terms of the agreement, India will build, by 1968, a 15,000 kW. power plant in Nepalese territory. The plant will be operated by India and until such time as Nepal develops the capacity to consume 60 per cent of the power generated by the plant, India is likely to utilise a greater portion of the power. The power from the plant will be supplied up to Hitauda in Nepal, 40 miles from the Indian border of Raxaul and 80 miles from Kathmandu where an industrial estate is coming up. Another power project, being built in Nepal with Indian aid, namely the Trisuli Project, will supply power to Kathmandu and Hitauda, thus providing scope for the setting up of a power grid in Nepal.

As a preliminary to the main construction work of the Gandak project, 30 miles of metalled road from Bagaha railhead to the barrage site, an airstrip and a store-yard with railway siding facilities at Bagaha have already been completed. The work on the main Gandak canal is also in progress and nearly 25 miles in Saran District and 50 miles in parts of Champaran and Muzaffarpur districts of Bihar, have been dug. Speaking on the occasion, Prime Minister Nehru announced that, with the concurrence of the Nepalese authorities, the Government of India will construct in Nepal, at its own cost, roads from Hanuman Nagar to Rajbiraj and from Fatehpur to Kanauli Bazar and power transmission lines from the Kosi power house to Biratnagar and Rajbiraj.



FROM THE PRESS GALLERY

A Dull Week in Lok Sabha

By Our Parliamentary Correspondent

NEW DELHI :

WITH ALL the major legislative business planned for the Budget session having been finished by the Lok Sabha by Friday last and there remaining only such measures as the Drugs and Cosmetics (Amendment) Bill, the Taxation Laws (Continuation and Validation of Recovery Proceedings) Bill, the Dargah Khawaja Saheb (Amendment) Bill and the Wakfs (Amendment) Bill to be discussed and adopted, the Lok Sabha proceedings this week, by and large, were a dull affair. Some life, however, was injected into the deliberations by the political issues—the Kashmir problem, the Bhutan issue, the activities of Naga hostiles and the difficulties being faced by Indians in Africa. The Rajya Sabha passed two important Bills — the Goa, Daman and Diu Judicial Commissioner's Court (deciared as High Court) Bill and the Industrial Development Bank of India Bill—besides discussing the affairs of the Council for Scientific and Industrial Research and the oil policy of the Union Government.

The Drugs and Cosmetics (Amendment) Bill, seeking to extend some of the provisions of the parent act to the indigenous systems of medicine, including control on the manufacture of Ayurvedic and Unani drugs, received general support from the Lok Sabha. But some members expressed misgivings that the powers being conferred on inspectors for checking adulteration might lead to harassment of the Ayurvedic and Unani drugs manufacturers as no standard of purity had been laid down for these medicines. The Deputy Minister for Health, Dr. D. S. Raju, in his reply to the debate, made the important announcement that the Union Government would consider building model factories in the public sector to manufacture Ayurvedic drugs. He also indicated that a separate similar Bill would be introduced in Parliament in the near future in regard to homoeopathic medicines. The Taxation Laws (Continuation and Validation of Recovery Proceedings) Bill, seeking to regularise the procedure of collection of direct taxes in cases where the appellate authorities had revised the original tax demands; the Dargah Khawaja Saheb (Amendment) Bill, making solicitation or receipt of "Nazars" or offerings at the Dargah by unauthorised persons punishable with a fine upto Rs. 1,000; and the Wakfs (Amendment) Bill, providing for the establishment of a Central Wakf Council to advise the Government on questions of policy to be followed by the boards to be set up under the Wakfs Act, 1964 and seeking to remove the distinction between muslims and non-muslims in the matter of benefits of wakfs, were adopted by the House without much discussion.

Kashmir Issue

The misgivings expressed both inside Parliament and outside about Union Government's talk with Sheikh Abdullah on the future of Kashmir brought forth an assurance from the Prime Minister that nothing would be settled or agreed to about Kashmir without prior reference to Parliament. He indicated that the talks he had had with Sheikh Abdullah had been confined to wider issues: the immediate issues which had been exercising the minds of the Members of Parliament had not yet come up for discussion. About Naga hostiles, the Minister without Portfolio, Mr. Lal Bahadur Shastri assured the House that the Union Government would deal with them firmly and proposed to send a protest note to Pakistan over these hostiles having been allowed to bring arms and ammunition for that country. Both Mr. Shastri and the Minister of State for Foreign Affairs, Mrs. Lakshmi Menon, also allayed the fears of the House about Chinese subversive activities in Bhutan and asserted that the Maharaja of Bhutan had full control over the situation after the assassination of Mr. Jigme Dorji. India, Mr. Shastri added, however, was keeping in close touch with the developments in Bhutan. Concern was expressed by the members of the Lok Sabha over the difficulties being faced by Indians in many African countries. Many members accused the Government for doing nothing to protect the rights of Indians there. They alleged that the Indian Missions in Africa had failed to perform their duties. The Deputy Minister for Foreign Affairs, Mr. Dinesh Singh, pleaded that the question of Indo-African relations should not be confused with the position of people of Indian origin in Africa. He repeated the Prime Minister's advice to Indians in Africa that they should decide whether they wanted to return to India or to adopt the nationality of the country they were living in. If they opted to remain in Africa, they should identify themselves with the people there; if not, they should be given facilities to return to India.

CSIR Praised

In the Rajya Sabha, participating in the debate on a private member's motion for the appointment of Parliamentary committee to equire into and report on the implementation of the Scientific Resolution of the Government of India, various members criticised the working of the Council for Scientific and Industrial Research and deprecated the tendency of "empire building" even in scientific institutions. It was suggested that scientific research should be tuned to indigenous needs and larger funds should be made available for this purpose. One member also urged preparation of a national index of the work being done in the various national laboratories, universities and other research centres so that there was no duplication of efforts. The Education Minister, Mr. M. C. Chagla, defending the working of the CSIR, estimated that a sum of about Rs. 20 crores in foreign exchange had been saved up to 1962 because of the research and processes carried out in national laboratories. He agreed that there was need to step up research activities, but did not feel convinced that the Scientific Resolution needed to be amended. Mr. Chagla revealed that in the fourth Plan period, the Government proposed to set up laboratories for conducting research in marine engineering, agriculture, chemicals, oral contraceptives, electrical appliances, packaging and fishing technology. The motion was, thus, talked out.

The Goa, Daman and Diu Judicial Commissioner's Court (declared as High Court) Bill met with some opposition in the Rajya Sabha on the ground that the Government should have consulted the Goa Assembly before bringing forward this measure seeking to give the Goa Judicial Commissioner's Court the status of a high court for certain purposes of the Constitution. Mrs. Lakshmi Menon defended the Bill pointing out that it had been brought forth to remove the hardships of the people in these former colonies of Portugal. These territories had a different system of administration for nearly 400 years and it will take some time to bring it in line with the legal, political and economic conditions prevailing in the rest of the country. About the future status of Goa, to which some members had referred in their speeches critically, she said that the Government wanted to decide this issue at an appropriate time after holding proper consultations with the people of the territory. The present ruling party in Goa, she maintained, had not secured an absolute majority either in the assembly or in the number of votes polled, and, therefore, could not claim that the majority of the Goanese had voted for the merger of Goa with Maharashtra

The oil policy of the Government came under discussion

in the Rajya Sabha during a short debate on the Oil and Natural Gas Commission (Amendment) Bill. The Communist members criticised this policy alleging that there had been a shift in it recently in favour of inviting foreign private capital for setting up new refineries. The Minister of State for Petroleum and Chemicals, Mr. O. V. Alagesan, however, denied this charge and reiterated that the Government of India stood by the policy of fostering the development of public sector in the Indian oil industry. He expected that the Government would soon establish its own sources of crude supply from abroad and referred in this connection to the efforts being made to secure some off-shore oil concessions in Iran. Mr. Alagesan indicated that the Government might have to invest about Rs. 500 crores in petro-chemical industries during the fourth Plan period.

The Lok Sabha adjourned on May 6 and is meeting again in a special session from May 27 to June 5 for legislating the controversial Constitution (Seventeenth Amendment) Bill which fell through during the Budget session on account of its failure to secure a simple majority of the total strength of the House.

Question Hour

HEL Working: The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, informed the Lok Sabha on May 1 that according to the information available with him, there was no fresh trouble at the Heavy Electrical Factory at Bhopal. All the sections of the factory had started functioning after the recent shut-down. It would, however, take some time to attain normalcy. The Deputy Minister, Mr. P. C. Sethi, said that the initial difficulties in the way of stepping up production at this plant were being removed gradually. Stocks of raw materials had been built up for three to twelve months' requirements. This was a continuous process depending upon diversification and expansion of production. The heavy forgings and castings required for the manufacture of hydraulic turbines had been ordered from the U.K. Tenders for the supply of forgings and castings for the manufacture of steam turbines would be invited from various supplier countries. Mr. Subramaniam stated that it was intended to have a separate forgings and castings unit to supply the requirements of heavy electrical plants.

HSL Loss: Mr. Subramaniam also told the Lok Sabha on May 1 that the loss of Rs. 23.91 crores incurred by the Hindustan Steel Limited in 1962-63 did not represent a physical loss by way of excess of expenditure over income. This resulted after making a provision of Rs. 30.59 crores on account of depreciation and Rs. 17.46 crores for payment of interest on Government loan, which was due to be paid for the first time in April, 1963. Accounts for the year 1963-64, Mr. Subramaniam added, had not yet been closed. The financial results of this year, however, were expected to show significant improvement over those of 1962-63. Steps had been taken to minimise the loss by adopting such measures as maximising production, improving yields, etc.

Crop Insurance: The Minister of State for Agriculture, Dr. Ram Subhag Singh, told the Lok Sabha on April 28 that the Union Government was studying the question of enacting Central legislation for introducing crop insurance. The principle of crop insurance, he added, had already been accepted by the Punjab Government. The proposal was not meeting with any resistance from the other States also; they too were keen on implementing it. As some risks were involved in an insurance project of this kind, the Union Government was studying the matter in consultation with Life Insurance Corporation. The scheme would be finalised shortly and put up for Cabinet's approval. Dr. Ram Subhag Singh indicated that it was the intention of the Union Government to provide technical assistance to the State Governments and also to meet 50 per cent of the cost of administration of crop insurance schemes.

Consumers' Crops: The Deputy Minister for Labour, Mr. C. R. Pattabhiraman, told the Lok Sabha on April 28 that the Government was considering a proposal to introduce legislation to make it compulsory for employers to set up consumer stores or fair-price shops by amending the Factories Act. The idea was to cover industrial establishments having more than 300 workers. About 60 per cent of such establishments in both the public and the private sectors had already opened co-operative stores for their employees. Mr. Pattabhiraman also disclosed that a scheme for establishing federations of consumer co-operative societies at the State level had been circulated among the State Governments. The States had been told that such federations might be established with a minimum of 10 wholesale societies.

Provident Fund Act: Mr. Pattabhiraman also told the Lok Sabha of April 27 that the Government had decided not to extend, for the present, the Employees Provident Fund Act to establishments employing less than 20 persons.

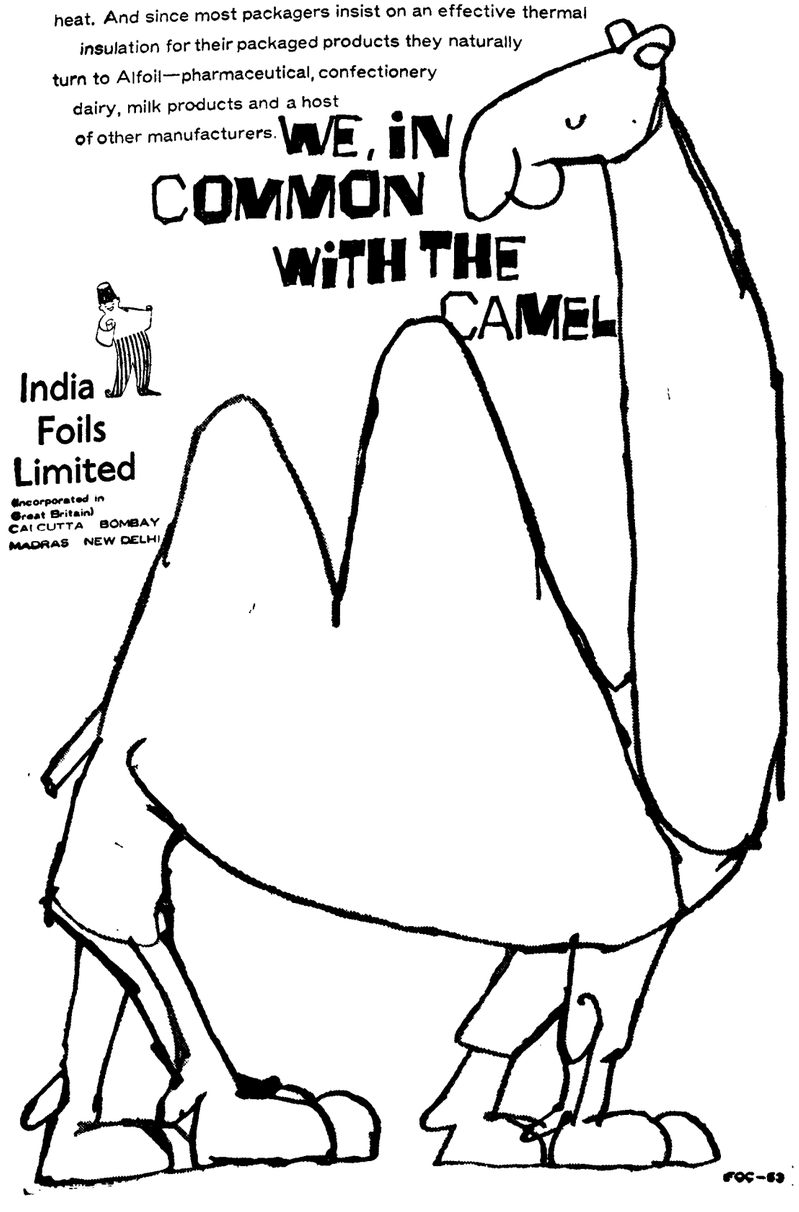
Sulphuric Acid Plant: The Minister of State for Petroleum and Chemicals, Mr. O. V. Alagesan, told the Lok Sabha on April 29 that the Pyrites and Chemicals Development Co Ltd., a Government of India undertaking, had planned to set up a 400-tonne per day capacity plant at Sindri for the production of sulphuric acid directly from Amjhore pyrites. The Company was also investigating a suitable process for extraction of elemental sulphur from pyrites. For this purpose the Finnish Outkumpu process was under study.

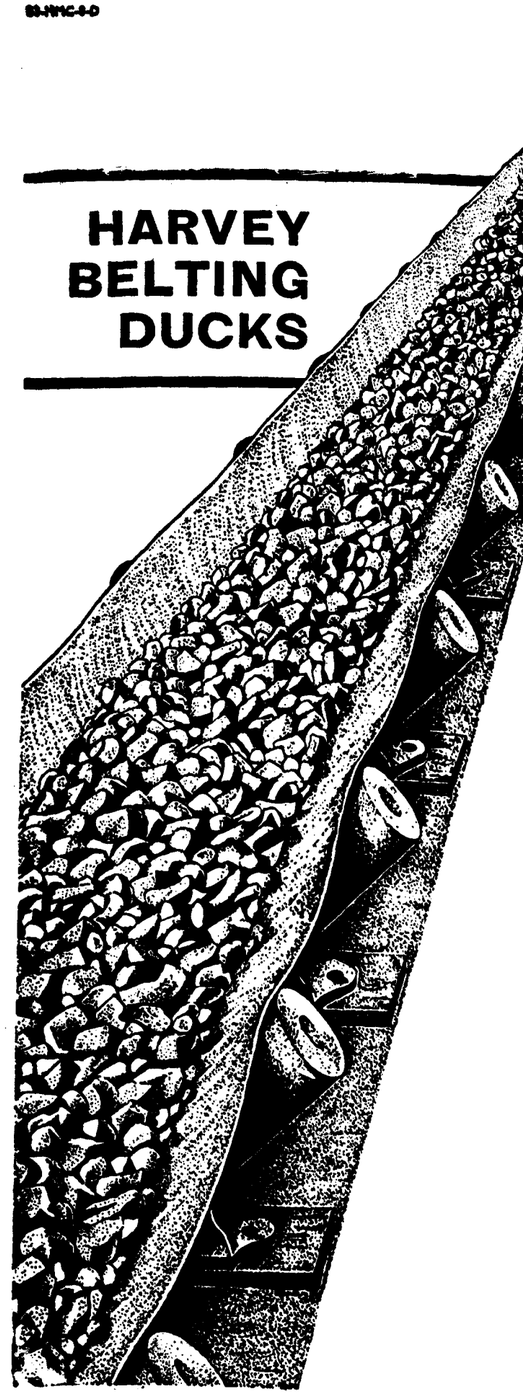
Nahorkatiya Fertiliser Plant: Mr. Alagesan also informed the Lok Sabha on April 29 that the schedule for the Nahorkatiya fertilisers factory had gone behind by about a year. The delay had been caused partly by the emergency and incessant rains, but mainly by the difficulties experienced in connection with the designing of compressor and moving machinery foundations on soil with poor load-bearing capacity. The collaborators for this project, the Minister added, were not satisfied with the soil conditions. A second examination in this regard had been undertaken. If as a result of this re-examination, soil was found to be defective, it might be necessary to shift the project away from the present site. The factory, according to Mr. Alagesan, was now expected to be commissioned by the end of 1966. It is estimated to cost Rs. 16 crores, out of which an expenditure of Rs. 6.9 crores would be in foreign exchange.

Oil Drilling: The Minister for Petroleum and Chemicals, Mr. Humayun Kabir, told the Rajya Sabha on April 27 that drilling for oil in the Port Canning area, near Calcutta, would be undertaken by the Oil and Natural Gas Commission in November this year. The Government, he further stated, had no definite information about the possibilities of obtaining gas in the Hooghly delta region. The matter, however, was being pursued.

Motor Vehicle Taxation: The Minister for Transport, Mr. Raj Bahadur, told the Lok Sabha on April 28 that the States were being persuaded to rationalise motor vehicles taxation with a view to minimising the burden as much as possible. In pursuance of a recommendation made by the Transport Development Council in March, 1960, the Union Government, he added, had decided not to pursue the question of fixing a ceiling on motor vehicles taxation for the present. The Minister further stated that the system of single-point taxation as between two States had been implemented by all the States except Madras and Mysore. A Study Group has been set up to go into the manner and the method in which taxes on motor transport could be realised on the basis of single-point taxation. The question of abolition of the octroi had been taken up by the State Governments. They were examining the manner in which the local bodies could be compensated for the consequential loss of revenue.

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OUR POPULATION PROBLEM—VII

Abortion – Legal or Illegal?

R. CHOPRA

OF ALL the methods, artificial or natural, which are in use for controlling the number of births, perhaps the most controversial is artificially induced abortion.

At present, legally speaking, the position is that most of the countries do not allow 'women a general legal right to interrupt pregnancy. Abortion is considered a serious offence, and in many countries punished by prison sentences of barbarous severity. To assist in or to connive at it is also punishable. From the moment that a woman has conceived she ceases to be a free agent; she must bear the fruit. This is the law as it stands".*

In spite of abortion being illegal and strictly forbidden from the religious, moral and national etc. angles, it is a fact that millions of women all over the world break it (the law) every year. Since abortions had to be induced privately, the exact figure was not obtainable, but to judge from the miscarriages and other indications which came to the doctors' eyes, it must have been extremely high and it was rising steadily. The fall in the birth-rate which had set in since the turn of the century in almost all Western countries was by no means due exclusively to the use of contraceptive devices and methods, but in very large measure to interruption of pregnancy. All specialists agreed on that."**

Estimates show that in the USA where it is quite widespread, in many towns the number of abortions was almost as high as that of births. In Paris, France alone, as early as 1910, it was 1,00,000. At about the same period, the Director of the Berlin University Clinic for Women calculated that nine-tenths of all miscarriages were artificially induced and that the annual figure for abortions in Germany reached 3,00,000; other experts said 5,00,000.**

It is certain that in India also the practice is widely prevalent, though statistical figures are not available.

Soviet Law on Abortion

The history of the legal status of abortion in the Soviet Union is most interesting. Marxists had always branded abortion as a product of unhealthy economic systems. Yet, on the demand of the women, who insisted on being allowed to interrupt an unwanted pregnancy, the Soviet Union legalised abortion in 1920 on the condition that it be induced by a doctor in a public hospital.

In 1936, along with the tightening of the divorce laws, abortion also was made illegal in order to increase the population. It was, however, still permitted where continued pregnancy constituted a serious threat to the life or health of the mother; or where a serious transmissable disease was present in either parent.

Once again in 1955, abortion law underwent a change when the ban on abortion was completely abolished, i.e., artificially induced abortion was no longer illegal. Even under the new law, the operation was legal only if performed in a public clinic properly equipped for the purpose. Secret abortion was still punishable.

Communist China, as mentioned in an earlier chapter, as a part of the latest all out campaign to reduce the growth of its population, permits abortion as a last resort to avoid child birth, although officially it is illegal. Such anomaly, however, can exist only in Communist countries!

Sweden, Finland. Austria and Switzerland permit abortion if the continuation of the pregnancy would endanger the woman's life or affect her health severely. Before sanctioning it, however, the doctor incharge of the case must get the further approval of an official specialist consultant. Abortion under any other circumstances is still illegal and heavily punished.

Japan's Notable Case

Japan is the one notable example of the countries outside the Iron Curtain where abortion is completely legal. As the UN report No. IV on Population Studies "The Population of Asia and the Far East, 1950-1980" puts it:

> "The reduction in the frequency of births has been brought about partly by the widespread practice of legalised induced abortions and partly by a rapid dissemination of contraceptive practices. Both of these developments have been favoured under the Revised Eugenics Protection Law adopted by the Japanese Diet in 1948, and aided by various health activities including the co-operation of the practising physicians and family planning clinics established in some 800 health centres, industrial plants and community groups. Widespread publicity for contraceptive knowledge has been given in the press and other media, particularly women's magazines, in a highly literate population".
>
> "According to available estimates, the number of induced abortions reached a peak of nearly 2 million in 1950—a figure almost comparable with the number of live births in the same year — and declined afterward to perhaps not much more than 1 million in 1958, probably as a result of more widespread acceptance of contraceptive methods".

In India, the Prime Minister recently declared that abortion will never be legalised as it is harmful to the health of the mother. It is, however, agreed by all experts that illegal, secret abortion, usually crudely induced by quacks is much more harmful than legal abortion carried out in properly equipped clinics by qualified persons. In fact, the Soviet Union faced an exactly similar dilemma in 1920 when the demand for legalising abortion became insistent. The government consulted the doctors. Some were against, while others thought that placing abortion under State control was better than exposing the women to the perils of secret illegal operations. This argument won the day and the law was passed.

The question of legalising abortion in India, therefore, needs to be re-examined. The explosive rate of increase of population must also be taken into consideration. Even if abortion is not legalised under all circumstances as in Japan, it should, at least, not be considered illegal under certain circumstances. The health of the mother, presence of serious transmissable disease in either parent, number of previous births and incapability of the parents to bring up the child could be made grounds for sanctioning abortions. Abortion could also be legalised in the first month of pregnancy when it is relatively safe. Needless to say that legalised abortion

*"A History of Sexual Customs" page 343.
**Ibid page 344.

would go a long way towards reducing the birth-rate in the country.

Some Additional Factors

The major factors that contribute to the reduction in the birth-rate namely contraceptives, sterilization and abortion (the last if legalised) have been discussed in separate chapters. There are, however, other factors also which directly or indirectly affect the birth-rate given the right approach and emphasis. Some of them are discussed in this chapter in the following paras:

1. Legislation is required at the Centre to increase the minimum age at marriage to 20 or 22 years for all women irrespective of religion, race, caste or creed. The Union Government recently sought the views of the States on a bill which is pending before the Lok Sabha seeking to raise the marriage age for boys from 18 to 21 years and for girls from 15 to 18 years. The Uttar Pradesh Cabinet has agreed to the step on the grounds that economic and social changes in the country called for this change. The age should, however, be raised to 20 or 22 years for women. Passing the law, however, is not enough. The Sharda Act, passed in 1930, is still being violated with impunity as mentioned in an earlier chapter. During the currency of the PCP it should be ensured by all concerned that the new law, if passed, is rigidly observed. Deterrent punishments should be awarded to its violators. The increase in average age of women at marriage by even 5 years will reduce the birth-rate by as much as 20 per cent.

2. Laws should be passed to make the teaching of the subject of sex and family planning in relation to economic growth compulsory in all schools and colleges to all students over the age of, say, 13 years. Although freedom of the Universities is desirable yet birth-control is too vital to the country to allow the Universities a choice in this matter.

3. Number of students in medical colleges should be increased. Considering the stress laid on sterlization in the successful completion of the PCP, it is very essential that an adequate number of qualified doctors are available. The target of 10 lakhs or more sterilizations per year and a cash compensation of Rs. 100 per case to the doctor would attract many people to practise medicine in the country-side. The Government and the Universities should also consider making it compulsory for all young graduate doctors to work for six months, at least, under the PCP and other welfare programmes. They would, of course, be given suitable remuneration.

4. No relief should be given in income tax on getting married or producing the first child as is being done at present. Though this step will have very limited effect on the population as a whole, it might help in reducing the number of marriages or at delaying marriage and consequently reducing the birth-rate, if properly publicised.

5. Officers of the Indian Armed Forces have to obtain special permission if they want to get married before a certain age or rank. Women in certain jobs are also similarly forbidden from marrying and in certain cases are required to resign on getting married. This practice could be made universal in the country both in the public and the private sectors. Preference should be given to unmarried persons, all other things being equal, for all categories of jobs. Minimum age at marriage at least 2 to 3 years above the legal age, should be fixed for all categories of employees, men as well as women.

6. It is prohibited by law, or will be very shortly, to publicly campaign or agitate for the secession of any State or part of the country from the Indian Union. Similarly, for the duration of the PCP at least, all public utterances etc., against Family Planning by individuals or groups (political, social, religious etc.) should be declared unlawful. It is obvious that any public controversy on the subject of Family Planning during the PCP will be disastrous.

7. All political parties and other social, religious etc. groups should be persuaded to actively encourage and propagate Family Planning amongst their followers. Although it is not possible and nor is it desirable to make this compulsory, a code of conduct in this matter can be drawn up and accepted by all. During election campaigns, religious and social discourses, the advantages and virtues of Family Planning should be publicised. Since everyone in the country will benefit by the success of the PCP it is really in the interest of all of us to give it as much publicity as possible.

8. All Ministers, MPs, MLCs, MLAs and other elected leaders should pledge that they will support and actively work for the success of the PCP. While the various Houses are adjourned the MPs, MLCs and MLAs and even Ministers should make it a point to tour, at least their constituencies and explain to the people the advantages of Family Planning. These leaders are personally known to a large section of the people and are known by reputation to all. They could contact the people in their constituency personally or in small groups and introduce the local Family Planning Worker to them and publicly express confidence in his mission and pledge support to him. This could be done, say, once a year between 1966 and 1976. Such a step would help the PCP immeasurably.

9. Other leaders and senior officials, business men and industrialists should also pledge to publicise Family Planning in their jurisdiction, industries or districts and amongst their followers, employees or subordinates.

10. Wide publicity should be given to the various inheritance laws under which the female off-springs get a share in ancestral property. If properly approached, it could contribute significantly towards reduction in the number of offsprings.

(To be continued)

Eastern Economist 20 Years Ago

MAY 5, 1944

THE FOOD situation of Bengal continues to cause concern and anxiety to the public. Lack of news about conditions in the mofussil has tended to create outwardly an atmosphere of complacency, but this is so only on the surface. Scratching a little beneath the surface it becomes obvious that serious apprehensions still continue to trouble the public mind. News is scanty, but available reports do point to the unsatisfactory state of things as regards food supply. The issue before the public is not merely whether famine would or would not recur; the issue also is whether we are going to have a real improvement of the food situation. Judged by this positive test the food situation in Bengal does give cause for anxiety. Shortages and high prices of foodstuffs continue to be reported from different parts of the province. To add to the apprehensions of the people responsible Ministers continued to speak in disquieting terms about the food situation. When the Civil Supplies Minister of Bengal, was asked in Lucknow (during his recent visit to the place) whether rice grown in Bengal was sufficient to feed her people, he replied laconically: "Nobody can say. There is a tremendous influx of labour from outside and a number of rerugees from Burma and Arakan." How can the Government hope to solve the food problem with such amazing ignorance? The visit of the Bengal Governor to New Delhi, where he is expected to discuss the food situation of Bengal with the Viceroy, has also given rise to many anxious speculations here.

Rational Industrialization

JOHN A SHUBIN
(Professor of Economics, New York University)

A LARGER under-developed country, or a common market of developing countries, of ample resources is endowed with a growth potential which makes self-sustaining economic growth readily attainable. To attain economic growth on a high-productivity basis planners must concentrate resources and the slim supply of capital for the systematic introduction of advanced agricultural methods and the factory system to take up under-utilized resources and to displace unproductive forms of output; and planners must rationalize and develop industries along lines of balanced geographic specialization of production.* The resulting rise in production and in per capita income augments savings and the capital-formation potential and accelerates the pace of industrialization and agricultural development.

PERSPECTIVE PLANNING

To formulate a long-range integrated development plan, economists must assess a country's resource endowments, population growth, export potential, and the supply of investment capital. Planners must employ "perspective" planning to clarify the economic goals and to guide over-all growth 15 to 25 years ahead. Such planning outlines the main social and economic changes and projects goals in terms of national income, population growth, and the size of economic sectors†. A long-range plan continuously maintains a perspective of a given scope which outlines the direction of development appropriate to the country and its economic goals.

To state it more precisely, perspective planning outlines the direction and the pace of growth by projecting economic development and output targets for the years ahead: It projects the development of education and social services and the development and expansion of transportation and power, agriculture and consumer-goods output, and the export volume. From the foregoing projectons it derives the demand for primary materials (metals, cement, pulp). On the basis of the productive capacity required to put out the foregoing goods, it derives the demand for capital goods (essentially the plant capacity required for output of industrial machinery, equipment, metals). The prior expansion of the capital-goods industries in conjunction with growth of transportation and power provides the basis for accelerating the growth of consumer-goods and agricultural output. The latter would call for the erection of plants to put out fertilizers, insecticides, tractors, and so on, necessary to expand farm output.

Planners can more precisely determine future output targets and the needed productive capacity on the basis of a projected input-output table and a pre-determined regionally-balanced geographic specialization of industry (national division of labour). On the basis of projected output targets for final goods (a "final bill of goods"), planners can formulate an input-output table for the economy.‡

Once the general pattern for projected development has been determined, planners aim to ensure that the pace of growth is adequate and that the development of the different sectors of the economy are mutually consistent and in balance. For this purpose planners split up a perspective plan into a number of detailed medium-term (typically five year) plans to facilitate programming of co-ordinated economic development. The selected medium-term planning interval should be of sufficient duration (four to seven years) to span the fruition of major investment programmes and the maturation of a stage of economic development in the process of long-term growth.

INTEGRATED DEVELOPMENT OF THE ECONOMY

Planners must approach the problem of economic growth as a whole from the conception and formulation of an integrated development plant to its practical implementation in terms of erection of integrated productive capacity. Economic growth and gain in the productivity depend not on the magnitude of capital formation and the direction of development alone, but the rationalization of industry and the integration of the national economy, if planners are to attain self-sustaining economic growth. The growth potential (and the essential logic) of a national economy is the productivity inherent in its economic integration. If a country is to attain sound long-term growth, planners must improve transportation to enlarge the scope of the market and promote the mobility of productive factors and they must locate national industries (rationalized for high productivity) on the basis of balanced geographic specialization so as to intensively exploit the country's growth-and-productivity potential inherent in its national division of labour. When industry location conforms to rational geographic specialization, each area specializes and concentrates its human and material resources for the output of those lines of goods that obtain the most efficient allocation of resources, then through exchange, each area enjoys low-priced goods, a higher per capita income. (The productivity gains of regionally-balanced geographically-specialized industries are amplified in a later section of the study).

Planners can obtain rationally-balanced geographic specialization of industry and promote growth from the knowledge of hindsight (e.g., note the benefits of the European

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* Initially planners should rationalize industries of national (and international) scope (as compared to "local" industries) those that put out products that can be shipped to distant markets and are of the scale that permits them competitively to supply large markets, international as well as national markets, e.g., optimum-size enterprises that put out steel, machinery, cars, radios, watches, scooters, pharmaceuticals, etc.

† Social and economic institutions and programmes that promote development along progressive lines and a rise in per capita income include, of course, family planning to check population growth, spread of public education, effective public administration, effective central banking, and so on.

‡ An analysis of input-output tables for industry (or industry groups) is a study of inter-industry relations. In the process of production, each industry absorbs a certain quantity of inputs (materials, machinery) from other industries to attain a given level of output. An industry's inputs relative to output (expressed as "input ratios") are comparatively constant. An industry's input ratios (cost ratios) can show the inputs required for a given level of output. By taking into account anticipated changes in products and processing facilities, analysts can project an industry's input ratios for a number of years ahead.

common markets) and through economic analysis appropriate to a developing country for rationally locating industry. Planners must not only locate industries programmed for establishment in the years immediately ahead, they must, at the outset, locate future industries of national scope a decade or more ahead, if they are to obtain a high-productivity dispersal of industries (*centres of specialized production*).*

Professional planners introduce high-productivity methods of output and attain rapid growth by (1) rationalizing industries and obtaining ("carving out") a large volume of standard-type work for efficient output by specialized plants, (2) locating industries in advance to obtain balanced national division of labour (i.e. promoting the emergence of specialized production centres of optimum size), and (3) programming vertically-related segments of capacity (erecting groups of projects related on the basis of derived demand) for co-ordinated economic expansion.†

Planners essentially achieve balanced economic development by programming vertically-related industrial segments of capacity in line with a pre-determined rational location pattern which obtains not only economies of scale, but permits the synchronized erection and emergence of the infrastructure (transport facilities, power supply, and the like) specially required by emerging industries for full utilization of installed capacity at the outset. The foregoing approach for integrated economic development is merely operationally valid economic planning for early self-sustaining growth — planning which provides ample time for engineering high-productivity projects for integrated development, avoids imbalances and bottlenecks, stretches investment funds, and conserves planning effort.

Planning and Programming Integrated Economic Development

In a larger country (or a common market), planners accelerate the development of capital-producing and growth-supporting sectors of the economy. By initially focussing on the development of the capital-goods industry and agriculture, planners more readily attain self-sustaining growth. The prior establishment of the capital-goods industries (steel, machine-building, machine-tools) and export industries creates the economic base that supplies plant and equipment for erecting future capacity, including agricultural capacity (fertilizer plants, tractor plants). If they are realistically to assess development capability, planners must estimate the capacity to produce capital goods and the potential to import capital goods. A pre-determined location pattern for specialized production centres provides a basis for more accurately computing derived demand for capital goods, as well as a basis for shifting the direction of development (adaptability in expansion).

Planners should so develop the transportation system and the industrial sector as to permit varying the pace and direction of capital formation. They improve the economy's adaptability for development by creating machine-building capacity designed to vary its lines of output (vary the product mix). In this way they obtain greater adaptability to accommodate shifts in the direction of industrialization, permit exploitation of profitable resource discoveries and technological innovations, permit effective erection of capacity that involves indivisible plant facilities, and quickly eliminate unanticipated production bottlenecks.

BALANCED ECONOMIC GROWTH

In the earlier stages of economic growth, producers intent on erecting large-scale enterprise, are confronted by the inadequacy of market demand. Producers could initially find markets through displacing items imported in quantity (import substitution), through exporting on the basis of comparative advantage, and through selling to developing countries on the basis of complementary agreements to operate optimum-size industries for mutual benefit. Producers, too, would find opportunities to launch projects of high-productivity designed to remove existing (or anticipated) bottlenecks that impede essential economic activities or the full utilization of resources.

The limited size of markets (limited purchasing power) for goods in under-developed countries would seem to restrict the adoption of mass-production methods of output. This would be so if economic development were conceived in terms of "equilibrium" economics and its sister "micro-economics". The programming of related enterprises, though unprofitable if launched separately, becomes economically viable if developed jointly. Planning for dynamic growth and programming in "depth" assures that necessary complementary investments will occur so that any single project will not be considered too risky to be undertaken. Since planners can group projected enterprises that are complementary in that they create a market for and mutually support each other, industrial programming calls for simultaneous emergence of vertically-linked or otherwise related enterprises. Because of the complementarity among such investment projects, an over-all enlargement of demand (expansion of the market) occurs through simultaneous emergence of related productive capacity. The erection of vertically-related and complementary enterprises overcomes demand-inadequacy and attains, at the outset, high-productivity output from scale economies; simultaneous launching creates a mutually derived demand for large volume output and, via the market media, propagates scale economies.

The opportunities for ushering in mass-production enterprises increase substantially when analysts rationalize industries to obtain ("carve out") a large volume of standard work for output by optimum-size plants, and when they programme simultaneous erection of vertical segments of capacity in line

* Planners can visit any advanced country and seek out live exhibits of specialized crop areas and specialized manufacturing centres for output of radio sets, business machines, and so on. They should particularly study specialized manufacturing complexes of minimum economic size.

† Planners essentially overcome, in under-developed countries, the "inadequacy of market demand" (which limits the introduction of mass-production technology) through techno-economic analysis and planning integrated development, as is indicated above and amplified in pages that follow. A five-year "integrated" development plan would generally tend to "fall through" (leads to industrial imbalances, installation of high-cost capacity, inflationary pressures), if it essentially does not programme rationalized industries and does not erect vertically-related segments of capacity in line with a pre-determined rational location pattern for integrated national division of labour.

THE AUTOMOBILE INDUSTRY . . . .

needs the users' co-operation

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Every automobile manufacturer gives to the purchaser a warranty against faulty material and defective workmanship. The manufacturer's warranty does not, and cannot cover any assemblies or components which have been subject to misuse, negligence or accident.

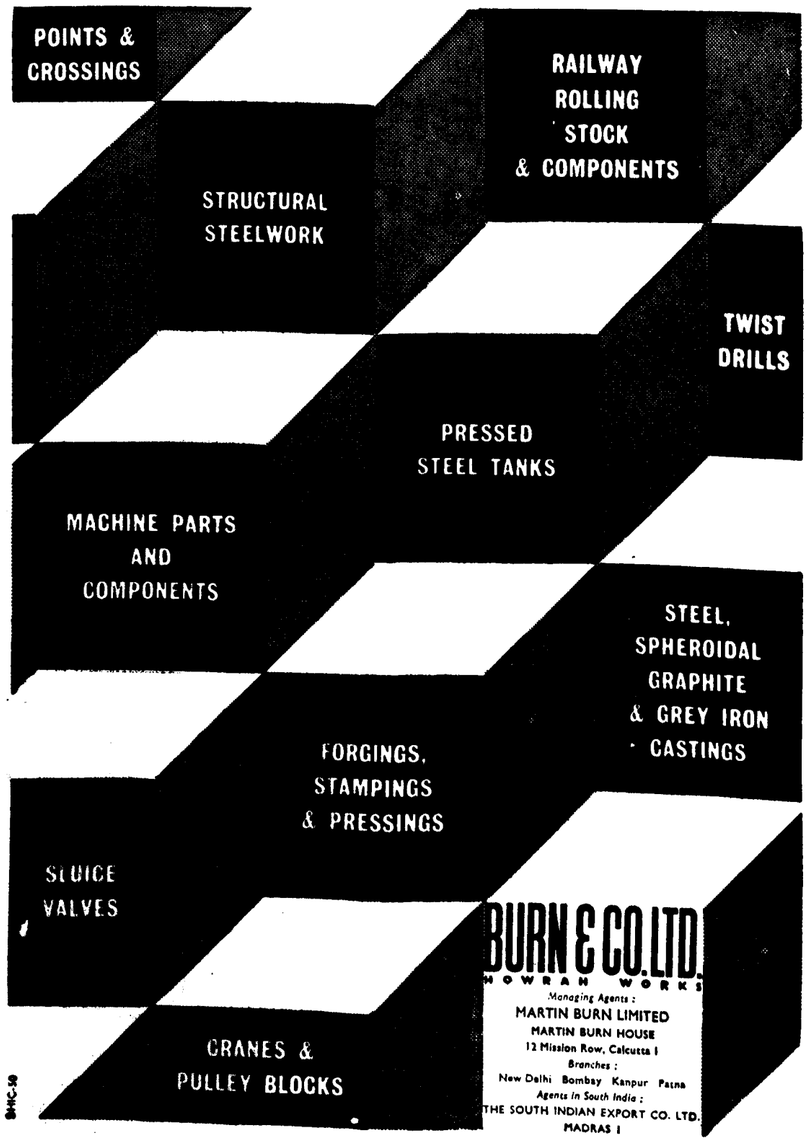
In order to maintain a car in its most efficient and economical running condition, regular and thorough servicing is essential, including not only periodical lubrication, oil changes, etc., but also regular mechanical maintenance. In the case of Hindustan Motors, each new car delivered is accompanied by a Maintenance Voucher Book providing 3 free services and subsequent maintenance services at nominal cost. Purchasers are urged in their own interest to make regular use of these services offered by the manufacturer's dealers, owners will thus protect the substantial investment represented by the car they purchased.

The Automobile manufacturers are often blamed for defects which are beyond their control. They appeal to the users of their products for full co-operation in the matter of upkeep of their vehicles.



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ASP.HM/73



with a pre-determined location pattern composed of specialized production centres designed for scale economies.

DESIGNING OF INTEGRATED DEVELOPMENT PLANS

For the long pull, professional planners formulate a development path for accelerating the pace of growth, and they systematically forge a "perspective" economic structure (a sector mix) on a pre-designed rational national-division-of-labour configuration that productively integrates the national economy. The master planning of successive and dovetailed development schemes (fashioned into five-year plans for convenience and formality) essentially involves an analysis of industry output targets in conjunction with a pre-designed location pattern consisting of specialized production centres, and concocting the best strategy for programming for early fruition at low investment a number of related-vertical segments of capacity (programming simultaneous emergence of integrated capacity).

Planners must design a plan for integrated development and programme groups or related industries that are mutually supporting and mutually validating. A development programme would essentially erect complementary projects, linked in a demand-related (input-output) patterns. Enterprises scheduled for establishment would be linked to supplier industries and to consumer industries that are also programmed for simultaneous emergence. A vertical segment of capacity would thus consist of establishments at earlier and at later stages of production in the same "line" of industrial output.

When planners design in advance a pattern for rational geographic specialization of industries, analysts can clearly identify vertical segments of capacity for programming development that will obtain high productivity. In carrying out a five-year development plan, professional planners essentially programme integrated segments of capacity (whenever possible, "economic-size constellations") composed of specialized industrial complexes spotted on sites in line with a pre-determined location pattern. By programming a group of related vertical-capacity segments as a unit, planners co-ordinate the pace of growth of the various economic sectors; and by programming an inter-related segment of capacity (a single constellation) as a unit planners integrate the constituent projects of the segment.

Planners phase development by expanding (or filling in) capacity at production centres of an integrated constellation of industrial complexes. Programming and phasing a vertical-capacity segment may involve expanding an industrial complex to optimum size, erecting duplicate plants of economic size, erecting duplicate industrial complexes, or erecting a more specialized complex (or plant) and converting an existing complex (or plant) to a narrower range of work in line with a re-allocation of production, that is, splitting a line of production and allocating the work to two more narrowly specialized complexes.

The constituent projects of an industrial segment of capacity must be effectively engineered and prepared for requirement of investment funds, plant specifications, infra-structure, etc. The infra-structure of long-gestation time should be programmed for earlier inauguration so as to attain simultaneous completion with allied plants, thereby avoiding delay in inaugurating production on a commercial basis.

PROGRAMMING OF TRANSPORT AND ENERGY

Planners should, at the outset, identify locations that will require a substantial supply of industrial power or other infra-structure involving long gestation so that they may programme their earlier inauguration to obtain balanced economic development. To mitigate imbalances in industrialization (avoid situations of both under-utilization and over-capacity), transport and energy should be programmed for earlier inauguration so as to attain the co-ordinated emergence of power, transport and industry. Since in our scheme of planning, industries are located in line with a pre-determined pattern, the ease of advanced programming of power, transport, and other infra-structure of long gestation assures synchronized supply of such services to the emerging industries as needed.

Under integrated development, the simultaneous programming of industries that are linked in the processing stages in the same "line" of production propagates vertical external economies from supplying-industries to consumer-industries. Optimum-size producers of material generate vertical economies that enhance profitability for user industries. Programming integrated industrialization also, of course, obtains high capacity utilization of industrial establishments, mines, power plants, and transport facilities.

The Rationalization of an Industry

To attain accelerated industrialization, industrial planners must (1) rationalize industries and design production units of economic size, (2) group techno-economically related production units to make up specialised industrial complexes of economic size and, then, (3) on the basis of a resource survey and analysis, locate industrial complexes along the lines of rational geographic specialization so as to obtain integrated national division of labour and balanced dispersal of industries.

Through an analysis of an industry's structural features, industrial planners can rationalize production and design industry for high productivity, low incremental investment, and ease of programming and development. To design a rational structure for an industry (as outlined in the pages below), industrial planners successively analyze and design an industry's structural features — this includes the delineation of an industry, labour force, material and inventory behaviour, product line, production specialization, optimum size, specialized complexes, and location.

An industry's field of activity is identified by the kinds of goods it puts out. Its field may also be designated in terms of technology (metal-working industries, wood-working industries) and in terms of stages of production — extractive, early-stage, intermediate-stage, final-stage and production. Industries differ with respect to degree of structural homogeneity. A highly homogeneous industry would consist of plants that use the same kind of materials and processes to turn out identical or closely similar products (e.g. meat, whiskey). The less homogeneous the industry (drugs, electronics), generally the more difficult is it to analyze.

For purposes of industrial development, analysts define an industry as a group of plants engaged in the same type of productive activity — engaged in the output of the same or closely related products or services. Analysts delineate industries on the basis of product similarity and production homogeneity (on the basis of the supply side of economic activity) rather than on the basis of close substitutability of the demand for goods. In their initial survey, they would broadly delineate the industry (e.g., rubber industry, beverage industry), and, then, further in their analysis, narrowly delineate it (tyres, beer); and they generally take into account substitute products and complementary products.

An **industry's size** and type of product put out (industrial

machines, antibiotics) indicates its contribution to economic development and to the rise in GNP. An analyst uses "value-added" in production (in real terms) to measure an industry's size and to project development, since the value-added index takes into account an industry's changes in product-mix and the addition of new items to its line of output, but excludes the material and service inputs from other industries. He also, of course, uses capital investment, number of workers employed, physical output, and value of output to programme development and appraise economic effects.

LABOUR FORCE AND OCCUPATION STRUCTURE

An industry's occupation structure (classes of skills employed), determined by the nature of its production processes, may consist of a narrow range of skills, as in the case of brewery industry, or it may consist of a wide range of job grades, as in the case of the metal-working industries. Industrial engineers employ job evaluation techniques to rank an industry's occupations (formulate an ascending hierarchy of job grades) so as to arrive at consistent occupational differentials from the lowest to the highest job grade. They usually determine occupation differentials on the bases of the degree of skill, effort, responsibility, and favourability of the working conditions involved in each job. Such a hierarchy of job grades facilitates the determination of occupational wage differentials usually considered by labour and management to be a rational basis for setting a scale of wages for job grades.

Some skilled and technical occupations tend to be tied to certain industries, though many types of occupations are common to a number of industries. Technologically related industries located in the same area acquire a supply of skilled labour by early inaugurating worker training. Since growing industries attract young workers, they can enjoy the advantages of a well-trained, vigorous work force. To disperse the benefits of industrialization, expanding industries could recruit workers from the various regions of the country.

Some industries tend to locate in areas of skilled labour supply. Economists identify an industry as being "labour-oriented" in location when the proportionate cost of labour is relatively high in unit cost and an adequate supply of labour is relatively important for maintaining efficient production. With the planning of industrial growth and the increasing mobility of labour, a labour-oriented location should not be a significant factor in locating industries. By locating industries well in advance of their erection, planners obtain ample time for establishment of schools to turn out the required skilled labour and technicians, so that the labour "bottlenecks" need not adversely influence location decisions or retard industrial development.

MATERIAL AND INVENTORY BEHAVIOUR

An analyst assesses the importance of material supply and inventory of an industry's stocks in terms of the share of material cost in unit cost, the diversity of items required, and the investment in stock relative to sales volume (the stock-sales ratio).

Typically, the quantity of materials necessary for goods in process depends on the production interval and the rate of output; the quantity needed for finished stock depends on the amount required to meet satisfactorily the delivery needs of sales commitments. The amount required for raw-material stocks depends on the procurement lead-time (delivery time), carrying charges, and the stock level necessary to maintain an uninterrupted rate of output. An industry's short-run demand for materials and the amount carried in stock depend not only on the variations in the rate of output and sales, but on the interest rate and the trend in the price of materials (e.g. inflation).

An industry's long-term demand for materials and the amount that would be carried in stock (the stock-sales ratio) depend on the industry's growth, the degree of vertical integration of production, the improvement in transportation, the degree of standardization of materials, the effectiveness of inventory-control system employed, and the number of producers in the industry. If the industry comprises many small producers and small distributors, the overall material stock levels will obviously be enormous. In such cases total investment in inventory stocks may exceed the investment in plant and equipment.

An industry's long-term supply of material depends on the richness of the material resources, the cost of expanding capacity for output of material, and the availability of substitute materials. If output capacity can be economically and quickly enlarged the effective supply of materials tends to be relatively elastic.

Some industries tend to locate at the source of materials. An analyst identifies an industry as being "material-oriented" when the cost of transporting materials is relatively high, and when locating plants at the source of materials would appreciably lower the cost of material input.

MARKETS AND DISTRIBUTION CHANNELS

An analyst identifies an industry's market area as the area to which it supplies product; and he breaks down an industry's over-all market into separate market segments when there are separate groups of buyers who use the product for different purposes and whose demand patterns differ. The petroleum industry's market, for instance, may be segmented according to each of its products — petrol, kerosene, diesel oil, and so on. The market for diesel oil may, in turn, be segmented into that of the farm-machinery demand for oil, the railway demand, and so on. A product's various market segments may differ with respect to length of distribution channel, pricing practice, and seasonality of demand. The seasonal demand of one market segment may offset the seasonal demand of another segment.

An analyst elects that distribution channel which attains low-cost marketing and a large volume of sales. He may elect a single channel or he may elect a multiple-channel system, e.g., sale directly to users, to retailers, and to wholesalers who resell to retailers. Producers who put out industrial goods find it economical to distribute directly to users or to wholesalers who distribute to users. Most producers of industrial goods find it economical to sell directly to the users of machinery because of the high unit cost of the items and the need to provide technical servicing and installation of equipment. Producers of consumer goods generally find it economical to distribute through wholesalers. Such distributors attain efficiency through specialisation and bulk buying, shipping and storage. In order to attain low-cost marketing of items of diverse manufacturing sources, an analyst often finds it profitable to set up a demand-related product line (e.g. hardware items) in order to attain effective marketing.

Some industries locate accessable to a major market area. An analyst identifies an industry as being "market-oriented" when locating accessable to a major consuming area attains low-cost distribution and technical communication and customer servicing as in the case of marketing machinery.

Industrial analysts aim to design industry structures and programme industrial expansion so as to obtain declining long-run cost in production. Initially, they distinguish between short and long-run costs.* An industry's long-run cost of production derives from and is dependent on the size of output capacity — long-run cost in rationally structured industries declines because of economies of scale associated with enlarged capacity.

As a rationally-organised industry expands, long-run costs decline (productivity rises) not only because of internal economies of scale, but the decline in input prices (payments) for materials, equipment and services (stemming from external economies) and the adoption of innovations. Keenly aware of the sources of productivity (the determinants of long-run costs) analysts, at the outset, design and locate industry for high productivity.

To design an industry structure for high productivity (as is outlined in pages below), analysts must (1) set up process-related production lines, (2) apply sufficient research and engineering effort for the design of products and processes, (3) apply the principles of product simplification and maximum interchangeability of components in the design of products (stipulating high-utility economy models, wherever feasible), and (4) minimize the input of scarce materials and capital and specify processes that obtain the least-cost combination of productive factors. To fully exploit the productivity inherent in industries, planners stipulate (5) the progressive division and specialization of production, and (6) the rational location of an industry's divisional units to make up specialized production centres.

PROCESS-RELATED PRODUCT LINES

Early-stage industries typically convert, through integrated facilities, crude materials (oil, coal) into certain primary and secondary products—their material-related product coverage (joint products) is generally put out in somewhat fixed proportions. For most manufacturing industries, however, planners have considerable latitude in setting up rational product lines for efficient specialized output.

In setting up rational product lines, planners aim for process-related product lines. By grouping products and components on the basis of process relatedness (grouping items that are put out by the same or similar processes), planners subdivide and segment an industry's production along process-related product lines, simplify production, and extend the application of mass-production methods of output. The segmenting of an industry into appropriate product-line divisions so that each can employ efficient specialized processes to turn out a narrow line of items is obviously the primary means for producing on a high-productivity basis.

For industries of a relatively broad product coverage (electrical goods), planners would, on the basis of projected output, set up a number of process-related product lines. They would set up separate product-line divisions for large-volume items for output on more specialized processes. They may further break down a line of output according to the size of the product — heavy and light electric motors, or heavy and light machine tools. Diverse small-volume items would be set up into broader process-related product-line divisions for output on less specialized facilities. By applying the foregoing production approach, planners would obtain not only high productivity output, but lower incremental investment for erecting plant and lower stock ratios, as well as simplify the burden of management.

Industrial planners are well aware that the level of costs is somewhat pre-determined by the amount of research and engineering effort devoted to product design and to the selection and development of economical processing methods. They stipulate sufficient research and engineering effort so as to obtain economical output for the long run. The larger the potential volume of output, the greater the research and engineering input that can profitably be absorbed.

The greater the input of research and engineering effort the lower the cost of output and the greater the utility (quality) in the product. Engineers seek not only to obtain minimum cost output for the anticipated volume of output but maximum consumer-utility features (quality, durability, ease of maintenance) in the product. They aim for functionally sound products and they design and build quality into the product. In the final analysis, it is the amount of product utility and durability (the "bundle" of utility) obtained from the input of productive effort that measures the economical allocation of resources.

ECONOMY MODEL PRODUCTS

Wherever feasible, planners should stipulate the adoption of high-utility, economy-model products for output—low-cost simplified version rather than the high-cost, de-luxe version of the product. Designed for low-cost output and sale at a lower price range, economy-model products (for motor vehicles, scooters, and so on) attain a larger sales volume. An economy model makes low-cost output possible through use of simpler operations and inexpensive processes, less input of materials and skilled labour, and a larger volume of output which further lowers the unit cost of production. The resources conserved would be applied to the output of other types economy-model products.

To enlarge the gain in productivity, planners promote the adoption of **product-simplification programmes** and industry-wide **standardization** whereby engineers analyse and appraise product lines to eliminate needless product variety and model sizes in order to reduce waste, improve production efficiency, and simplify maintenance and repair. The elimination of superfluous product variety and product features reduces the level of inventory stocks and permits longer production runs and a greater specialization of facilities.

Industrial planners promote maximum adoption of **interchangeable components** and parts designed for absorption into the assembly and output of similar as well as different kinds of final products. Enterprising engineers can systematically develop standard-type components and parts designed to assemble into a large number of different kinds of final products—a single efficient diesel engine and other components, for instance, can be designed for use in buses, trucks, tractors, and stationary engines. By employing a broad "perspective" product-design approach, engineers can, in fact, attain an extensive absorption of standard components and parts into the final assembly of a number of different final products.

A wide application of the principle of interchangeability of components achieves productivity gains through longer production runs, greater adoption of mass-production methods of output, lower over-all level of stocks, and improved quality in the product.

MINIMISING INPUT OF SCARCE MATERIALS AND CAPITAL

Industrial planners should stipulate the adoption of efficient production methods that minimize the input of capital and other scarce factors. Engineers would design products and select production methods so as to minimize the input of scarce and high-priced materials and to specify the use of suitable lower grade materials and appropriate substitute materials. They would take pains to avoid "over-specifica-

* Short-run unit cost of production derives from and depends on the rate of output. At a lower rate of output, units costs are high; at a high rate (near optimum), unit costs are low largely because of the spread of overhead costs over a larger volume of output.

tion" (the over-designing) of components and seek out processing methods that conserve material.

Engineers would design products that call for labour-intensive processes in place of capital-intensive processes; for example, in place of pressings, they may specify welding processes, wherever technically feasible. Engineers, too, would specify efficient machine methods of processing only for the production line alone, but would specify less capital-intensive methods and facilities for the handling of materials, inspection operations, and other operations that service production. By adopting a multiple-shift policy for plant operations, managers intensify the use of plant facilities and reduce the capital cost per unit of output.

Though the market for many manufactured products may be somewhat narrow and opportunities for adoption of specialized production methods seem to be limited, industrial planners are aware that they can extend the application of mass-production methods by promoting (as earlier outlined) the adoption of process-related product lines, economy-model products and simplified production, and a wide use of interchangeable components.

Industrial planners further reduce capital input by promoting adoption of optimum-size plants and by grouping techno-economically related enterprises to make up specialized industrial complexes which obtain intensive use of feeder plants, auxiliary plants, and overhead services (as is outlined in subsequent discussion). By means of the foregoing production approach, planners obtain and "carve out" a large volume of standard-type work for output on a mass-production basis.

PLANT SPECIALISING AND MULTIPLE-PLANT SYSTEMS

By employing an approach which attains a larger volume of standard-type work (process-related items) for output, engineers obtain a greater division of labour—the production process can be broken down into relatively simple operations which readily permit the mechanization of operations.

In order that they may effectively select production machines, engineers study the product's specifications to determine an efficient sequence of operations to put out the product. In their procedure, engineers ordinarily, first, select the required machines to equip the production lines and, then, select the needed service equipment (materials-handling devices, inspection devices) that facilitates the operations in the fabrication and assembly-lines.

Engineers aim to equip a production line with a series of well-designed work stations and machines to obtain speed in output so as to lower the capital-cost and the labour-cost per unit of output.

Plant facilities (capital inputs) are **divisible** in factories where they can be added in small increments as individual machines to enlarge output capacity. Such divisible production facilities are exemplified by factories where a battery or somewhat duplicate machines or duplicate production lines turn out the work, as in the case of tyre-moulding machines, die-casting machines, milling machines. The cost of small machines is hign relative to capacity as compared to that of large machines.

Capital input is **indivisible** in production processes where it must be added in big increments, as in processes that involve an integrated facility (a refinery, a pulp mill), a tightly-integrated fabrication line, or a highly-mechanized assembly line. A plant's largest indivisible production equipment and its output capacity tends to determine the plant's optimum size; and the output capacity of the largest "indivisible" plant tends to determine the optimum size of an industry's multiple-plant unit.

When a producer in an industry involving a long over-all production cycle, at the outset, subdivides his production cycle into appropriate phases and sets up specialized plants, he essentially adopts mass-production technology and attains low units costs. Each plant would carry work-in-process up to a given point and a successive plant would take over for further processing — operations in each plant would terminate at the completion of the conversion of materials, completion of the fabrication of a part, or at the completion of an assembly.

If the latter inherently large-scale industries of high inherent productivity are set up as (fragmentized into) "small-scale industries" or "medium-scale industries" composed of a large number of scattered enterprises, they are, in fact, set up for high-cost production (for low productivity) and absorb a large over-all investment.

ECONOMIES OF SCALE

When planners programme industrialisation along the lines of geographic specialization of production, they create economies of scale (productivity) A producer enjoys 'external economies when he acquires low priced input factors supplied by a rationally specialized industrial system. A producer reaps external economies of scale as he buys input factors at lower prices (lower cost) — procures components and machinery at lower prices or better quality at the same price. A producer reaps such economies when industry locations conform to rational geographic specialization, when plant locations obtain intensive use of the economic overhead facilities (transportation facilities, technical schools), when industry achieves greater standardization of materials and plant facilities, and when industrial research obtains technological innovations for commercial exploitation.

A producer obtains 'internal-economies' not from "bigness" (capital concentration) per se, but from the adoption of process-related product lines and product-design approaches that yield sufficient volume of standard-type work for mass-production output, from large-quantity purchasing that lowers the input prices for materials, from mass-marketing that lowers distribution costs, from full-time use of managerial experts who obtain operating efficiency, and from internal technological improvements that lower costs.

HORIZONTAL AND VERTICAL INTEGRATION

When a producer sets up a horizontal combination (a multiple-plant unit composed of duplicate plants), he may obtain additional economies through greater bulk-purchasing of materials and lower over-all inventories, lower-cost distribution of goods, and fuller utilization of technical and managerial specialists and of service units, such as tool-and-die shops, maintenance shops, and facilities for disposal of wastes or for output of by-products. Since the magnitude of such economies differ among industries, analysts should, in each case, determine the amount of economies that can derive from a horizontal combination.

Enlargement of capacity through erection of duplicate plants (horizontal expansion) sometimes permits profitable vertical expansion — vertical integration of sequential plants linked to yield specific economies. When a producer brings additional sequentially linked and allied plants under his managerial control, he achieves greater vertical integration of production; in "fully-integrated" industries management controls operations from raw material output to the completion of the final product. Vertical integration, perforce, does not yield economies in production; it may merely yield monopoly profits through control of scarce materials. Opportunities for economies from vertical integration differ among industries — they tend to grow out of enlarged output, usually capacity enlargement through horizontal expansion.

Parts and components that were cheaper to buy when they were procured in small quantities may become cheaper to produce by the consuming enterprise when the items are absorbed in larger quantities; a producer may find it profitable to erect a feeder plant of economic size to supply his needs. On the other hand, on the basis of projected emergence of specialized plants of optimum size for efficient output of standard-type fabricated items and key components (control devices, fractional motors, plastic items), a producer may find it cheaper, in the long run, to buy these items than to produce them.

Through analysis, planners can ascertain the extent to which vertical integration can yield economies in a given industry. Analysts may find that vertical integration in certain industries obtains economies from greater specialization of sequential plants, elimination of some preparatory and terminal operations (heating of materials, inspection, packaging and handling), more uniform quality in materials, and lower inventory stocks. Where it is economically feasible, vertical integration can substantially lower unit costs and enlarge values added in production and the ratio of profits to sales.

OPTIMUM-SIZE PRODUCTION UNITS

From a technical standpoint, many processes and production techniques call for a certain minimum volume of output, below which costs will be excessive. Producers of machinery and equipment, moreover, offer only specified industrial sizes of equipment. Engineers must attain a sufficiently large volume of standard work for output to overcome the indivisibility of high-capacity machines and permit adoption of mass-production processes and the erection of efficient-size production units.

Analysts identify an industry's sources of scale economies as a basis for rationalizing operations and adopting mass-production industrial establishments of economic size. As outlined earlier, analysts rationalize an industry's production to obtain a large volume for mass-production output by setting up a process-related product line for each divisional unit, applying sufficient research effort, designing economy-model products (whenever possible), maximizing interchangeability of components, minimizing input of scarce factors, and setting up optimum-size plants.

When the production cycle is somewhat lengthy, engineers breakdown the over-all process into appropriate phases and set up separate plants for each. The constituent plants would include process-specialized plants for the fabrication phases of production and product-specialized plants for assembly phases or some economical balance of the foregoing. Engineers enlarge capacity in the horizontal direction (duplicate production lines) and in the vertical direction (add sequential plants) when analysis indicates that such enlargement would reap significant added economies from the intensive use of auxiliary plants, elimination of terminal operations, lower stock-ratios, and the like.

An "optimum-size" production establishment is one that obtains the lowest unit cost output in a given state of industrial technology. An industry's optimum-size divisional unit tends gradually to increase due to progress in technology (e.g., introduction of higher-speed machines and high-capacity equipment) and the inclination of certain products to become more complex, calling for longer processing as in the case of industrial machinery. The optimum-size divisional unit would obviously differ from industry to industry because of differences in plant divisibility, length of production cycle, and sources of scale economies. The optimum-size unit, for instance, would be larger (usually a multiple-plant complex) in the industries that put out bulky, high-value goods through indivisible facilities, lengthy production cycle, and integrated capital-intensive processes that yield substantial internal economies of scale. The investment required to erect an optimum-size production unit would be relatively smaller when economy-model products (say, typewriters, radio sets, sewing machines) are to be put out.

Whereas the optimum size of a plant tends to depend on the output capacity of the more expensive high-speed machines or equipment in the production line; the optimum size multiple-plant unit tends to depend on the capacity of its largest (in scale) optimum size plant. Analysts identify the optimum size divisional unit of an industry as that which fully employs (at rated capacity) the constituent indivisible units of high output capacity, such units as that of an integrated facility, a fabrication or assembly process, an expensive auxiliary plant, or, at times, an expensive distribution system.

Analysts often find that there is a size beyond which further enlargement obtains only modest gains in scale economies — obtains little reduction of long-run costs over a wide range of output capacity. Analysts, thus, identify a minimum economic-size production unit as the scale beyond which long-run cost tends to decline slowly (or tends to level off) over a wide range of output, as is the case in many manufacturing industries.*

Industrial engineers can design an "aborted" version of the minimum economic-size production unit .... a scale that permits adoption of high-capacity processes for the main phases of production and the adoption of less mechanized methods (including general-purpose machines) for the balance of the operations. Subsequent expansion to optimum size would involve higher incremental investment, including discarding of some equipment, than would have been the case had a true minimum economic-size establishment been initially erected. Planners, as a general policy should promote industrial expansion on the basis of optimum-size, or, at least, minimum economic-size units. A minimum economic-size unit, one pre-designed for horizontal or vertical expansion to optimum size, would involve relatively low incremental investment.

VALID SMALL-SCALE INDUSTRIES

Industries in which production technology yields an optimum-size unit at a relatively modest capacity-size are the economically valid "medium-scale' or "small-scale" industries. The mere physical possibility of producing at a small volume is not an economic or a rational basis for designing and promoting "small-scale" industries, small "ancillary" industries, or what not. Such a policy merely promotes low productivity, low-quality output, and a waste of capital resources.

The gestation time for programming and erecting a project depends on the amount of special facilities that must be built to order and the time required to design and erect plant, break in a work force, and eliminate processing flaws. The effectiveness with which planners pre-design industrial expansion programmes for speed of implementation influences the

* For discussion see John A Shubin's "Managerial and Indus trial Economics" (New York, N.Y., The Ronald Press Co. 1961) pp. 158-196.

gestation time and the incremental capital-output ratio.

Professional planners essentially phase and programme the expansion of industries on the basis of economic-size production units in the output of process-related product lines. They would in each case stipulate whether expansion should be on the basis of plants (or multiple-plant units) of optimum-size or minimum economic size, or on the basis of specialized industrial complexes of economic size consisting of two or more techno-economically related production units from different industries, each of which may be of (or below) minimum economic size.

For industries of relatively short over-all production cycles and divisible facilities, planners can programme comparatively small capacity increments on the basis of duplicate minimum economic-size (or optimum-size) units, with plant layout pre-designed for expansion at low investment.

For industries of indivisible facilities, planners would generally find that they must programme units of optimum size. Two or more techno-economically related units of optimum (or minimum economic) size from different industries, when located and set up as an industrial complex for common use of economic overhead facilities, would reap productivity gains from joint use of service units, auxiliary plants (waste-disposal or by-product plants), a common labour pool, training schools, and the like.

Planners may, in place of an optimum-size unit, set up two separately located units of minimum economic size with built-in provision for expansion. They would, for instance, find it advantageous to set up two units at separate locations in cases where each can support (through joint use of economic overhead facilities) production units of other industries that would not otherwise have been economically viable industrial projects. The foregoing technique for designing industry divisional units must take into account resource situations and other location considerations discussed below.

Rationally Balanced Geographic Specialization of Industry

On the basis of a resource survey and an economic analysis for regional comparative advantage, planners determine the fields of specialized production for each area that efficiently allocate resources. It is primarily through geographic specialization of rationalized industries that the economy obtains the most profitable allocation of resources.

If they are to rationally conceive the development of the economy and fully exploit the growth-and-productivity potential inherent in national-division-of-labour, planners must design the long-range growth plan to develop and integrate the national economy through balanced geographic specialization of industry. As planners successively design and rationally locate one or more industrial complexes of minimum economic size of each industry, they create specialized production centres which make up the country's geographic specialization of industry. An industrial complex of minimum economic size would be one that attains internal economies of scale and attains external economies of scale from intensive use of local infra-structure. An industrial complex of optimum size, however, would be one of bigger scale with somewhat lower long-run unit costs.

Professional planners locate industry complexes of economic size so that each area can specialize in that field of output that most efficiently employs the area's human and material resources. A divisional unit of an industry may consist of a single industrial complex of economic size (a steel complex, a motor cycle-and-scooter complex), one that essentially obtains the inherent economies of scale. When the planned output volume does not permit erection of a single-plant establishment of minimum economic size, or when an industry divisional unit, on the basis of projected output volume, does not yield an industrial complex of minimum economic size, planners, on the basis of techno-economic relatedness, set up and rationally locate a specialized industrial complex consisting of two or more process-related divisional units of different industries.

As compared to an "even" regional distribution of industrial capacity (often "fragmentized" capacity) currently programmed for erection, rationally-balanced geographic specialization of industries (industrial complexes of economic size, or groups of technologically-related and complementary producers of economic size) attains high-productivity output and a number of specific economic benefits that accelerate economic growth:

(1) Geographically specialized industries (logically-located complexes of economic size) can readily support an adequate research staff and laboratory which can design improved products, introduce cost-cutting innovations, and attain a flow of technological innovations that keeps the industry competitively abreast in trade.

Geographic specialization of industries (rationally-located industrial complexes) (2) permits industry-wide adoption of mass-production technology (including by-product output) that reaps internal economies of sale; (3) creates a pool of skilled labour and technicians and readily supports an adequately staffed training school, hospital, and the like; (4) attains an intensive utilization of specialized local infra-structure true that reaps external economies; (5) attains lower transportation costs through bulk-buying of materials and bulk-shipping of finished goods; (6) attains decidedly lower industry-wide stock-sales ratios thereby lowering the ICOR; (7) attains more uniform operations in the face of seasonal variations in business because an industrial complex can more effectively forecast sales, attain better quantitative change in the product mix to stabilize the level of output and more efficiently schedule long-term equipment overhauls for periods of slack production; and (8) requires less investment to expand capacity of high productivity or converts production facilities to the output of a remodelled (or a new) product; (9) industrial complexes, when located in a complementary environment (economically suited to the area) in terms of crop specialization and local industries, create an impact sufficient to stimulate economic progress in the area. Planners take into account the foregoing points for an evaluation of an industrial programme for high productivity and as relevant criteria for designing a rationally-balanced location pattern for industries.

ECONOMIC ANALYSIS AND APPROACH TO LOCATION

Planners identify the ideal location for an industrial establishment on the basis of the lowest long-term (the future) cost of production and distribution of goods. Location decisions must take into account the future size of the market, the future cost of input factors and transportation, and the particular advantages of proximity to allied or complementary industries. For this purpose, planners must analyze an industry's cost behaviour to identify the primary location determinants. By computing the comparative advantage of alternative locations on the basis of an industry's future (the relevant) cost of operations and distribution of goods,* analysts determine the net impact of the different location-determinants (the location "pulls").

When the material required is perishable or bulky and the share of transportation cost for receiving materials would be high relative to value added in production, the industry (identified as material-oriented or resources-based) seeks a location accessible to source of materials. Resource based industries are usually "weight-losing" (the goods put out by plants weigh less in the end than the material input) due to reduction of material during processing. Because it avoids costly transportation, location of plant at the source of materials markedly lowers the material input costs.

When finished goods are perishable or bulky and the share of transportation cost for shipping goods to market would be high relative to value added in production, a "market-oriented" industry seeks a location readily accessible to its major market area. An industry is also decidedly market-oriented if it calls for market accessibility (often location at its major market) for effective technical servicing of, and communication with, customers and for proper guaging of the shifts in customer needs (as in the case of tool-and-die shops and machine-building plants).

In an economically advanced country, industrial engineers generally locate an enterprise on the basis of the lowest unit cost for producing and marketing the product; the locating of an enterprise usually involves a comparatively small capacity accretion relative to the size of the industrial sector, though the capacity of the new plant may be big. This location process, appropriate to an advanced economy, essentially adapts a small increment of capacity to an existing industrial environment and pattern of geographic specialization of production which has evolved as producers in high-cost locations are gradually eliminated (or induced to relocate) by the competitive process, where industry is not monopolistic and a sellers' market is absent.

The economic approach for locating industrial plants in a developing economy under rational planning would differ from that of an advanced economy. For instance, many of the "external" pulls that influence plant location in an advanced country become "internal" industrial inter-relationship. This is because analysts design industrial complexes and typically programme and erect vertically-related segments of capacity in line with a pre-determined rational location pattern for industry. Planned integrated development involves relatively dynamic development which creates its own economic environment for optimum production. An analyst creates an optimum economic environment for production by the **"simultaneous" location** of industries and industrial complexes on the basis of mutual comparative advantage of inter-related specialized centres of production.

INDUSTRY LOCATION UNDER DYNAMIC CONDITIONS

If they are to realistically locate industries for geographic specialization and high productivity, planners must not only locate industries programmed for immediate development, they must, at the outset, locate future industries of national scope a decade or more ahead. In their location study, analysts proceed as if each industry were developed to optimum; they take industries in their developed state (taking into account latest emerging technology) to determine the future rational location of industry (the future national division of labour).

Professional planners develop a rationally balanced geographic specialization (a location pattern) for industries through (1) survey and analysis of the country's particular resource distribution and the assessment of the potentialities of modern transportation, (2) designing industry specialized complexes (or establishments) on the basis of their techno-economic inter-relationship and in conjunction with the geographic situation of resources, and (3) mutually locating industry establishments and specialized industrial complexes on the basis of long-term comparative advantage, computed for the relevant time horizon and in terms of future costs. Through an intensive study, planners can obtain a highly productive, regionally balanced location pattern, one which can be economically superior to that of advanced countries. They can, for instance, avoid excessive geographic concentration of industry, while obtaining specialized production centres of economic size.*

SEQUENTIAL PROCEDURE

Conceiving the country's national division of labour as an integrated entity, planners project (say, into the 1980's) the main outlines of the national transportation and power system, locate major resource-based and early-stage industries, and then mutually locate intermediate-stage and late-stage industries on the basis of analysis of inter-relationship of activities and computations that would obtain for the future sector-composition of the economy.

Because the location pattern of resource-based industries and specialized agricultural areas (the "independent" locations) tends to pre-determine the location of many intermediate and late-stage industries (the "dependent" locations), planners essentially observe a sequential procedure (a chain reaction path) for locating industries, systematically back-tracking in their study; and they take into account the fact that major resource-based industries and agricultural areas are important markets that influence the location of some market-oriented industries. Though the locating procedure is to a degree both sequential and circular, there are many industries that must be dispersed on a productivity basis, ascertained through economic analysis.

In the earlier stage of economic development the spotty availability of lower-cost power tends to exert an undue long-term influence on the location of industry. The transmission of power is expensive when it is to supply a smaller industrial project, and a small local generating station provides costly power. From a survey of fuel sources and hydro-power sites, planners project power supply and the future power grid. As power output rises and the range of the high-voltage transmission increases, the emerging power grid lowers the cost of electricity, improves the reliability of supply and permits greater flexibility in locating industries. Planners identify areas of future low-cost power in large volume as potential location for aluminium reduction plants, electro-chemical plants, and other industries that call for inexpensive power in big quantities.

Planners ascertain the potential agricultural capacity, taking into account irrigation and reclamation, and indicate the priority for developing capacity. On the basis of climate

* For discussion of methods for determining future costs see John A Shubin's "Managerial and Industrial Economics" (New York, N.Y., the Ronald Press Co., 1961), pp. 305-309.

* In place of "locate when you programme projects and consider regional climate of opinion", a staff of location scientists (industrial economists, geographers, engineers) would obtain a rationally-balanced geographic - specialization - of - industry pattern as an alternative to the regional fragmentization of industrial capacity on an "even" basis (particularly manufacturing capacity). If many of the establishments evenly distributed for "balanced" growth are not economically viable or progressive, the economically irrational distribution of industries is essentially not even.

and soil, they determine the long-term geographic specialization of agriculture, delineating for each area the optimum specialization of production on the basis of more advanced methods and the necessary conversion from current to optimum specialization. Planners would identify the areas of higher-yielding specialized lines of crop, livestock, or dairy production (the resource-related product line) and determine optimum-size processing plants (including by-product output), low-cost marketing system, and the share of output to be transported to distant markets.

They identify local production centres composed of textile mills, sugar mills, canneries, pulp mills, meat packing plants, dairies or other agro-based industries. By projecting future transportation and the output of rich areas, planners identify the main local production centres that would be favourable future sites where suitable manufacturing establishments can be located for high productivity. Planners, too, would consider locating adjacent to agro-based production centres one or more suitable complementary establishments (beverage plants, fertilizer plants, cement plants) for more intensive use of local infra-structure and for greater growth momentum.

RESOURCE-BASED INDUSTRIES

Some raw materials are somewhat widely distributed (are ubiquitous), as in the case of brick clay, limestone, and silicon; while other raw materials are available only at certain places (are localised), as in the case of coal, iron ore and bauxite. The relative influence of raw materials on the location of an industry depends not only on the anticipated cost of transportation and how economically materials can be shipped, but on the degree of bulkiness and perishibility and on the extent to which plant processing brings about "weight-losing" during the transformation of materials into a more finished state. Weight-losing materials tend to attract resource-based industry to the location of the source of materials.

A survey and an identification of a region's resource endowments enables planners to indicate the kind of specialised production that is possible. Planners would rate resources on the basis of richness, accesibility in terms of projected transport technology, and feasibility for exploitation by plants of economic size.

Location planners note that, as a general rule, when complementary resources for output of primary materials (iron ore and coal for output of steel, or bauxite and cheap power for output of aluminium) and the material-consuming industries are in close proximity, or can be arranged for "close proximity" in terms of future transport technology, the vertically-related productive capacity can readily be established on an economic basis. The related industrial capacity (the industrial projects) must, of course, be programmed and erected as an integrated segment of capacity to obtain at the outset high utilization of the installed capacity.

In selecting economical locations for projected intermediate-stage and late-stage industries, planners thus take into account the future supply of required materials, i.e. the availability and location of resource-based industries. In jointly locating the foregoing vertically-related industrial establishments, planners take into account the benefits of proximity to technologically complementary industries in adjacent areas. Planners determine the final location of vertically-related establishments on the basis of comparative advantage for the proper time horizon and, in this way, formulate future geographic specialization of industries.

In many regions, for example, a number of commercial deposits of limestone for cement output are generally available; deposits selected for exploitation, however, depend on the location of markets. Thus, whereas sites of cement plants are raw material-oriented, the regional location of plants is market-oriented. Projected locations of cement-consuming industries (areas of future construction and industrial activity) identifies the limestone deposits where cement plants would be sited. Future cement plants would, therefore, find their ideal location where supplies of raw material and fuel are in close proximity to each other and to a future large market for cement. The analyst would, of course, determine future "close proximity" on the basis of the share of shipping cost relative to value added in terms of the future transport technology. Hence, when complementary resources and consuming industries can be located for close proximity, future resource-based industries and material-consuming industries can be established on an efficient basis.

The geographic arrangement of the aluminium industry involves locating the vertical stages in the over-all production cycle, that is, locating the mining of bauxite, production of alumina, electrolytic reduction for the output of aluminium, and fabrication of final products.

Good quality bauxite deposits are generally available at only a few locations. Planners locate mining facilities on the basis of richness and economy of extraction; and they identify the ports from which alumina (or bauxite) would be received if some of the material is to be eventually imported.

Because bauxite is a weight-losing material and it is cheaper to transport alumina, planners locate alumina plants close to bauxite mines. If bauxite deposits are located inland and a significant share of the alumina is to be exported, the best location for an alumina plant may be at the nearest coastal shipping point. The choice of locating aluminium reduction plants is much wider than hitherto because power can be more economically transmitted over considerable distance. If aluminium is intended primarily for export, planners would locate aluminium producing plants at coastal sites accessible to cheap power sources. For the domestic production, they would locate reduction plants close to the centre of the major markets so long as power is cheap. Planners locate aluminium fabrication plants at transportation centres within the markets they are intended to serve.

Where the geographic and industrial environment is permissive, vertical integration of the aluminium industry would reap economies from the lowering of overhead and maintenance costs, elimination of some transportation, and the movement of metal from the reduction to the fabrication plant in the molten state, thereby eliminating the need for fuel and facilities for remelting.

THE STEEL INDUSTRY

Areas where ample deposits of coal and iron ore of suitable quality are in "close" proximity on the basis of future shipping costs are potential areas for steel works. Planners take into account accessibility to sources of steel supply when they determine the lowest-cost future location of the major steel-consuming industries (motor vehicles, tractors, machine building), some of which would be market oriented. By locating future steel-consuming enterprises and taking into account future transportation costs, planners identify which of the potential steel-producing centres should be elected as sites for future steel work and what kind of semi-fabricating and steel-finishing capacity should be provided.

Because resource-based industries typically involve the processing of materials (pig iron, oil) through vertically-integrated facilities for conversion into a number of products, analysts would check the facilities and infra-structure of such industries for possible linking to support other types of plants. For this purpose, they review the processes of different manufacturing industries to see which can be profitably located with the plants of resource-based industries for joint use of auxiliary plants and local infra-structure as well as for joint exploitation of common raw materials and by-product materials.

THE HEAVY ENGINEERING INDUSTRY

For instance, heavy engineering operations (output of railway rolling stock, cranes, excavators) are, in part, an extension of the semi-fabricating and metal-finishing operations of steel works. Planners link to steel complexes the process-related product-line divisions of the heavy engineering industries to obtain specific benefits from vertical integration and economies from the joint use of local infra-structure. The steel-and-heavy-engineering complexes that are to supply structural steel, heavy boilers and other heavy fabricated items of geographically-scattered markets must be accessible to centres of transportation.

The cost and efficiency of transportation influences the location of industries and the kinds of specialized industrial complexes that can be set up. An expanded system of economical transport for the country not only widens the supply of raw materials, but enlarges the scope of markets and broadens the dispersal of larger-scale enterprise and industrial complexes of economic size. An early development of an economical transportation system would, therefore, promote a wider spatial distribution of enterprise of economic size.

Though the cheaper the cost of transport the more broadly dispersed can be the centres of specialized production, initially, however, the investment for expansion of transport competes to a degree with investment for industry. In developing the economy, planners must balance the long-term gain from investing for a well-developed transportation system and more mass-production type industry (low-cost production) against the gain from investing for development of a larger number of more local-type enterprise (higher-cost production) and fewer transport facilities.

"LOCAL" VALUE ADDED IN PRODUCTION

When planners locate plants at some distance from the source of material supply and the market, plant operation must obtain sufficient economies of scale and substantially greater "local" value-added in production so as to offset (or more than absorb) the proportionately larger cost of transportation. Industries that obtain economies of scale and greater "local" value added in production can more readily absorb transportation cost. Industrial planners can, to a considerable extent, select appropriate industries and set up industrial complexes and local suppliers of materials so as to enlarge local value added in production, as well as reduce transportation expense through bulk shipping and handling and reduce inventory stock ratios.

Well-designed industrial complexes in some fields of output (drugs and cosmetics) would involve small transportation cost for a number of peripheral locations that would be economically suitable. For certain fields of output (home electric appliances), analysts can specially design industrial complexes for peripheral locating at low transport cost for the receipt of materials and for shipping goods to scattered markets.

The more extensive and economic the transportation system, the wider can be the dispersal of specialized production centres and the greater the value added in production through effective merging (grouping for economic gain) of national industries with the production centres of local industries. For instance, smaller industrial complexes of economic size could be spotted at centres of agro-based or local production. Therefore, the more developed the transport system, the more regionally balanced the national division of labour and the effectively integrated the national economy. Moreover, a well developed transport system, particularly trucking, reduces the inventory stock ratio and the incremental capital-output ratio for industry and obtains greater flexibility for shifting the direction of economic development.

Analysts classify (or cross-classify) the different industry production divisions on a techno-economic basis — i.e., on the basis of process relatedness, similarity of labour skill and material input, infra-structure needs, and demand relatedness (common distribution channel). On the basis of the foregoing techno-economic relatedness, analysts first group and make up "technically" - specialized complexes for projected industries; from these they then design and locate "geographically" - specialized industrial complexes on the basis of the over-all resource situation and the projected spatial distribution of agricultural specialization and extractive production already determined. They seek out and merge industry production units that are process-related, or are otherwise complementary, to make up industrial complexes (specialized production centres) to obtain scale economies from geographic specialization and intensive use of local infra-structure.

LOCATION OF COMPLEXES

Analysts typically locate industries of short production cycles and indivisible facilities on the basis of optimum-size plants. Analysts locate two or more techno-economically related optimum-size plants from different industries when they can advantageously obtain common use of economic overhead and reap productivity gains from joint use of auxiliary plants (waste-disposal or by-product plants), a labour pool, etc. In place of a large optimum-size multiple-plant unit, analysts may set up two units of minimum economic size with provision for expansion. This is because they often find it advantageous to set up two units of minimum economic size at separate locations where each can support (through joint use of economic overhead) other enterprises that would not have otherwise been viable projects of minimum economic size.

As compared to several separately-located enterprises (some being of uneconomic size), the constituent enterprises in a specialized industrial complex not only enjoy higher productivity stemming from scale economies, but enjoy a lower stock-sales ratio, greater adaptabili y for changes in the product mix, and a lower incremental capital-output ratio in expansion or in adoption of new products and revision of production facilities to match.

An industrial complex may be loosely integrated for joint use of local infra-structure to obtain external economies or it may be closely integrated for joint use of processing facilities and auxiliary units to obtain internal economies as well. Complementary constituent enterprises of a specialized complex obtain high productivity because they draw on the same feeder plants for components and draw on tool-and-die shops, maintenance shops, pools of skilled labour, technical schools, hospitals, and the like. Industrial centres may range from relatively small, narrowly-specialized complexes of minimum economic size to large broadly-specialized complexes of minimum economic size; and their production facilities may differ

in the degree of adaptability or convertibility for output of related products.

MARKET-ORIENTED INDUSTRIES

In locating later-stage industries, planners must take into account not only the locations of projected industries that will supply basic materials, but the location of projected "customer" industries and final consumer markets. For example, the location of the chemical and the aluminium industries would take into account the location of customer industries.

After identifying industries that will, for some time, remain too modest in size for operation on an economic basis, analysts group two or more techno-economically related units of such industries, rationalize production to obtain a larger volume of standard-type work for output and, then, design a specialized complex (a specialized production centre). An analyst would, for instance, review the "perspective" output targets for motor vehicles, tractors, and self-propelled farm-machinery, review targets for watches and precision instruments, review targets for pharmaceuticals, insecticides and dyestuffs, and review targets for various lines of machine tools. He would likely find, that, because of their techno-economic relatedness of each, he could design one or more specialized complexes of economic size for each group

The complexes in the engineering industries group would, for example, permit tooling up of fabrication plants for long production runs in the output of components. The projected feeder plants would supply items to the different assembly plants, each of which would produce a separate line of products. Each product-line divisional unit would likely, of course, be separately managed

An analyst will note that a projected geographic centre specializing in a given line of machine-building attracts related engineering industries that seek locational access to low-cost suppliers of tooling, components, and fabricated parts. The centre would, for instance, attract a division of the machine-tool industry to supply the required specialized machinery to the localised cluster of plants as well as to national markets.

As analysts continue in their locating procedure, they evolve, an emerging constellation of engineering industries (spatially related industrial complexes) for mutual economic advantage, as well as for both accessibility to sources of material supply and accessibility to the over-all market for their finished goods.

A specialized industrial centre for output of machinery, motor vehicles, tractors and farm machinery, would, for example, influence the location of supplier enterprises that produce such key components as electric generators and motors, meter-gauges, roll and ball-bearings, gears, axels, etc. In this regard, and to further pursue the art of obtaining ("carving out") a large volume of standard-type work for output by widely dispersed high-productivity complexes of minimum economic size, planners should prepare a special-purpose input-output table for projected national industries in order to identify the inputs of major fabricated parts and key components. Engineers could then group process-related components and, wherever technically feasible, re-design the items to absorb the same material and to obtain the interchangeability of components as they do for electric motors and roller and ball-bearings. They would set up rational product lines to obtain a large volume of standard-type work for output by feeder plants of economic size.

Industrial planners, thus, essentially group techno-economically related enterprises to make up specialized industrial complexes of economic size and locate the complexes to minimize the future combined cost of transporting materials to the industrial sites and shipping finished goods to the market areas. In the long run, the best location for an industrial complex of economic size often depends on minimizing the future combined cost of transportation.

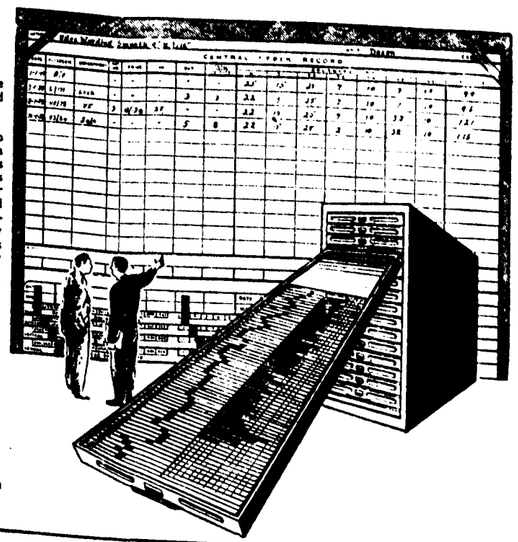
The mutual locating of complexes of related industries for maximum economic advantage (the designing of an integrated constellation comprised of related complexes) reduces transport cost per ton, lowers the stock-sales ratio, and obtains scale economies in other ways. Since they "feed" one another, the specialized production centres that make up a constellation are largely "self-contained" for purposes of internal production and consumption and they conform to geographic specialization of production by supplying products of high unit value to national and international markets

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WINDOW ON THE WORLD

Sterling Area and Franc Zone—II

From our Special Correspondent

PARIS:

THE RELATIVELY greater cohesion of the franc zone compared with the sterling area, it was argued here last week, is not due to rules and regulations, not to a greater willingness to collaborate in one former empire than in the other, nor even to the more rapid decline of "imperial trade" inside the sterling bloc. It is due to the impressive solidity of the franc on world exchange markets, compared to the recurrent bouts of weakness to which sterling is subject. Two conclusions follow. Firstly, the present unity of the franc zone cannot be taken for granted but will last as long as the French currency maintains its pre-eminence on exchange markets; conversely, the fate of the sterling area is not sealed, but could be transformed by a recovery of confidence in the pound sterling. Secondly, it is not the unco-operativeness of overseas members of the sterling area that is weakening the pound, but the other way about: they will collaborate more consistently when the British currency inspires more confidence.

This enables us to see at once the fallacy of one suggestion for promoting more confidence in sterling: namely, that London publish not simply the United Kingdom's gold and dollar reserves each month but also those of the whole sterling area, including metal and currencies held by overseas members in individual reserves. For a start, not all members reveal their holdings of dollars, etc., though most do declare their gold stocks to the IMF. If the figures became available, they would make the resources of the sterling area look a lot healthier than they do now, when only sums left in London in the common pool are declared. But there would be no point in pretending that a common pool existed when it did not. If members are holding gold and dollars outside the common kitty, it is because they distrust sterling. The distrust of third parties (and even less their own distrust) would not be diminished by pretending that this was not so. The only justification for publishing a total of reserves inside a monetary bloc would be that all members used a single exchange market for all their transactions, ceding their currency gains there and buying the moneys they required there. Otherwise, the Common Market Six could publish their total reserves each month, whereupon it would appear, on paper, that they exceeded those of the USA; this is true, but economically meaningless as long as the Six do not cede gold and dollars on one market.

Boost Internal Trade

Other remedies for the slow dissolution of the sterling area are held to be a more rapid increase of trade within the area than between members and the outside world, along with a short-term credit arrangement between Commonwealth banks, similar to the Basle agreement. Whatever assistance these might be, it would be less than the contribution to be made by Britain herself, by increasing her competitiveness in comparison with the Continent and by accelerating British industrial expansion and exports. In other words, nothing will really replace a strong pound as the kingpin of the monetary bloc, and when that is obtained the other things become unnecessary, as the present situation of the franc zone, firmly based on the solid French money, sufficiently reveals. Besides, those other measures would require that London make demands on the overseas members for the sake of propping up the sterling area, whereas the mood of all less developed members of monetary blocs (whether it be the sterling, franc or dollar zone) is one of suspicion, so that they will co-operate only when it is painless and profitable to do so. This is the case when the pilot-currency is beyond question on world exchange markets, whereupon the advantages of doing business through a highly developed, single exchange-market plainly outweigh the sentimental objections to relying on the former imperial capital.

Such objections have been voiced, inevitably, in the African countries that now continue to work within the framework of the franc zone, and they would have been fatal to that zone were not the conveniences of buying and selling currencies in Paris so evident. If the French had had to rely, in order to keep the franc zone in operation, on wheedling and coaxing such as is recommended to London in regard to the overseas sterling area capitals, the system would have collapsed long ago; one can imagine the retort of Guinea, Mali and Algeria to requests that they make sacrifices for the sake of the franc zone. Folk who think that London would get a better response from its sterling area partners, without making the pound as solid as the franc is, are deluding themselves.

Franc, Hard Currency

The overseas members of the franc zone are constantly on the lookout for signs that membership of the zone is hampering, in any degree, their economic independence. As long as the franc is a hard currency, they find in reality that, far from hampering them, it actually promotes their commerce with the outside world and with each other, leaves them master of their trade policy and allows them to diversify their exchanges. Thanks to the decentralisation of authority inside the zone, the individual African capitals fix their own import needs and allocate foreign currencies to meet them, issue licences and determine quotas. Each state has complete freedom to negotiate trade pacts with countries outside the zone and they have all made full use of that freedom: they signed 60 trade pacts with outsiders last year, and more have followed since African governments began to establish their own diplomatic posts around the globe. Membership of the franc zone leaves them at liberty to impose protective tariffs or fix quotas for goods from elsewhere in the zone, notably from France. In general, their trade shows the same diversion away from the old imperial channels to a more multilateral pattern as is seen in the sterling area.

These things should go without saying, because if they were not true the African members of the franc zone would not be truly independent. But they are mentioned to show that an identical transformation is occurring inside the franc zone as inside the sterling area, and yet in the one case is perfectly consistent with the persistence of a monetary bloc. The only explanation is that this persistent unity is rooted in the advantage of using a highly developed money market and a currency enjoying untarnished prestige. As long as French reserves are high (and at the present moment they are $4457 million, alongside Britain's $2740 million, although the franc zone's volume of trade is significantly lower than the sterling area's) and the franc beyond question, both France and the former colonies and protectorates derive benefit from monetary co-operation. Let the franc weaken, however, and France would find the franc zone a deadweight burden and the other members would discover all sorts of impediments to their economic freedom. This is currently the situation in the sterling area. The currency needs of the overseas members are felt to be a drain on Britain, while those members are suspicious of the obligations of monetary co-operation and seek to build up private gold and dollar reserves.

The comparison of the sterling area and the franc zone, then, is a particularly suitable case to show the mainspring of a monetary bloc — for none would suggest that the French have shown superior wisdom either in winding up their empire

or in arranging their financial affairs than have the British; the contrary rather could plausibly be argued. But the fact is that for five years the franc has been stronger than sterling, in fact as strong as the dollar. The viability of the franc zone, and doubts about the sterling area, spring from that source alone. It is true that the existence of monetary blocs is a relic of imperialism, in that the empire provided the framework for a community of interests in the past, at a time of monetary instability and balance-of-payments troubles; hence there is no Deutschemark area though the West German currency has been as solid as a rock these 15 years past. Such blocs can persist however, after the winding up of empire, only if the pilot-currency fulfils its role unequivocally, as a better money than that of the newly independent nations.

If that condition is met, former colonies are not slow to avail themselves of the advantages of an expert exchange market in the former imperial capital, and will find no restrictions on their economic freedom in using it to buy and sell all their foreign currencies. If it is not met, and one cannot say that sterling has filled the bill in recent years, no amount of coaxing, trade preference, credit agreements and the like will serve. Hence the irrelevance of many plans to restore the fortunes of the sterling area, which do not take as starting point the strengthening of the pound by measures to be taken in Britain itself. An unquestioned pilot-currency has no difficulty in transforming the old imperial connections into a contractual and purely voluntary monetary co-operation.

The point has application beyond the monetary sphere. Both the two great ex-imperialist powers have been agitated lately by debates about how far they should make sacrifices to preserve the connection with their former colonies, and how far they should put their own interests first. In Britain the issue came up acutely in regard to the Common Market; in France it is kept alive by the opponents of development aid. The truth seems to be that there is no contradiction between these two aims. By strengthening its own economy and maintaining the prestige of its own currency, as a first duty, the former imperialist can preserve its "sphere of influence", for it offers former colonies facilities they find nowhere else, and at no cost to their independence. On the other hand, mere goodwill and imperialist nostalgia will save nothing, while rules and regulations will only be resented, if the leader of the zone suffers its economic and monetary prestige to be impaired.

Postwar Capital Movements

JOSSLEYN HENNESSY

LONDON:

THE PAST, present, and future of the sterling area was the subject of stimulating studies some time ago in the Treasury Bulletin for Industry, and the Reviews of the Westminster and Midland Banks.

The TBI shows that the element of discrimination in imports which distinguished the defence mechanism of the sterling area in war-time has disappeared and that today the sterling area has become once more what it was in prewar days — a group of countries which, in their financial relations, have no political ties, but which keep their balances in London and do a large part of their business in sterling, because they find it useful to avail themselves of London's banking facilities, and because between 30 and 40 per cent of world trade is conducted in sterling.

Recondite research has enabled the Midland Bank to produce a mass of new statistics showing for the first time where and in what amounts sterling is held overseas, in what types of funds (Bank deposits, Treasury bills, Bills and Notes etc.), what the sources of supply of sterling are, what its hidden reserves, and so on, which should be of exceptional interest to Ministries of Finance, bankers, financiers, and economists.

Of somewhat more sinister interest is an article by Mr. A. R. Conan (formerly of the Commonwealth Economic Committee) in the Westminster Bank Review, which has attracted widespread comment in the UK economic press. Mr. Conan says, in effect, that the current insistence in most countries that the surplus or deficit on current account is the major factor in balance of payments problems is to put the cart before the horse, and is as out of date as the pre-Keynesian insistence on a budget surplus. What we should be looking at is the balance on capital account.

In the early postwar years, it was argued that it was the loss of income from liquidated overseas investments which created the UK's balance of payments difficulties. But these losses were, in fact, soon made good by new capital exports, which now total £4,500 m. (so that in 18 years the UK has, in monetary terms, invested as much as she did in the whole of the previous century). Already by 1958, UK overseas investment income was £700 m. compared with £328 in 1938 (adjusted to 1958 values). Even the net overseas investment position after deducting Government external debt and foreign capital invested in the UK has long re-attained prewar level. The UK's recovery of creditor status suggests that loss of it cannot be a major factor in lack of confidence in sterling.

Although income from foreign investments was thus higher than ever before, balance of payments difficulties persisted, and the next argument was that the surplus on current account was insufficient to finance overseas investments and to increase the reserves. Therefore it was vitally necessary to step exports up. This is the theory that Mr. Conan sets out to rebut.

For Mr. Conan, it is the massive exports of long term capital which are the villains of the piece. Since the war, the flow of capital into the sterling area has exceeded £6,000 million, about half of which has come from the U.K. and about half from the U.S.A. and non-sterling sources. Since the total pre-war sterling area debt was less than £3,500 million, it follows (a) that the cost of servicing the post-war debt is about twice the pre-war cost and (b) that the service — estimated at £200 million per annum — of the £3,000 million borrowed from outside the sterling area is a recurrent and ever increasing drain on the area's central reserves — the "sterling balances" — in London, which constitute the greater part of the U.K.'s external indebtedness.

Although the total of these balances has varied little since the war, movements of capital have transformed their character. At the end of the war, the Rest of the Sterling Area's balances totalled £2,400 million. Since then the U.K's cumulative surplus with the R.S.A. has been over £4,000 million. What kept the R.S.A's balances form disappearing was the enormous flow of capital into the sterling countries, which created new liabilities for the U.K. as well as new assets.

U.K. capital exports have thus sustained the assets of the overseas sterling area. For the area as a whole, such capital movements are domestic transactions which do not affect its relations with the non-sterling world. But other capital movements do affect these relations, in particular London's reserves are replenished by capital imports from non-sterling countries. The trouble about this is that the overseas sterling area does not earn a surplus with the non-sterling world, so that the level of the U.K.'s reserves depends mainly on capital receipts. This is risky because the capital inflow may dry up, investment may be repatriated, and there is the ever increasing cost of servicing it.

Hitherto, the orthodox solution for this has been that the U.K. must increase its export earnings on current account to

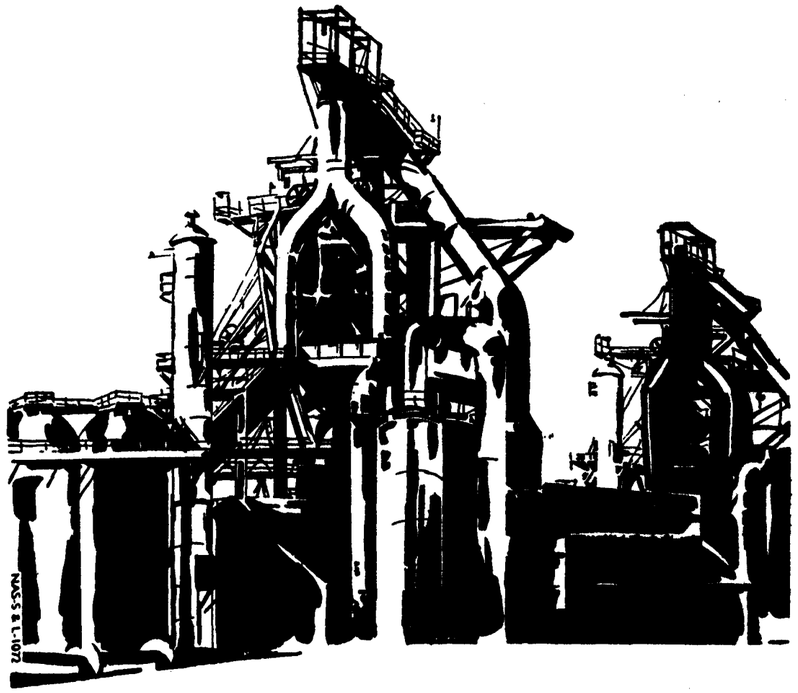
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replenish the reserves and pay for the costs of servicing foreign investment in the sterling area. Mr. Conan thinks this unrealistic: the U.K. does not usually earn a surplus with non-sterling countries and its normal surplus with the sterling countries is financed by reducing the sterling balances. In such conditions, capital movements are the major influence on the reserve ratio. The flow of capital from the U.K. reduces the ratio because it increases liabilities: on the other hand, the reserves are maintained by imports of non-sterling capital into the U.K. and the overseas sterling area.

The U.S.A.'s recent history seems to support Mr. Conan's argument. Between 1958 and 1962, the U.S.A.'s cumulative current account surplus was $10,000 million. Yet this has been wholly inadequate to finance private and government capital exports, which have caused heavy U.S. gold losses and increases in short-term liabilities.

The U.S. government's view that the balance of payments cannot be controlled solely via the current account, and its move to discourage capital exports, is in line with Mr. Conan's arguments, and the U.K. Labour party's itch to control everything within reach suggests that, if it is returned to power, the U.K. will quickly do more than "discourage" exports of capital.

I hate to draw a moral, but it looks as though India's planners should now assume that the 1950s were the golden age of capital imports. If this forces them to give spectacular industrial projects a breather and to concentrate on building up an agricultural surplus, this ill wind may yet blow some good.

Prices and Productivity

GUY SIMS FITCH

WASHINGTON:

THE PROBLEM of maintaining price stability in a sustained and buoyant economic expansion is drawing increased attention in the United States. Awareness of the problem, one hastens to add, is not to be confused with alarm. Rather, it reflects what Walter W. Heller, Chairman of President Johnson's Council of Economic Advisers, calls a "prudent concern about the price and cost pressures that typically crop up in the American economy at or near full employment". To the extent that prudent concern embraces prudent action, it helps keep inflation's potential threat from becoming a present reality. Mr. Heller has had a good deal to say on this subject, most recently when he participated in a meeting of the Mid-west Economics Association at Chicago, Illinois. Here, in his own words, are answers to some of the major questions being asked about price-wage trends:

Why is there concern about prices now?

"Such concern is, in a sense, a measure of the success of expansionary economic policies. It is precisely because the U.S. economy has shaken off its lethargy and is well on the way back to levels of employment and capacity utilization we can be proud of, that we are looking to our price stability laurels".

Price Stability Laurels

Just what are those laurels?

"The record of the past three years is one of enviable price and cost stability. Indeed, for half a decade — since 1959 — prices in the United States have been on a plateau. In March 1964 our wholesale price index was a shade below the average for 1959. The consumer price plateau has a slight slope — about seven per cent higher than in 1959. But much of this increase has been offset by improvements in the quality of consumer goods and services."

What is so exceptional about this?

"Our recent price stability has not only bettered our own past records but has been superior to that of any other industrial country in the world. Part of the credit must go to moderation in wage increases, which have stayed close to the bounds of productivity. This has greatly enhanced our international competitiveness without blocking the rise in real wages at home."

How has the American economy fared during this period of price stability?

"What is most gratifying is that this period covers 38 months of economic expansion since early 1961. We have experienced a 17 per cent rise in real gross national product over a three-year period, with a 22 per cent rise in current-dollar GNP. In the process, the spectre of 'inevitable' creeping inflation has quietly faded from the scene. To keep him off stage — without the unwelcome aid of excess unemployment and idle capacity — is the important and more difficult task that lies ahead.

How could the present price-wage balance be upset?

"General price increases in industries where costs are stable and profits high and rising could well touch off wage increases in excess of productivity gains, which in turn would raise unit labour costs and provide justification for further price boosts, and the price-wage spiral would be on its way. Alternatively, the spiral could originate with excessive wage claims."

What forces are working against such a development?

"Although increased demand may make it easier for employers to pass on labour costs increases to consumers, there are important counterpressures. Foreign competition, public opinion, the administration's clear stand against unwarranted price increases — and business men's awareness that price increases will come back to haunt them in the form of higher wage demands — all are constraints on price raising".

Role of Public Opinion

How does public policy enter this picture?

"Awareness of the part that discretionary price and wage making can play in generating and contributing to inflation has been growing in the United States since the 1940's. Both Presidents Truman and Eisenhower engaged in occasional 'moral suasion' efforts to discourage price and/or wage increases. But these were typically ad hoc exercises, not regularized policy. However, these earlier trial runs did build acceptance of the concept that the public has a legitimate, vital and inescapable interest in the outcomes of key private wage and price decisions. The 'guidepost' policy of the Kennedy and Johnson administrations is an attempt to regularize the expressions of this interest and imbibe it in a systematic policy that can be made effective without compulsion".

Just what are these guideposts, and how do they operate?

"The guideposts express a sensible view of how the wage and price system can adjust to continuing advances in productivity in a non-inflationary manner. Their import is sufficiently clear that the parties to particular private decisions can tell, within tolerable limits, whether contemplated price and wage changes are consistent with them."

What controls do these guideposts impose or envisage?

"The guideposts contain no element of control — or of incipient control. On the contrary, they represent a strategy for encouraging voluntary exercise of social responsibility by private decision-makers instead of invoking the kind of mandatory 'incomes policy' that would be unacceptable to us in this country."

How effective can such a strategy be?

"We in government are hopeful that this strategy will prove successful. Its record since 1961 has been encouraging. The business and labour communities are keenly aware of the test to which private decision-making is being put. And we have a President — firmly dedicated to the success of the policy — who has not been and will not be hesitant to remind them."

LISTENING POSTS

Seven Per Cent Growth in Fourth Plan!

By Our Special Correspondent

NEW DELHI:

ACCORDING TO the indications available, the overall financial outlay of the fourth Plan is likely to be fixed at Rs. 20,000 crores — Rs. 12,000 crores for the public sector and Rs. 8,000 crores for the private sector. The Planning Commission is having a full-dress meeting on May 10 to adopt the draft frame of the fourth Plan. The meeting will be presided over by the Prime Minister.

Although various exercises have been carried out by the Commission in regard to the sector-wise break-up of the fourth Plan outlay, these are said to be only of a tentative nature to be finalised when approval is granted at the May 10 meeting for the rate of growth to be achieved during the five years ending 1970-71. The current thinking appears to be that instead of fixing targets for various sectors of the economy in the first instance on the basis of their desirability and availability of resources for them and then projecting the rate of growth, the process should be reversed in the sense that first the desired rate of growth should be fixed and then sectorial targets should be dovetailed into it. The consensus of opinion is said to be in favour of the fourth Plan aiming at an annual overall growth of 7 per cent, 13 per cent in the case of industry and a minimum of 5 per cent in the agricultural sector.

High Priority for Agriculture

In view of the difficulties being experienced on the food front and the necessity to provide increasing quantities of agricultural raw materials for industries, agricultural development is again to be accorded a high priority during the fourth Plan period. In regard to industry, the Planning Commission is understood to be of the view that it would not be advantageous to shift the emphasis from the development of heavy and basic industries to that of consumer and light industries. But for containing the expanding price spiral, some consumer industries may have to be accorded a slightly higher priority than was provided to them during the third Plan. For mitigating the rigours of unemployment, the development of small-scale industries is also likely to be attempted at a faster rate. The rate of growth in their case may have to be doubled from 4 per cent per annum under the current Plan to 8 per cent per annum during the next one.

Another important point that is being emphasised is that while fixing the size of the fourth Plan, greater stress should be laid on the physical aspect than on the financial outlays. Rigorous checks are to be applied before outlay figures for industrial projects to be included in the fourth Plan are finalised

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At a meeting here this week, the Board of Trade considered the reports of two important committees — the Saraiya Committee on Sales Tax and the Merchant Committee on Commercial Arbitration. The Board endorsed the recommendations of the Saraiya Committee and desired hat early decisions should be taken by the Government on them. In regard to the Merchant Committee recommendations, the Board felt that the Government should first invite on them the views of the important organisations of trade and industry in the country and then take its decisions. The Merchant Committee has suggested inclusion of a clause for arbitration in all foreign trade contracts between Indians and the nationals of other countries, though not on a statutory basis. It has further recommended evloving of a model contract form containing provisions which are usually found in most foreign trade-contracts abroad.

Among the other important matters considered by the Board were: (1) the strategy to be adopted for developing trade with the developing countries of Africa, Asia and Latin America; (2) the fourth Plan programme of exports; and (iii) the problems of the tea plantation industry and cinema film export.

Trade With Under-developed Countries

The Board expressed concern over the decline in exports to African countries and felt that specific efforts have to be made to determine the commodities which could be imported by India from the underdeveloped countries of Asia, Africa and Latin America to enable these countries to import more from India. It recommended the setting up of a committee with the Foreign Secretary as chairman, to review and evolve a strategy of trade with the under-developed countries on the basis of reciprocity and mutual benefits based on the available products.

In regard to the fourth Plan export programme, the Board felt that greater emphasis will have to be laid on increases in production for export in the agricultural, plantation, mineral as well as industrial sectors, besides continuing the current efforts on export promotion and sales. Emphasis would alo have to be placed on the development of new products, reduction of cost and improvement quality.

For fixing export targets under the fourth Plan, both commodity-wise and aggregate, the Board suggested that further discussions should be held in the Planning Commission with the representatives of the different Export Promotion Councils, Commodity Boards and members of the Board of Trade. The Planning Commission should then finalise the fourth Plan export programme in consultation with the Board of Trade.

In view of the vital importance of the tea plantation industry in the export field, the Board recommended that a committee be set up under the chairmanship of the Finance Secretary and with representatives of the State Bank of India, tea associations, scheduled banks and others, to go into the problem of finance for this industry. For stepping up exports of cinema films, the Board suggested that the Indian Motion Pictures Export Corporation should undertake registration of all contracts entered into by the exporters in this line. The Corporation should also support competent and reputed producers by taking over export rights of their selected films under production.

The Board expressed concern at the continuing difficulties experienced by business men and exporters regarding travel abroad for exploring export markets. The Board suggested that business men should be given more opportunities to visit and participate in trade fairs and exhibitions so that they could acquaint themselves with the modern trends in export products. The Board proposed that periodic meetings of the concerned parties and trade interests should be arranged for resolving difficulties of this kind.

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There remains still a considerable lag between the aid made available by the friendly countries for the third Plan, and its utilization. Of the Rs. 2055.55 crores total aid received by India during the current Plan up to January 31, 1964, from 19 countries, the World Bank and the IDA, assistance to the tune of only Rs. 896.58 crores had been utilised up to that

date. The biggest contributor of aid was the United States, followed by the Soviet Union, the World Bank and the IDA, West Germany and the United Kingdom. The aid made available by these countries and the utilization of this assistance up to January 31, 1964 was as follows:

(Rs. Crores)

Country	Aid provided for third Plan	Utilization up to January 31, 1964
USA	724	420
Soviet Union	308	92
World Bank & IDA ..	289	126
West Germany	235	110
UK	150	74

The other major aid-giving countries were: Japan Rs. 97.54 crores; Italy Rs. 46 crores; Canada Rs. 43 crores; France Rs. 38 crores; Poland Rs. 29 crores; Czechoslovakia Rs. 23 crores; Yugoslavia Rs. 19 crores; the Netherlands Rs. 13 crores. The aid received from Czechoslovakia, France and the Netherlands had not been utilised at all up to January 31, 1964. Only Rs. 2 crores assistance had been made use of out of Italy's contribution and about Rs. one crore out of Poland's contribution. The Yugoslav aid had been utilised up to January 31, 1964 to the tune of barely Rs. 9 lakhs.

Austria, Australia, Belgium, Denmark, New Zealand, Norway and Switzerland were the other countries which had provided aid for the third Plan in varying quantities.

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After a technical examination, the Union Ministry of Steel is understood to have decided to drop the proposal to manufacture pig iron from Kerala ilmenite which is at present used in India mainly for the production of titanium white and to some extent for the manufacture of RC-welding electrodes and titanium alloys. The possibility of ilmenite being used for extracting high-grade pig iron through electric smelting was being explored in view of the Quebec Iron and Titanium Corporation having perfected a process for this purpose. Dastur & Co., whose advice had been sought by the Government of India on this question, however, is understood to have opined that although it was technically feasible to manufacture pig iron from ilmenite, it would not be an economic proposition. Dastur & Co. is said to have further stated that manufacture of pig iron would also not be the best use of ilmenite deposits.

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The Kandla Free Trade Zone is expected to be inaugurated on October 2, this year. The Secretary to the Central Board of Revenue, Mr. L. M. Kaul, has been appointed a special officer to expedite the work in connection with the setting up of this zone.

The plans are to carve out an area of approximately 300 acres near the Kandla port where some 200 manufacturing units covering various export-oriented industries could be put up. Imports of raw materials and intermediate goods into the zone and exports of finished products from here will be allowed free of all duties. It is proposed to set up a Committee to chalk out a detailed plan to ensure that the privileges enjoyed by the industrial units here are not misused by smuggling out raw materials and finished products to other parts of the country. If the experiment of the Kandla Free Trade Zone proves successful, it is hoped to establish another similar zone in south India, probably at Cochin.

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The President has ordered the constitution of the fourth Finance Commission under the chairmanship of Dr. P. V. Rajamannar, a retired Chief Justice of Madras High Court. The other members of the Commission are: (i) Mr. Mohan Kumaramangalam, a former Minister in the U.P. Government; (ii) Mr. D. G. Karve, a retired Deputy Governor of the Reserve Bank of India; (iii) Prof. Bhabatosh Datta, Director of Public Instruction, West Bengal; and (iv) Mr. P. C. Mathew, Special Secretary, Ministry of Finance. Mr. Mathew will also act as the Secretary of the Commission.

Function of Finance Commission

The Commission is required to make its recommendations under Article 280 (3) of the Constitution in regard to (1) distribution between the Union and the States of the net proceeds of taxes; and (2) the principles which should govern the grants-in-aid from the Centre to the States. The President, however, has also directed that it should make recommendations on the following matters as well:

(1) the assistance that may be granted by way of grant-in-aid under Article 275 to such States as are in need of assistance. (In recommending this assistance, the Commission will be expected to take into account the revenue resources of the States during the fourth Plan period other than those to be raised by way of additional taxation; the expenditure on the maintenance and upkeep of Plan schemes completed during the third Plan; the moneys required for the servicing of the debt, including the debt to be incurred in the fourth Plan; setting apart of the proceeds of estate duty on property other than agricultural land; specified limits for the repayment of the States' debt to the Centre; and the scope of economy consistent with efficiency to be effected by the States);

(2) the changes, if any, to be made in the principles governing the distribution among the States, under Article 269, of the net proceeds in any financial year of the estate duty in respect of property other than agricultural land;

(3) the changes, if any, to be made in the principles governing the distribution of the grants to be made available to the States in lieu of taxes on railway fares;

(4) the changes, if any, to be made in the principles governing the distribution of the net proceeds of the additional excise duties levied in replacement of the States sales-tax on textiles, sugar and tobacco;

(5) the effect of the combined incidence of States sales-tax and Union excise duties on the production, consumption, or export of commodities or products, the duties on which are shareable with the States and the adjustments, if any, to be made in the states' share of Union excise duties as a result of the increase in the States sales-tax on such commodities or products over a limit to be specified by the Commission.

The scheme of devolution which will be recommended by this Finance Commission will cover the five years from 1966-67 to 1970-71 which correspond with the period of the fourth Plan. The Commission is expected to make its report well in time for the preparation of the budget for the financial year 1966-67.

**

The Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, is understood to have told the Informal Consultative Committee of Parliament attached to his Ministry, this week, that a corporation would be set up during the next few months for handling ferrous scrap exports. Indigenous users of ferrous scrap will be represented on this corporation. The idea behind the move, it is learnt, is to avoid unnecessary competition among scrap exporters. The corporation will function under the aegis of the Ministry of International Trade.

Exports of ferrous scrap at present are allowed through established exporters who have exported scrap during any of the three years ending March, 1964. The overall export quota is fixed by the Iron and Steel Controller after taking into consideration the availability and domestic requirements of scrap. Exports of heavy melting scrap, which is in short supply in the country, are not allowed. The varieties permitted for export are sheet-cuttings, borings and turnings, tool steel scrap etc.

The Union Government is understood to have told the Orissa State Government that the proposal of the latter for setting up a steel plant at Keonjhar cannot be entertained for the next Plan. This site, however, might be considered for putting up a pig iron manufacturing unit during the fourth Plan which may be converted into a steel producing plant during the fifth Plan period.

Quality Through Statistical Control

From our Correspondent

BOMBAY:

INAUGURATING the Management Conference of the Statistical Quality Control organised by the Indian Statistical Institute, Dr. C. D. Deshmukh, who is the chairman of the policy advisory committee of the SQC, observed that the time had come for the country to take a significant step forward in applying statistical quality control. About 80 industrial units were regularly advised on statistical quality control and there were a number of units which had SQC cells. It was difficult, however, to assess how far the movement had spread. Illustrating the experience of other countries, he told the conference that Japan produced low quality and low-priced goods in the pre-war days but had now emerged as a nation producing quality goods for the international market. Even Soviet Russia, which had all along devoted itself to fulfilling targets of maximising production and had relied on inspection, had now realised that technical control alone was insufficient. He compared the conditions in India to that existing in Soviet Russia in respect of having too many inspectors and supervisors.

Regional Coordination Suggested

Mr. G. D. Somani observed that the textile industry was the first in India to adopt SQC. But there were many industries which had not taken to SQC. He said that sub-standard goods may find a ready place in the protected home market but not abroad. He therefore suggested regional coordinating committees for effectively reviewing the work of statistical quality control and also reducing the work of the local centres of the Indian Statistical Institute. The example of pharmaceutical industry was quoted by Dr. G. S. Kasbekar, Managing Director of the Hindustan Antibiotics Ltd., to indicate the need for quality control. He said that the production of the pharmaceutical industry was increasing rapidly—from Rs. 10 crores in 1954 to Rs. 90 crores in 1964 and to an estimated Rs. 150 crores in 1966. The industry could not take the risk of sub-standard production, especially the antibiotic industry which used raw material of biological origin. Mr. H. D. Shourie, Director, Ministry of International Trade, emphasised that quality control was primarily a management responsibility. What was needed was education and training in the methods, to top and middle management, engineers and technicians. It was his view that quality control has not been accepted by Indian management. He pleaded for a comprehensive programme on a national scale to spread the movement as in Japan. That country had trained 18,000 men and women in quality control between 1954 and 1958 and about 2 per cent of the gross expenditure of industries was spent on research. The conference has appointed a subcommittee to examine how quality control could be introduced in all the major industrial units in the country and also to determine the nature of rewards that would induce the units to adopt quality control methods. The question of compulsorily enforcing quality control on units of certain class and size would also be considered.

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The lack of coordination and assessment of regional imbalances in respect of industrial capacities are well-known. A case in point is that of the estimated demand for asbestos cement products made by the Centre. It is understood that Maharashtra Government has questioned the correctness of the estimates of demand made by the Centre and has called for a re-appraisal of demand if there should be a regional balance in the progress of this industry. The State Government has expressed the view that the supply position of A. G. sheets and pipes was so difficult that even important State Government schemes had to wait for over a long period of a year and more, to procure a small fraction of their requirements. If the demand, region-wise, is re-assessed, perhaps much larger gaps may have to be filled up than what have been envisaged in the estimates by the Union Government. There are at present 7 factories manufacturing asbestos cement products in the Maharashtra State having an aggregate capacity of about 2,80,000 tons per annum. Of the 7 factories, only one is situated in the Greater Bombay. The demand for asbestos sheets, as estimated at present, is 4,50,000 tons per annum. It is expected to rise further to 5,50,000 tons by the end of 1965-66 for which, according to the note, the capacity of 6,00,000 tons would have to be created. The State Government has, therefore, recommended that in the Western Region, to fill up the gap of 37,472 tons, the applications for the expansion of capacity of the existing unit at Ahmedabad for 36,000 tons and a firm in Goa for setting up a capacity of 24,000 tons should be accepted and licences granted, even though they may be new entrants in the field.

In the view of the State Government, there is no reason why new entrants should be excluded from the field in the western region alone. The policy of the Central Government appears to be that additional capacity in the field of asbestos cement products should only be granted to existing units and that new entrants should not be encouraged as special knowledge of the use of asbestos is not likely to be available with them. It appears that this policy has not been followed in respect of licensing of units in certain other states.

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The All-India Automobile and Ancillary Industries Association has represented to the Ministry of International Trade that immediate steps should be taken to restrict imports of fuel and oil hoses, to stimulate off-take of indigenous products. The association has pointed out that indigenous manufacturers are in a position to meet the country's full requirements. The principal consumers of these hoses are the manufacturers of motor vehicles, but supplies of indigenous hoses are also regularly being made to other industrial consumers, notably manufacturers of tractors, stationary diesel engines and air compressors. The current requirements of fuel and oil hoses in the country are estimated at 317,000 pieces per annum both for original fitment as well as replacement.

GROW MORE
SAVE MORE
WORK MORE

Against this, the capacity licensed in the organised sector alone is considerably in excess of the current demand and only one half of the capacity is actually being utilised. The association has also demanded the revision of the basis of allocation of scarce raw materials like copper and zinc to priority consumers from the point of view of the end-use. Under the present system of allotment, units in existence in a particular year are eligible for allotment and the year specified changes from State to State, creating complications for the industrial units started after the prescribed year.

What is Wrong With Agriculture?

From our Correspondent

CALCUTTA :

A SENIOR OFFICER of the Reserve Bank is currently touring the eastern States to make a first-hand study of the region's agricultural credit requirements. The Bank's keener interest in this aspect of the eastern States' economy is probably awakened by the fact that the level of food production in this part of India has been the least satisfactory achievement of planning. According to a recent note of the Union Ministry of Food and Agriculture, agriculture in the region shows about the slowest pace of progress compared with other regions of the country. The States concerned (Assam, Bihar, Orissa and West Bengal) have been able to utilise only 42 per cent of the total plan allocations for the years 1961-64 (Rs. 52.90 crores out of Rs. 127.22 crores). Only jute of all crops has done reasonably well, but all others, particularly food crops, have been faring badly. Not only has the production level remained static over the first three years of the third Plan, but in some cases, output has actually declined. While this is the situation concerning food production, population in the area has increased rapidly, making a correspondingly greater demand on the region's food supplies. Over and above this, on account of the defence forces stationed in three of the four States, the essential supplies of foodgrains, vegetables, fruits, meat and poultry have become more inadequate than they otherwise might have been.

Neglect by States

The responsibility for this slow progress, the State Governments would say, lies with weather, but the findings of the Union Ministry of Agriculture are otherwise. The latter thinks that the States have neglected their work, especially in such matters as the distribution of fertilisers and seeds, which most of them have not been doing efficiently. In the case of Assam, for example, the State Government apparently has not thought it necessary to encourage retail sales of fertilisers by giving suitable commissions. This is just one instance of the many failings of the distribution machinery in that State. The farmer can hardly get his requirements in time under the present arrangements. Credit facilities for the farmer are also inadequate. Another serious deficiency of Assam's agricultural planning is that local bodies have not been given enough scope for taking a closer interest in the food production drive although they are the most suitable agency for promoting the objective.

As with Assam, Bihar's effort to popularise the consumption of fertilisers has been half-hearted. Against the plan target of 400,000 tons for 1965-66, the estimated consumption during 1963-64 was only 1.28 lakh tons. The progress of schemes to make green manures and composts has been equally slow. The State, however, has succeeded in producing enough improved seeds, but here again, no adequate organisation exists to distribute the seeds among the farmers properly. Even the organisation to test and certify the quality of seeds before they are distributed is lacking. It shows how seriously the State Governments have taken to the food production drive. Not only funds, but the right attitude is also lacking.

Orissa's rate of fertiliser consumption is even slower. The third Plan has fixed a target of 200,000 tons to be consumed annually from 1963-64 onwards, but the latest figure of consumption is only 28,000 tons. The main reason is the lack of suitable organisational arrangements, but the State Government fixes the responsibility on the rate of the margin which the Centre has allowed for local distributors. The Centre has now agreed to giving a larger margin. It remains to be seen whether the State Government will do its own part of the job of promoting fertiliser consumption. Most of the States are allowing a subsidy of 25 per cent on phosphate fertilisers according to the conditions of Central assistance, but the Orissa Government has not been giving any such subsidy. Cotton production in Orissa has also been sadly lagging behind the Plan targets. The reason in this case is the paucity of qualified technicians. The Centre has advised the State to recruit some from outside and names have been suggested. Like its other sister States, Orissa too has paid scant attention to developing the right institutional framework for implementing its agricultural plans. Little use has been made of local bodies in spite of their closer interest in local problems, and unless this serious deficiency is rectified, there is not much chance of Orissa catching up with the arrears, let alone forge ahead.

Suggestions for West Bengal

West Bengal too has not done all it could to popularise fertiliser consumption in the State. Selling points set up are insufficient to handle the entire distribution arrangement. The State must increase their number soon and the godowns necessary for the purpose will have to be constructed promptly. She also does not have enough green manure and compost for her farms, and the Centre has advised West Bengal to raise more green manure by importing seeds from the neighbouring States. A particular handicap for the food production drive is the woefully inadequate number of tubewells in the State. The progress of sinking tube wells has been so slow that it often makes one wonder whether the State can really implement a bigger third Plan than has been determined for it already. Reaching financial targets (that is, spending more) is one thing, but achieving results is another.

Individual responsibilities apart, there is a lot that these eastern States can do in mutual co-operation to raise food production in the region. The Central Ministry of Food and Agriculture has advised them to pool their resources in tractors and improved agricultural implements. They have also been advised to draw up a co-ordinated programme for marketing and connected facilities such as cold storage, etc., so that defence needs can be met better without unduly cutting into the supplies for civilian consumption. In view of the Centre's and the Reserve Bank's special interest in the food production drive in the region, it is to be hoped that these four States will show a better performance than does their record for the three years given in the table below:

FOODGRAIN PRODUCTION (in '00,000 tons)

State	1960-61	1961-62	1962-63
Assam	16.8	16.9	15.5
Bihar	72.9	72.9	72.3
Orissa	39.5	39.7	39.2
West Bengal	58.4	51.7	47.9
Total	187.6	181.2	174.9

**

The Assam Government is by no means financially oversolvent, but the management of the State's finances is not



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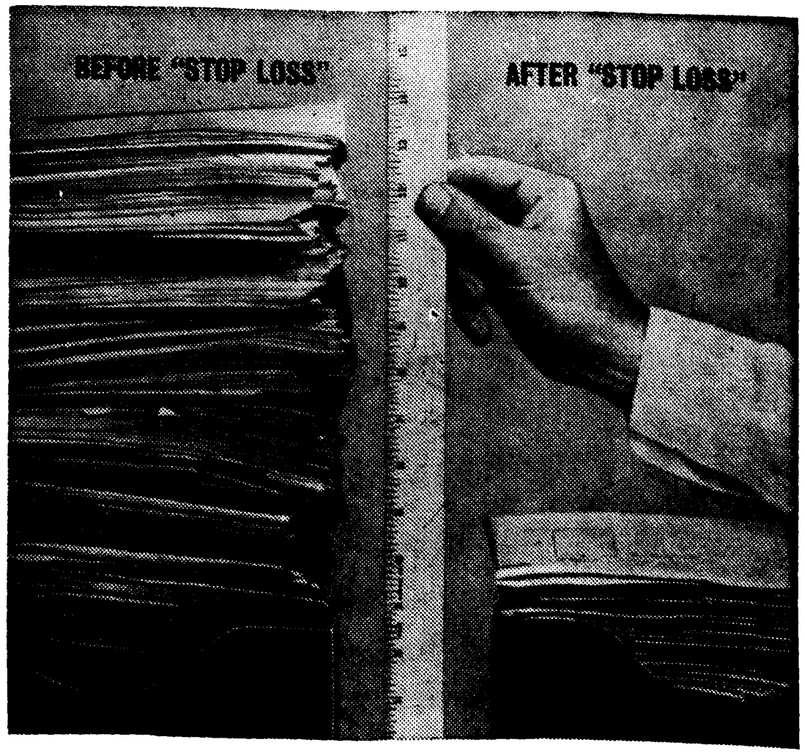
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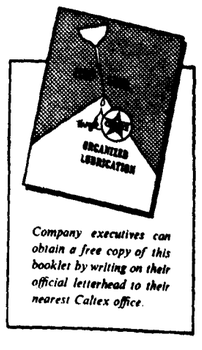


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such as to evoke admiration from Mr. Krishnamachari, who is apparently dissatisfied with the way in which the States have been pressing the Centre for more and more funds. The latest Audit Report covering the financial year 1962-63 shows how careless a State Government can be in managing its finances. The State is over-burdened with debts, its total debt outstanding at the end of 1962 having risen sharply to Rs. 72 crores from Rs. 53.72 crores in 1960. It has been having to depend upon the ways and means advances from the Reserve Bank for running its administration. For example, under an agreement with the Reserve Bank, the State has to keep a minimum balance of Rs. 10 lakhs on Fridays and Rs. 8 lakhs on other days. The State Government's minimum balance during all the months of 1961-62 was below the agreed figure. Consequently, it had to borrow from the Reserve Bank as ways and means advances at 3 per cent interest and at a higher rate for sums borrowed above the limit prescribed for such advances. In this way, the State Government has been having to pay a large sum by way of interest, which obligation could have been largely avoided. On the other hand, there have been many cases of irregularities, fraud and misappropriation involving fairly big sums of money which too could have been avoided with better supervision on the part of higher officials.

**

According to a press report, the oil exploration project which Stanavc (New Esso Standard Eastern) abandoned in West Bengal on the ground that the possibilities of any oil discovery did not exist, is to be revived again. The Central Government, or precisely, Mr. Humayun Kabir, the new Minister for Oil, is apparently inclined to believe that Stanvac did not persist long enough for its efforts to be rewarded. Another reason could be that if a large-sized oil refinery is to be located in Haldia, a justification for it must be found in the shape of possible oil discoveries in the Ganges basin. In any case, the decision to locate a refinery in Haldia is amply justified on several other grounds. Already many foreign parties have offered to collaborate in the project, including such diverse sources as the United States, the U.S.S.R., Kuwait and some private parties. The Union Government is fairly confident of securing very favourable terms from the prospective collaborators. In fact a certain amount of competitive bidding seems to have taken place. In the meanwhile, the Centre has formed a committee with the representatives of the West Bengal Government and the Calcutta Port Trust, with the instruction that it should report as early as possible on the suitability of the site with particular reference to harbour facilities, water supply and communication. The committee has already got on to the job and a report is likely to be submitted within four weeks. The project is likely to involve a capital cost of Rs. 10 crores for a refinery capacity of 2.5 million tons. The Central Government is also anxious that preliminary work to set up the petro-chemical complex in Haldia should start as early as possible. While the petro-chemical planning group is reported to have recommended that the complex of industries may be started in 1970 (the refinery is scheduled to go on stream by 1967), the Oil Minister, Mr. Kabir, wants the industries started at least two years earlier. The complex is estimated to cost Rs. 63 crores in the first phase when it will produce naphtha crackers amounting to 3.8 lakh tons, and Rs. 20 to 30 crores in the second phase in which is included a synthetic rubber factory. The end-products of the Haldia complex, as the planning group visualises, will be as follows: polythelene (50,000 tons), ethyl alcohol (20,000 tons), E.P.T. rubber (20,000 tons), ethylene oxide (20,000 tons) and a few other allied products.

Priority for Power Generation

From Our Correspondent

MADRAS:

MR. BRAHMANANDA REDDY'S observations, when he met businessmen in Madras City recently, have been well received. The Andhra Pradesh Government has latterly been pursuing an active policy of helping entrepreneurs to promote new industries. The support given to a number of textile mills, Coromandel Fertilisers and Hindustan Polymers are instances in point. As the lack of entrepreneurial talent and inviting said to be overcome by encouraging local talent and inviting industrialists from other parts of the country, it has been decided that large sums should be spent on the construction of power projects. The shortage of power more than any other factor has been responsible for the slow progress recorded on the industrial front so far. In the course of the current year, an additional capacity of 100 mW is expected to be added. While there will be a doubling of power generation to 500 mW by the end of the Third Plan, the outlay of Rs. 79 crores for 1961-'66 will be increased after the State is helped to reduce its heavy commitments in respect of the Nagarjunasagar Project. For the Fourth Plan, it is estimated that there will have to be a minimum outlay of Rs. 175 crores as the installed capacity will have to be raised to 1,000 mW. The Srisailam Project, Nagarjunasagar first stage and the Kothagudem and Ramagundam power projects will contribute to a great extent to the increase in capacity. The Ramagundan Thermal Station is to be erected by Dr. Dharma Teja at a cost of Rs. 16.5 crores on a turn-key basis. The payment will have to be made by the State Government in rupees as well as foreign exchange from the date of completion of the project over a period of 15 years. The amount will carry an interest of 5 per cent annually. Dr. K. L. Rao who was in Hyderabad recently indicated that the negotiations were in the final stages Dr. Teja himself is now in this country awaiting the signing of the agreement. If this agreement proves successful, he might undertake similar projects in Madras and elsewhere.

The availability of power will have to be ensured in adequate volume in the next two years as several large-sized industrial units are expected to be completed. Coromandel Fertilisers Limited, which has come on the market for raising equity capital for about Rs 4 crores out of the issued capital of Rs 8.6 crores, has a plan for completing its mammoth factory, which will cost over Rs 32 crores, by the end of next year. The Andhra Pradesh Industrial Development Corporation is one of the important underwriters for this issue along with the other Central statutory corporations. Of the three raw materials, naphtha, phosphate rock and sulphur, the latter two minerals will have to be imported while naphtha will be supplied by the Caltex refinery at Visakhapatnam. Even though there is dependence on imports of raw materials, it has been estimated that there will be a saving of Rs. 11 crores on account of the production of 135,000 tons of ammonium phosphate and 16,500 tons of urea.

The project of Hindustan Polymers Limited also, as already stated, is ambitious in character, being started under influential auspices. There will be participation by foreign interests in a big way and molasses available in Visakhapatnam area will be used for producing industrial alcohol which would be the basic raw material for producing poly-

mers, plasticisers etc. This issue too is expected to come on the market shortly.

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The commissioning of the fifth unit having a capacity of 50 mW at Neyveli Thermal Station a few days back has come about at an opportune moment. Even though the Neyveli thermal station itself will be in a position to supply more than 250 mW of power daily and will be accounting for more than 50 per cent of the firm power of the Madras State grid, there is some anxiety about the water storage in the hydel reservoirs. It is even now hoped that, if there are heavy showers in the catchment areas of the hydel reservoirs and the monsoon sets in early, the power cut can be averted. Meanwhile, the position in Kerala is rather critical as a power cut of 40 per cent is now in force and the position with regard to availability is not expected to improve significantly before the beginning of 1966.

With the completion of the first stage of construction of the Neyveli thermal station, it is now hoped that the first stage of expansion to 400 mW will be completed in a short period. The sixth set having a capacity of 50 mW is expected to be in operation by the end of this year and the seventh set of 100 mW by the end of 1965 or early 1966. In the fourth Plan, there will be a further increase in capacity to 600 mW.

New Station in the Offing

In view, however, of the important place occupied by the Neyveli industrial complex, it has been suggested that a blue-print should be drawn up for erecting an entirely new station in a different area, having a capacity of 1,000 mW ultimately and getting its requirements of lignite from the second mine-cut. Exploration work is now going on to find out in detail how the lignite deposits can be mined and what exactly is the extent of overburden. It has been indicated that the expenditure on the second mine-cut, the erection of a second station and the expansion of the fertiliser factory besides other schemes will cost about Rs. 137 crores. The requirements of the 1,000 mW station will be about 4.8 million tons of lignite annually while the Salem Steel plant may require for its part 1.5 million tons of lignite. In view of the successful generation of power and the likelihood of the fertiliser project being completed by the middle of next year, along with the briquetting plant, there is now confidence that further development during the next Plan period can be carried out more expeditiously. Indeed, the Neyveli Lignite Corporation has a special responsibility in this regard as the completion of the three integrated projects—thermal station, fertiliser factory and briquetting plant—in the first stage has been unduly delayed and the Estimates Committee recently indicated that this delay was on an average 2 years and has been responsible to a great extent for the inflation in costs. The earlier estimates too were not properly drawn up and it was found that the briquetting plant cost very much more and the township also required much larger expenditure even though the amenities were designed on a conservative basis. Apart from the difficulties involved in tackling the problems relating to the mining of lignite, there was also a lack of comprehension of the economics of the integrated project. When there was a pruning of the expenditure of further projects in the middle of second Plan, the briquetting plant was accorded a lower priority. But this is no excuse for the delay in the construction of the fertilizer project as the required plant and machinery had been imported from Italy and Germany a long time back. The main reason for the delay in the implementation has been due to unimaginative insistence on the use of indigenous steel for fabrication of some portion of the equipment even when it was clear that Rourkela would not be in a position to supply the Neyveli Corporation's requirements. All these are now past history. But the authorities can make sufficient amends for their earlier sins only by planning more thoroughly and executing the expansion projects expeditiously in the coming years.

The expansion plans on the mining side particularly have assumed special significance in the present context as the announcement of the offer of Soviet assistance for constructing the Bokaro project has given rise to the hopes that the other steel projects also will take shape shortly. As the Union Minister for Heavy Industries and Steel has indicated that many friendly countries have offered to provide assistance for erecting steel plants, it is hoped that medium-sized units can be established at Visakhapatnam and Salem. The report in respect of the Salem project is expected to be completed by the Indian consultants in a short period. But it is now hoped definitely that the Salem Steel project will take concrete shape in the next Plan period and Salem iron ore and lignite could be used to yield the best results.

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At a time when prices for coffee in the international markets have been firming up, it is comforting to know that the Indian crop for 1963-64 might be even 72,000 metric tons, against the very early estimate of 56,000 metric tons. The prevalence of favourable weather conditions and efforts to increase output on account of a satisfactory offtake, have been responsible for the comfortable position. With larger availability and satisfactory export sales, it is felt that Indian coffee can fetch much larger foreign exchange earnings in the coming months. One would have expected that there would be a softening in prices in the internal market. But even the availability of plantation grades has not significantly improved while Robusta grades are moving into consumption without much difficulty. Prices for Robusta coffee too in the international markets are satisfactory and there is pressure on the leading producers that the export quotas should be increased. Indeed, it is feared that if prices rise further, there would be a drop in exports. It is not known whether Indian coffee will benefit by the latest developments. But there should be larger sales to the non-quota countries which include the East European Communist Bloc. The prevalence of drought conditions in Mysore and elsewhere might affect the next crop. But it is still felt that with sufficient rains, even though late, the crop for 1964-'65 may be large so that in 1965-66 it can be expected that the Third Plan target of 80,000 metric tons would be achieved.

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Trade Winds

A NEW PEAK IN EXPORTS

ACCORDING TO a review prepared by the Ministry of International Trade, India's exports in 1963-64 totalled Rs. 795 crores — highest on record — showing an increase of more than Rs. 81 crores over the previous year's total of Rs. 714 crores. The most encouraging feature of the increase was that "more commodities were sent to more destinations". The higher value of exports was accounted for by an increase in the volume of goods exported rather than any fortuitous gain in prices. The items showing increase included sugar, jute manufactures, engineering goods, chemicals, art silk fabrics and plastic goods. Exports were, however, lower by nearly Rs. 4 crores in respect of tea and about Rs. one crore each in the case of essential oils, hides and skins, and mica. But the declining trend in cotton fabrics exports, however, was arrested.

ADDITIONAL CAPACITY FOR CAUSTIC SODA

In view of the continuous shortage of caustic soda in the country, the Govenment of India has started considering fresh applications for additional capacity, particularly from the units which can implement their schemes at an early date. It has been realised by the Government that a shortfall in the target of this basic industry will create serious difficulties for a number of other industries.

Earlier, as soon as a total capacity of 4.2 lakhs tons was licensed against the third Plan target of four lakhs tons, the Government started rejecting further applications without taking into consideration the likely failure of some of the approved schemes. Towards the end of 1962, the Government received more than a dozen applications for setting up new or additional capacity. Out of these, about half-a-dozen schemes were turned down by the Government on regional grounds and an equal number on the ground of inadequate utilisation of chlorine. Moreover, the industry was put on the "banned list" on the ground that a capacity of 3,48,180 tons was likely to materialise by 1964.

A number of schemes have, however, failed as usual and it is now feared that, unless more capacity is licensed, there might emerge a serious gap of about one lakh tons between the demand and the indigenous production of caustic soda by 1965-66. With a view to bridging this gap the Government has, as a first step, permitted Mettur Chemical and Industrial Corporation Ltd., to expand its capacity for caustic soda by 7,000 tons per annum taking its total capacity to 120 tons per day (40,000 tons per annum) after the scheme is fully implemented.

IRON-ORE EXPORT BOARD

The Ministry of International Trade proposes to set up a high-power inter-ministerial Board to co-ordinate various developmental activities with a view to achieving the iron-ore export target of 25 to 30 million tons by 1972 as also to meet the internal demand. The Board will have a full-time chairman with the status of a secretary or additional secretary to Government and will include secretaries or other senior officials of the Ministries of Mines, Railways and Transport. The Board would report periodically to the Cabinet, the Planning Commission and the concerned Ministries. Giving this information to the Informal Consultative Committee of Parliament, the Union Minister of International Trade, Mr. Manubhai Shah, said that in 1962-63, India's exports of iron-ore were only nine million tons. During 1963-64, with the development of an additional half million tons railway capacity on the Hospet-Hubli line and other measures in hand or under contemplation, it was estimated to increase these exports to about 11 million tons. This would be in addition to the export of six million tons from Goa. Ways and means had, therefore, to be found to mine, move and sell an additional 13 million tons from different Indian ports. This called for a well planned development of the mines, transport capacity, modernization of ports and the gradual acquisition of an ore carrier fleet.

WOOLLEN TEXTILES EXPORT PROMOTION SCHEME

The export promotion scheme for woollen textiles and goods, excluding carpets, rugs and druggets, has been revived with effect from May 1, 1964. The scheme had been suspended by the Union Government on March 31, 1964. The revived scheme will, however, operate with the following modifications:

(1) Exports of worsted yarn and other types of woollen yarn including shoddy yarn except carpet/woollen yarn produced from Indian wool will be excluded:
(2) Import entitlements in respect of carpet/woollen yarn made out of Indian wool will be ten per cent of the f.o.b. value;
(3) In respect of all other items covered by the scheme, the total import entitlement will be calculated at the rate of 75 per cent of the f.o.b. value of the exported goods, or of the value calculated in accordance with a schedule to be prescribed by the Textile Commissioner, whichever is lower;
(4) Exports will be subjected to pre-shipment inspection; and
(5) Entitlements will be made available only to manufacturer exporters.

FIRST DRAW OF PREMIUM BONDS

The first draw for prizes in respect of Premium Prize Bonds, 1963, will be held at Bombay on May 11, 1964. The Premium Prize Bonds, 1963, were sold during the period January 1, 1963 to December 31, 1963. The prizes will be as follows:

RS. 100 DENOMINATION

3	prizes of Rs. 50,000 each	..	Rs. 1,50,000
6	prizes of Rs. 25,000 each	..	Rs. 1,50,000
15	prizes of Rs. 10,000 each	..	Rs. 1,50,000
30	prizes of Rs. 5,000 each	..	Rs. 1,50,000
284	prizes of Rs. 2,000 each	..	Rs. 5,68,000
568	prizes of Rs. 1,000 each	..	Rs. 5,68,000
Total : 906			Rs. 17,36,000

RS. 5 DENOMINATION

2	prizes of Rs. 15,000 each	..	Rs. 30,000
4	prizes of Rs. 10,000 each	..	Rs. 40,000
20	prizes of Rs. 5,000 each	..	Rs. 1,00,000
50	prizes of Rs. 2,000 each	..	Rs. 1,00,000
492	prizes of Rs. 1,000 each	..	Rs. 4,92,000
844	prizes of Rs. 500 each	..	Rs. 4,22,000
Total : 1412			Rs. 11,84,000

INTER-ZONAL MOVEMENT OF WHEAT PRODUCTS

The Government of India has made certain relaxations in the restrictions on the movement of wheat products within the country. Licensed roller flour mills will be allowed to export fines, namely, 'maida', 'suji' and 'rawa' across zonal barriers. Licensed roller flour mills alone will be able to send these fines from one zone to another. But the roller flour mills have been asked to ensure that their production of fines during any month should not exceed the production during the corresponding month of last year by more than five per cent. The Inter-Zonal Wheat and Wheat Products (Movement Control) Order, 1964, is being suitably amended. The Government of India are also advising the States of

Madras, Andhra Pradesh, Mysore and Kerala to allow the export of 'Atta' by licensed roller flour mills to other parts of the country under permits granted to them. The quantity so exported in any month by any mill should not, however, exceed the quantity actually exported by the mill during the corresponding month of last year.

IRON AND STEEL PRICES

According to the following statement prepared by the Iron, Steel and Hardware Merchants and Manufacturers' Chamber of India, the ruling prices of all decontrolled categories of iron and steel are below the permissible selling prices:

(Rupees per metric ton)

Category	Controlled rates of producers as on April 13, 1964	Central sales tax, town duty and handling charges	Stockists' remuneration	Total permissible selling prices	Market rate
ANGLES:					
1½" x 1½" x ¼"	690	28	55	773	680
2" x 2" x ¼"	687	28	55	770	700
2½" x 2½" x ¼"	720	29	55	804	750
3" x 3" x ¼"	714	29	55	798	720
2½" x 2½" x ⅜"	707	29	55	791	685
3" x 3" x ⅜"	699	29	55	783	690
CHANNELS:					
100 x 50mm x 7.9 kg/M	740.70	29.30	55	825	690
100 x 50mm x 9.2 kg/M	731.45	29.55	55	816	690
125 x 65mm	736.30	28.70	55	820	680
150 x 75mm	706.25	28.75	55	782	700
HEAVIER SECTIONS — NO STOCK					

Category	Controlled rates of rerollers as on April 13, 1964	Central sales tax on billets bending, building charges, sales tax and handling charges	Stockists' remuneration	Total permissible selling prices	Market rate
ROUNDS:					
½"	777	47	55	879	850/860
⅝"	702	43	55	800	800
¾"	680	38	55	773	750/760
⅞" and up	645	37	55	737	720/730

FOUNDRY INDUSTRY

Addressing the All-India Conference of the Indian Foundry Association in New Delhi on April 30, 1964, the Union Minister for Railways, Mr. H. C. Dasappa, assured the manufacturers that the Government would meet the shortage of pig iron by imports as a short-term measure. The units that were being licensed for stepping up production by one million tons would solve the problem in the long run, he added. The Chairman of the Association, Mr. K. Prosad, pointed out that there were over 2,000 foundry units in the country with a capacity of 2.5 million tons on single shift basis and employing about 4,00,000 persons. In addition to meeting the entire home demand, excepting for some special items not produced in the country, the industry, he emphasised, had been contributing to the foreign exchange earnings of the country since 1959. The exports of foundry goods amounted to Rs. 37.6 lakhs in 1963 notwithstanding the fact that for the last two years the industry had been facing an acute shortage of pig iron — the commercial foundries getting the material only to the tune of 12 to 15 per cent of the installed capacity.

PROTECTIVE FOODS DEVELOPMENT PROGRAMME

The Government of India has constituted a Food and Nutrition Board for the purpose of securing expeditious and effective implementation of the programme of development and popularisation of subsidiary and protective foods. The Food Secretary to the Government of India will be the ex-officio Chairman of the Board whose membership will include the Agricultural Commissioner to the Government of India, the Director of the Central Food Technological Research Institute, Mysore, the Director of the Nutrition Research Laboratory, Hyderabad, the Director General of the Council of Scientific and Industrial Research and one representative each of the Union Ministries of Community Development and Co-operation and Health.

The average Indian diet is poor in proteins and deficient in several vitamins and minerals. The use of protective foods such as milk, fruits and vegetables, eggs, fish and meat, is invaluable in diversifying the pattern of food consumption and promoting balanced nutrition. Surveys carried out during the last 30 years reveal that the average intake of cereals in India has ranged between 16.62 and 16.59 ozs. per adult per day. The daily average for the rural areas has been more than 17.5 ozs. per adult. In a number of instances the daily intake has been as high as 25 to 30 ozs. per adult. If this dependence on cereals could be reduced even by a small percentage, the need for imports from overseas would be proportionately reduced. Such root crops as sweet potato and potato, and fruits like bananas and papayas give a very high yield per acre — 3 to 4 times as much calories per acre as cereals — and are acceptable foods of high nutritional value.

MARKETING OF RAW JUTE

In accordance with the Government's decision to continue the jute price support operations during 1963-64, the State Trading Corporation made purchases of raw jute through co-operatives on the basis of minimum operational price of Rs. 30 per maund for 'Assam bottom variety' at STC's godown at Calcutta. Under the scheme, 96 marketing co-operative societies made necessary arrangements to operate in 89 markets and nearly 300 feeder centres. These arrangements covered all the important jute growing areas in Assam, West Bengal, Bihar, Orissa, Uttar Pradesh, Andhra Pradesh and Tripura and the co-operatives purchased 1,61,000 maunds of jute under the scheme up to the first week of April 1964. Besides making purchases under the price support scheme, co-operative marketing societies in West Bengal, Orissa, Assam and Tripura also procured jute from the growers as a part of their normal marketing activity. The total quantity so procured was about 2,50,000 maunds. The jute bought under this arrangement is being sold in Calcutta partly by National Agricultural Co-operative Marketing Federation and partly by the State Marketing societies directly.

INDO-KOREAN TRADE

The first Trade Arrangement between the Republic of Korea and India which was signed in New Delhi on April 29, provides for the exchange of such commodities as non-ferrous metals like zinc, lead and tungsten ores and concentrates from the Republic of Korea and engineering goods, machinery, ferro-manganese, chemicals, pharmaceuticals, etc., from India.

TEXTILE MACHINERY FROM U.K.

According to the Union Minister for International Trade, Mr. Manubhai Shah; Textile machinery worth about Rs. 10 crores is proposed to be imported from the U.K. by the State Trading Corporation of India. The purchase list would include spinning, weaving and finishing machinery.

Company Affairs

JAYA SHREE TEXTILES

JAYA SHREE Textiles and Industries Ltd., has reported excellent working results during the year ended December 31, 1963. Both gross income and gross profits were substantially higher in 1963 than in 1962. With the existing units working efficiently and with the ambitious programmes now being launched to diversify and expand the manufacturing activities, the directors have struck an optimistic note about the future prospects of the company.

The flax plant at Rishra is working satisfactorily; during the year under review this unit received substantial orders from various government departments, especially from the Defence Department. The plant is being gradually modernised and permission has also been obtained to instal 50 flax looms.

As there was undue delay in the delivery of imported and indigenous machinery, the cotton spinning mill at Rishra was unable to achieve the full rated capacity. Production, however, is picking up and with the commissioning of the spinning mill, the cotton weaving department has become self-sufficient. It has also been decided to expand the installed capacity of the mill from 15,200 to 25,000 spindles. The cost of the expansion programme is estimated at about Rs. 50 lakhs and it is expected to be completed within a year

Land has been acquired at Midnapore for putting up a cotton mill and the building is already under construction. As a result of the delay in getting the necessary import licence, this unit will not go into production before the end of 1965.

The directors have decided to raise additional capital to finance the new schemes undertaken by the company. At present equity capital of the order of Rs. 24.59 lakhs is being raised by offering "right shares" in the ratio of one share for every three existing equity shares held by the shareholders. It has also been decided to issue preference shares worth Rs. 24.59 lakhs and debentures to the tune of Rs. 22 lakhs. Necessary permission has been obtained from the Controller of Capital Issues for raising capital in both the cases.

The annual report presents a graph showing the size distribution of the shares held by the different classes of shareholders. It is interesting to note that as many as 3,187 shareholders, each holding less than 500 shares, claimed 52.07 per cent of the total, proving that the majority of the shares were not controlled by a few hands.

The year 1963 was one of steady progress for the company. Net sales increased by about 35 per cent from Rs. 220.23 lakhs in 1962 to Rs. 296.57 lakhs in 1963. Gross profits have also shown an improvement from Rs. 41.07 lakhs in 1962 to Rs. 52.81 lakhs in 1963. Appropriations included Rs. 9.49 lakhs for depreciation (Rs. 8.11 lakhs), Rs. 13.25 lakhs for general reserve (Rs. 1.25 lakhs), Rs. 2.69 lakhs for development rebate reserve (Rs. 8.60 lakhs), Rs. 20.00 lakhs for taxation (Rs. 16.55 lakhs), Rs. 44,996 as directors' commission (Rs. 26,026) and Rs. 2.82 lakhs (Rs. 1.77 lakhs) as secretaries' and treasurers' remuneration.

CENTRAL BANK OF INDIA

While addressing the shareholders at the annual general meeting held recently, Sir Homi Mody, the Chairman of the Central Bank of India Limited, reviewed some of the current controversies such as the concentration of economic power, nationalisation of banks, and the sweeping charges made against the commercial banks that they were not responsive to the financial requirements of small-scale industries. He expressed satisfaction that the Government spokesmen had opposed the move for nationalising the banks and warned that if any such step was taken, it would have a profoundly disturbing effect upon foreign aid and foreign participation in industrial projects, whether in the public or private sector. On inter-locking of directorships of banks and other companies, he felt that the safeguards that existed at present against concentration of economic power in a few hands were more than adequate and there was no need for any new weapons. Facts, he said, would disprove the allegation that the bank shares are owned by a few hands. In the case of the Central Bank, out of 24,828 shareholders, the holding for as many as 23,030, that is, nearly 93 per cent, ranges from one share to 100 shares, demonstrating that the small shareholders held the major share of the equity capital. The recent amendment of the Banking Companies Act had, according to him, further reduced the chances of any abuse of voting power by restricting the voting right of any single shareholder to 1 per cent of the total voting rights of all shareholders.

Against the criticism that the commercial banks were not catering to the credit requirements of small-scale industries, Mr. Mody said that this was not supported by facts. The Central Bank, for instance, advanced Rs. 5.5 crores on June 30, 1963 to small-scale industries which did not compare unfavourably with the figure of Rs. 8.5 crores loaned by the State Bank to this sector of the economy. As regards medium-term credit, he gave the opinion that after the formation of the Agricultural Refinance Corporation, there was greater interest in medium-term agricultural credit. The commercial banks would need the backing of crop insurance and the assistance of State Governments in the follow-up and recovery of such advances, as in the case of the cooperative institutions.

PENGUIN TEXTILES

Penguin Textiles Limited, approached the capital market on May 7 for raising capital to the extent of Rs. 18 lakhs, consisting of Rs. 12 lakhs in Equity shares and Rs. 6 lakhs in Cumulative Redeemable Preference shares of 9.5 per cent (taxable). The public issue has been underwritten by the Industrial Finance Corporation of India, Andhra Pradesh Industrial Development Corporation Ltd. and Parnar Finance Private Ltd. The capital outlay of the project is estimated at Rs. 72.25 lakhs which will be met by share capital (Rs. 30 lakhs), loan from Andhra Pradesh State Financial Corporation (Rs. 20 lakhs) and deferred payments to machinery suppliers (Rs. 22.25 lakhs). The company proposes to set up a textile mill at Uppal Kancha, near Hyderabad, in Andhra Pradesh with an installed capacity of 12,096 spindles. Land has been acquired and building construction is in progress. Orders for the required machinery have been placed with indigenous and foreign suppliers. The plant is expected to be commissioned during the third quarter of the next year.

DHARAMSI CHEMICAL

The Dharamsi Morarji Chemical Co. Ltd. showed encouraging working results during 1963. Its sales went up from Rs. 2.33 crores in 1962 to Rs. 2.90 crores in 1963, a rise of more than 24 per cent. The increased turnover was mainly due to the improved performance of the fertilizer factory at Kumhari whose contribution to total sales jumped up by almost 92 per cent from Rs. 44.01 lakhs to Rs. 83.65 lakhs. The gross profits recorded a handsome rise and stood at Rs. 40.31 lakhs, representing a rise of Rs. 9.02 lakhs or nearly 29 per cent over 1962. This is the second year in succession that the profits have shown an upward swing after the steep fall in 1961. The directors have decided to maintain the dividend for the year at 16 per cent but it is on a higher capital as a result of the rights issue in March 1963.

Allocations include Rs. 17.80 lakhs for depreciation (Rs. 15.37 lakhs), Rs. 81,000 for development rebate reserve (Rs. 1.62 lakhs), Rs. 2.10 lakhs for managing agents' remuneration (Rs. 1.54 lakhs) and Rs. 6.75 lakhs for taxation (Rs. 4 lakhs).

A sum of Rs. 6.50 lakhs (Rs. 5 lakhs) has been transferred to general reserve No. 1 and Rs. 6.51 lakhs (Rs. 5.17 lakhs) to general reserve No. 2.

SOUTHERN STRUCTURALS

The shortage of plates, components, electrodes, gas, electricity, and other items experienced by Southern Structurals Limited, slowed down the out-turn of railway wagons during the year ended December, 1963. The value realised from sales of wagons consequently declined during the year to Rs. 116.6 lakhs from Rs. 150.9 lakhs in the previous year. Luckily the performance on the structurals' side was much better, thanks to the Avadi project being given the highest priority. In April 1963 alone the company delivered 830 tonnes of structurals, a figure which had not been surpassed by any fabricator in the South. The proceeds from structurals jumped from Rs. 10.00 lakhs in 1962 to Rs. 97.16 lakhs in 1963. The improved working results enabled the company to declare a dividend of 9 per cent (taxable) as compared with 6 per cent (taxable) in the previous year.

The amounts set aside include Rs. 4.27 lakhs (Rs. 3.60 lakhs) for depreciation, Rs 1.35 lakhs (Rs. 60,000) for development rebate, Rs. 12.42 lakhs (Nil) for taxation, while a sum of Rs. 18,000 (Rs. 18,026) has been written off as preliminary expenses and Rs. 23,000 (Rs 22,857) as brokerage and underwriting commission.

TRANS WORLD AIRLINES

Trans World Airlines Inc. expects to spend more than one billion dollars towards jet aircraft and equipment within the next 10 years, according to an announcement made by the President Charles C. Tillinghast, Jr., at the annual general meeting of the shareowners held in Kansas City, Missouri. The billion dollar equipment programme includes both expected and current orders for subsonic jets as well as commitments for supersonic jets.

The preliminary data for the first quarter of 1964 shows that the Airlines has increased its percentage share of the available market; its percentage of the domestic trunk traffic handled by the Big Three improved from 25.3 in 1963 to 27.2 in the first three months of 1964. Internationally its share of LATA traffic also went up, during the same period, from 17.3 per cent to 17.7 per cent.

A spectacular improvement is recorded in the working results of the Airlines for the first quarter of 1964. The total revenue for the first time in the history of the company, touched the record figure of 113.5 million dollars for the first quarter 1964 as compared with 96.1 million dollars in the corresponding quarter of 1963. Expenses, too, increased during this period by 9.2 million dollars to 111.2 million dollars, a rise of 9.0 per cent.

CAPITAL ISSUES

Two companies have been authorised to raise fresh capital amounting to Rs. 1.20 crores. They are issuing equities and preference shares. One of them involves foreign collaboration and has offered part of its equity capital to public through prospectus. The consent of the Controller of Capital Issues is valid for 12 months in both the cases.

Lamp Caps and Filaments Limited, Bombay, will be issuing Rs. 80 lakhs capital — Rs. 37.50 lakhs equity and Rs. 12.50 lakhs preference —to be issued for cash at par. The money will be utilised in the manufacture of caps for lamps.

Warner - Hindustan Limited, Bombay, a new company, is to have capital of Rs. 70 lakhs — Rs. 50 lakhs in equity and Rs. 20 lakhs in preference. Out of this, equity capital of Rs. 25 lakhs and the entire preference capital of Rs. 20 lakhs will be offered for subscription to Warner-Lambert Pharmaceutical Company, USA, and equity capital of Rs. 12.25 lakhs is available through prospectus. The capital will be utilised for the manufacture of intermediate chemicals (pyridine and its derivatives), pharmaceutivals (drugs and medicines), cosmetics and toiletries.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 during the week ending April 25, 1964. The list contains the names and addresses of the licensees, the items of manufacture and the annual installed capacity.

IRON AND STEEL CASTINGS

Gujarat Engineering Industries Limited, Naroda Road, G.P.O. Box 15, Ahmedabad; (Proposed name) Gujarat Engineering Industries Ltd. (Ahmedabad, Gujarat) — Steel Castings 4,800 tons per annum. Kamani Industrial Corporation Ltd., Kamani Chambers, Nicol Road, Ballard Estate, Bombay-1, (Proposed name) Kamani Industrial Corporation Ltd. (Udaipur, Rajasthan) — Cast Iron Castings 4,800 tons per annum

COAL AND THEIR DERIVATIVES

National Coal Dev. Corporation Ltd. "Darbhanga House", Ranchi (Bihar) — Coal 7,59,996 tonnes per annum after expansion

IRON AND STEEL PIPES

Northern Foundry Private Limited, 51, Regal Building, Parliament Street, New Delhi-1 (Ambala, Punjab) — Cast Iron Spun Pipes 18,000 tons per annum

RADIO RECEIVERS

Mulchandani Electrical & Radio Industries Ltd., Sukh Sagar, Sandhurst Bridge, Hughes Road, Bombay-7 (Maharashtra) — Paper and Polyester Capacitors 6 Millions Nos per annum.

DRUGS AND PHARMACEUTICALS

Bengal Chemical & Pharmaceuticals Works Ltd., 6, Ganesh Chander Avenue, Calcutta-13 (West Bengal) — Caffeine 6.1 tonnes per annum.

COTTON TEXTILES

Rahuri Taluka Sahakari, Kapoos Ginning & Pressing Society Ltd., Shrishivajinagar, Rahuri Factory Sub Post Office, Rahuri Distt. Ahmednagar. (Rahuri, Distt. Ahmednagar, Maharashtra) — Cotton yarn 25,000 spindles; Shri Ram Chandra Chintaman Patil, Chief Promotor, Aurangabad Zilla Sahakari Sutgirni Ltd., Suresh Bhawan, Kirana Chawdi, Aurangabad (Aurangabad, Maharashtra) — Cotton yarn 12,000 spindles; Madras Spinners Ltd., 8/146-B Trichy Road, Singanallur, Coimbatore-5 (Kerala) — Cotton yarn 13,000 spindles; The Tuticorin Spinning Mills Ltd., Tuticorin (Madras) — Cotton Cloth 100 Automatic looms; Chakolas Spinning & Weaving Mills Ltd., Kalamassery P.O. (Kerala) — Cotton yarn 4544 spindles; Asarwa Mills Ltd, P.O. Asarwa, Ahmedabad (Gujarat) — Cotton yarn 2000 spindles; Chowgule and Co. Ltd., Marmugao Harbour, (Goa) — Cotton textiles 500 Automatic looms; Palani Andavar Mills Ltd., Udamalpet, Coimbatore District (Madras) — Cotton yarn 25,000 spindles; Dunbar Mills Ltd., 21 Strand Road, Post Box No. 121, Calcutta-1 (West Bengal) — Cotton yarn 12,040 spindles; The Indian Cotton Spinning Mills, Vijalpore Road, Navsari (Gujarat) — Cotton yarn 5000 spindles.

SOAPS

Foods Fats & Fertilizers (P) Ltd., 67-Godown Street, Madras-1 Tadepalligudem, West Godavari Distt., (Andhra Pradesh) — Soap 720 tonnes per annum.

CHANGE IN NAMES (Owners or Undertakings)

(During the week ending April 25, 1964)

(Information pertains to particular licences)

From (Original undertaking) M/s. Indian Jharia Colliery, P.O. Jharia (Manbhum) Distt. to (New undertaking) M/s Indian & Central Jharia Colliery, P.O. Jharia (Dhanbad) E. Railway; (New owner) Shri Devram K. Chauhan, P.O. Jharia (Dhanbad) E. Railway.

LICENCES REVOKED OR SURRENDERED

(During the week ending April 25, 1964)

(Information pertains to particular licences)

M/s. Konarak Industries, Cuttack — Bicycle Chains; M/s. Swastik Rubber Products, Limited, Poona — Rubber and canvas conveyor beltings and Fire resistant conveyor belting.

COMPANY MEETING

ASIAN CABLES CORPORATION LTD.

Address of Shri Girdharlal B. Kotak, chairman, delivered at the 4th Annual General Meeting of the shareholders of the company, on the 30th April, 1964.

Friends,

Last year, I spoke to you that the Company was expected to show better results in the year under report. That expectation has been largely fulfilled. Though we have not been able to show the plus side in the Profit & Loss Account., we have been able to progress very much farther than last year. With the receding threats of aggression on our country's Northern Borders, conditions in the market which were so depressing last year, have been reviving.

You must have noticed that the Company has made a small loss of Rupees Fiftynine thousand (actual Rs. 58,962), during the year under report after providing for depreciation amounting to Rupees Six lakhs (actual Rs. 5,99,702), as against the loss of Rs. 11,52,448 last year. Your Directors are aware that the Company could have shown better results. But as they have briefly mentioned in their Report a number of factors combined together and had a cumulative effect on the working of the Company. I would like to refer to this not as an excuse, but with sincere intention to keep the shareholders informed of difficulties which a nascent industry has to face.

The large scale Chinese invasion in October 1962 on our Motherland created panicky conditions in the market and the demand suddenly slumped. The impact of this continued to be felt throughout the major part of the year under report when the economy of the country was under heavy strain.

The retardation of progress in the generation of power during the first three years of the Third Five-Year Plan restricted the creation of demand. But the Plan is now gathering momentum and it is expected that it will catch up with the target in the fifth year of the Plan.

While the prices of cables remained unchanged, the rise in the manufacturing costs due to increases in prices of raw materials used in manufacturing also restricted the margin of profit.

The substitution of aluminium for copper in majority of cable lines, has to an extent slowed down the sales. There is a natural resistance from the customer to the new metal This switch-over has naturally affected the flow of sales.

During the year the Company's products had been registered with the Government, and D.G.S. & D. have now put our cables on the Rate Contract at par with the leading manufacturers who have been in this field for a long time. This is indeed very encouraging. During such short existence of our Company, we are fortunate to serve almost all types of clients in all parts of the country

An interesting feature of the Company is the entry into Export Field. In spite of many handicaps, the Company has made a beginning in exporting our cables. Efforts are being made to increase the export. For this purpose, the Company exhibited the goods manufactured, in foreign exhibitions at Moscow, Kuwait, and Leipzig. One of your Directors, Shri S. H. Kotak has represented our Company in these Exhibitions and he has been able to get results by securing substantial orders.

I am very happy to declare that the Collaborators have since made full payments of Rs. 53,64,200 towards their contribution much earlier than the first call notice was issued. My special thanks are due to them on this account, as this amount has proved to be very useful towards foreign payments to machinery suppliers, pending receipt of actual import licence and sanction of loan by the Industrial Credit and Investment Corporation of India Ltd. But for this timely assistance by our Collaborators, we would not have been able to book the orders for machinery at a price which is about 15 per cent to 20 per cent lower than the prevailing price today; this has also enabled us to get priority in delivery of the machinery.

You will be happy to know that the Government has been pleased to grant to your Company during the year under review, licence for expanding the capacity of magnet wire manufacture from 360 to 1200 tons per annum. The Company has also received a new licence for the manufacture of 500 tons per annum of paper and cotton covered winding wires and strips. We have already applied to the Government for the licence to import the equipment required for the expansion, and the import licence is expected soon. Such increased capacity is expected to improve profitability of your Company.

The building construction programme of factories for Power Cable and Magnet Wire is in full swing, and is expected to be completed by middle of July this year. No time lag is expected between the receipt of equipment and completion of the factory buildings. We expect the trial runs by the end of this year .

The Industries Commissioner, Government of Maharashtra, has already accorded his sanction for granting us additional supply of one lakh gallons of water per day. All preliminary arrangements for getting the supply are now complete and it is expected that this additional supply will be made available to us just when we go into production. The Tata Hydro-Electric Power Supply Co. Ltd., from whom we get our supply, have also, on recommendation from the Government, agreed to supply us necessary additional power.

I am really thankful to the assistance rendered by the financial institutions like the Industrial Credit and Investment Corporation of India Ltd., the Industrial Finance Corporation, and our Bankers, for their timely assistance and help whenever required. I must thank the Managing Directors and other Directors also for standing as guarantors to these institutions for the loans advanced by the financial institutions; this in itself is a considerable contribution besides the able management of the Company.

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RECORDS AND STATISTICS

CAPACITY AND PRODUCTION IN CHEMICALS AND ALLIED INDUSTRIES

Name of the Industry	Accounting Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 @ Estimated Production
1. Acids, Alkalies and Allied Chemicals							
Sulphuric Acid	Tonnes	50	702,220	469,467	55	820,910	546,109
Soda Ash	Tonnes	4	296,800	222,577	4	296,800	263,947
Caustic Soda	Tonnes	18	126,585	126,626	19	187,835	145,496
Liquid Chlorine	Tonnes	10	37,597	37,864	11	56,100	41,545
Hydrochloric Acid	Tonnes	28	17,000	15,731	28	16,630	16,465
Bleaching Powder	Tonnes	1	12.960	6,722	1	12,960	7,155
2. Alcohol etc.							
Alcohol Ethyl							
(a) Absolute Alcohol	K. Litres	21	75,972	49,547	21	75,972	25,181
(b) Rectified Spirit	K. Litres	55	134,398	61,243	59	154,309	81,770
Beer	K. Litres	3	17,735	11,477	3	17,735	12,954
3. Insecticides, Plastics & Plastics Chemicals							
Insecticides, Pesticides etc.							
B.H.C. (Tech.)	Tonnes	2	5,700	4,766	3	7,200	5,621
Copper Oxychloride	Tonnes	4	2,284	818	4	2,284	1,130
D.D.T. (Tech.)	Tonnes	2	2,680	2,568	2	2,800	2,567
Disinfectants							
Liquid	K. Litres	6	N.A.	3,777	10	N.A.	2,594
Solid	Tonnes	..	..	..	..	..	654
Ethylene Bromide	Tonnes	1	108	Nil	1	108	Nil
Melathion	Tonnes	..	..	..	2	190	83
Organo Mercurial	Tonnes	1	46	12	1	46	37
Pesticidal—Liquid	K. Litres	30	N.A.	1,911	30	..	3,032
Formulation—Solid	Tonnes	30		21,144	30	..	22,008
Pyrethrum Extract	K. Litres	2	N.A.	388	2	..	380
Toxaphene	Tonnes	1	250	Nil	1	..	Nil
Zinc Phosphide	Tonnes	1	100	39	2	150	45
Armatic Chemicals, Synthetic Essential Oils etc.							
Aromatic Chemicals	Tonnes		202	126,498		202	103,386
(i) Alfa Amyl Cinnamic Aldehyde	Kg.	2)		5,529	2)		14,010
(ii) Amyl Acetate	Kg.	2)		942	2)		2,819
(iii) Amyl Benzoate	Kg.	)		Nil	2)		405
(iv) Amyl Salicylate	Kg.	2)		2,071	2)		4,210
(v) Aurantiol	Kg.	2)		10	)		
(vi) Citral	Kg.	2)		386	2)		721
(vii) Citronelloll	Kg.	2)		6,501	2)		9,045
(viii) Citronellyl Acetate	Kg.	2)		Nil	2)		210
(ix) Eucalyptol	Kg.	2)		243	2)		745
(x) Ethyl Phenyl Acetate	Kg.	2)		125	2)		50
(xi) Geranyl Acetate	Kg.	2)		2,250	2)		1,668
(xii) Geraniol Ex-Pamorsa	Kg.	2)	202	881	2)	202	602
(xiii) Geraniol Pure	Kg.	2)		18,103	2)		12,794
(xiv) Hydroxy Citronellal	Kg.	2)		3,800	2)		2,662
(xv) Ionone Pure	Kg.	2)		5,074	2)		8,179
(xvi) Ionone Alpha	Kg.	2)		411	2)		360
(xvii) Ionone Beta	Kg.	3)		36,798	3)		21,162
(xviii) Isobutyl Phenyl Acetate	Kg.	2)		Nil	2)		70
(xix) Isopulegol	Kg.	2)		186	2)		35
(xx) Linool Pure	Kg.	2)		1,010	2)		1,930
(xxi) Linallyl Acetate	Kg.	2)		309	2)		150
(xxii) Methyl Ionone	Kg.	2)		5,635	2)		6,138
(xxiii) Phenyl Ethyl Methyl Ether	Kg.	2)		450	2)		309
(xxiv) Resionds	Kg.	3)		4,212	3)		5,402
(xxv) Yara Yara	Kg.	2)		5,910	2)		7,300
(xxvi) Misc. Aromatic Chemicals	Kg.	2)		25,071	2)		2,410

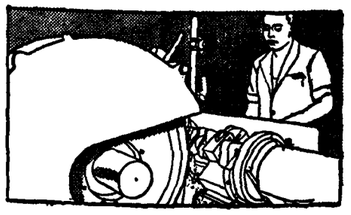
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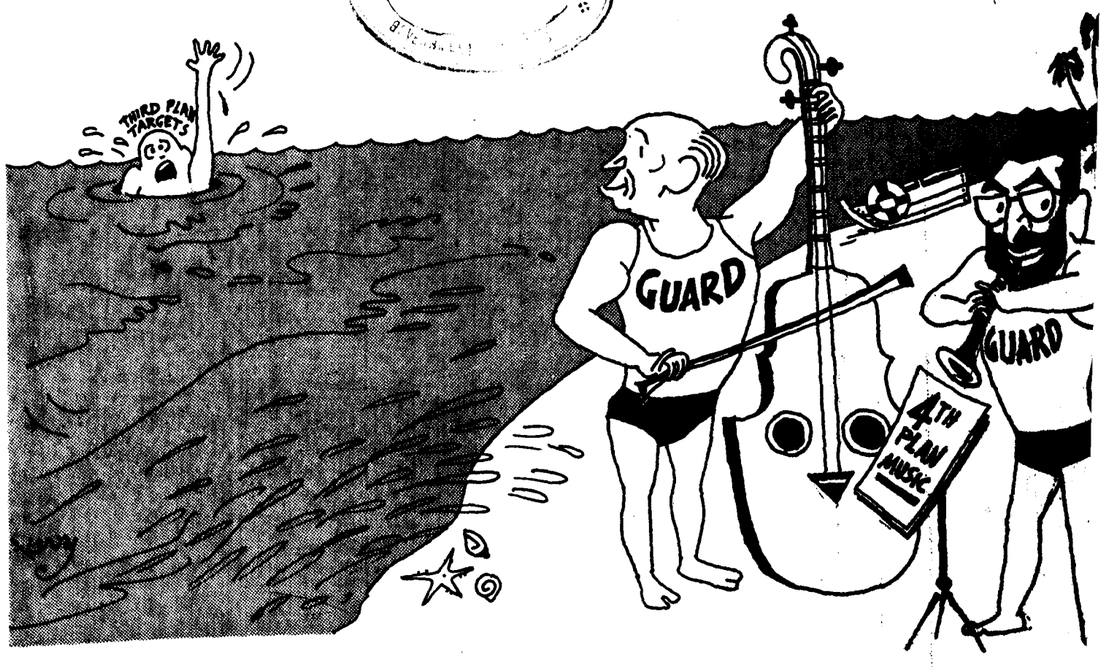
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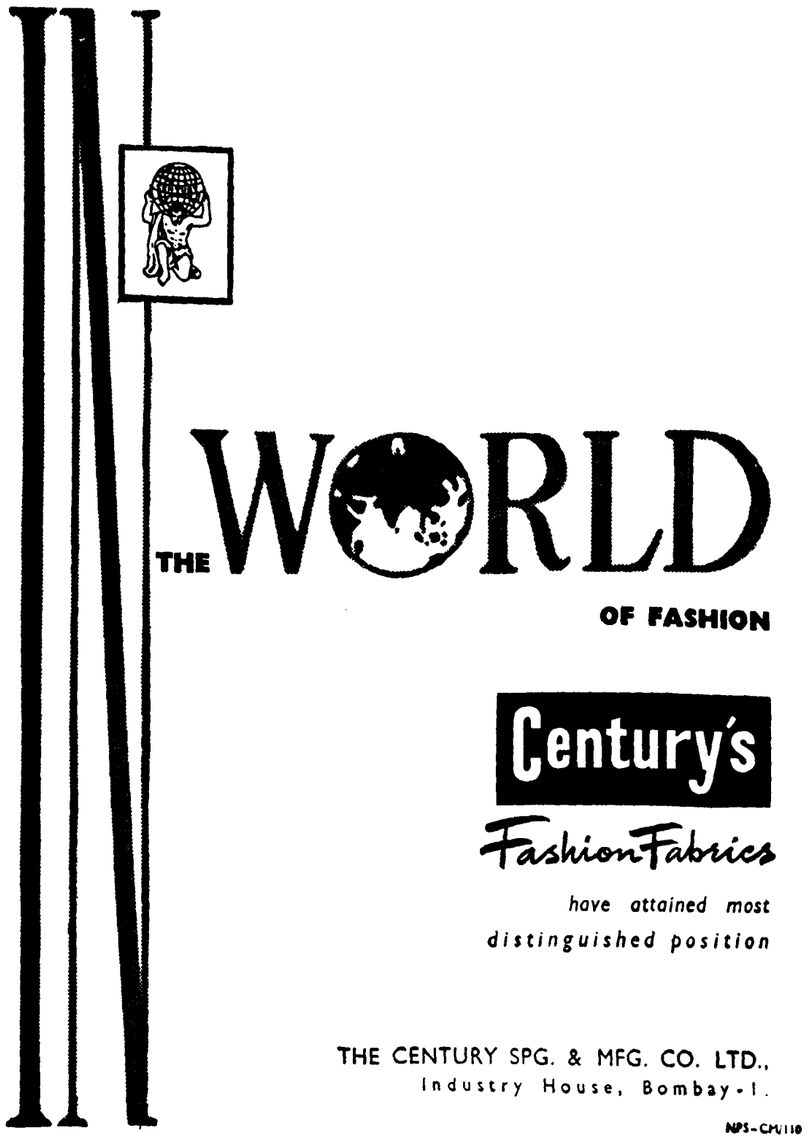
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EASTERN ECONOMIST





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Bigger and Bolder Fourth Plan?

IT WAS George Bernard Shaw who made one of his characters say that "we learn from history that men never learn anything from history." That is true of our planners as well who have consistently refused to profit from their past experience. Almost two to three years before the initiation of a Plan, study groups are set up to analyse "scientifically" the statistical information available so as to formulate the targets. Much heated argument follows at various levels and after considerable sophisticated and jargon-riddled discussions, a new Plan is approved by the Planning Commission, the National Development Council and finally the Parliament, dedicating it to the people whose standard of living it is supposed to lift. This has been repeated thrice already. A similar fourth exhibition is currently on and the newspapers are vying with one another in publicising its different facets. The first whiff of realistic air somehow demolishes the house of cards which the planners call a five-year Plan document. It happened to the second five-year Plan. It is happening right before our eyes to the third as well. In the same way, the fantastic targets which are being fixed currently on grandiose assumptions may not (and if history is any guide, will not) stand the impact of realities in the first two years of its operation. There seems to be something basically wrong with planning in this country. It has remained so far a process of hit and miss — more "miss" than "hit" — and it is time that someone talked frankly and unreservedly to the planners to lend a touch of realistic commonsense so that the fourth Plan and the subsequent ones may not be drafted on utopian lines.

Planning is a continuous process; it is not that one plan ends at a certain point of time while another begins. It is a process whereby each five-year Plan is dovetailed into a long-term pattern of growth extending at least ten to fifteen years into the future. There has been great interest in the art of target fixation—long-term as well as short-term—conducted by the Planning Commission ever since its inception. When the first five-year Plan was drafted, the target of total national income for 1975-76—to impart perspective to the Plan—had been fixed at about Rs. 23,000 crores at 1960-61 prices or around Rs. 24,000 crores at 1960-61 prices. (See table overleaf). Again at the time of formulating the second Plan, the Planning Commission had another try at the same game of perspective planning and fixed the target for 1975-76 at Rs. 27,270 crores at 1952-53 prices or a little more than Rs. 29,000 crores at 1960-61 prices. That means between these two exercises in forecasting, the target of income was raised by about Rs. 5,000 crores. At the time of drafting the third Plan, another exercise in perspective planning was attempted and the target for 1975-76 was raised to Rs. 33,000-34,000 crores. In the latest attempt at projections, once again, the Planning Commission has set its sights still higher at Rs. 37,300 crores in 1975-76. The not very happy performance of the first three five-year Plans, instead of dampening the exuberance of the perspective planning division in its forecasting adventures, has further emboldened it to raise the targets. It seems, there is an obvious political slant in this practice of target fixation which is undertaken more to dazzle the common man than to look into the future through the highly refined instruments and techniques which have been developed by the research institutions.

What should be the size of the fourth five-year Plan? In so far as the total outlay is concerned, the perspective planning division is reported to have recommended an outlay of about Rs. 30,000 crores. (A detailed description of the various co-ordinates of the fourth Plan are given in this issue on page 1155). This is equivalent to the total outlay in the

second and the third Plans just as the total outlay in the third Plan was equivalent to the sum of the total outlays in the first two Plans. There is no doubt these fabulous figures will cause joy to many but the crucial question is whether the size of this Plan is within our capacity to raise resources. It will require increasing the investment level from 16.2 per cent in 1965-66 to 20.7 per cent of the national income in 1970-71. Nearly 7.5 per cent of the investment will be absorbed in maintaining the *status quo* in per capita income level. It is the investment over and above the basic 7.5 per cent which will result in bringing about improvement in the standard of living of the people.

The important element in the determination of the size of the fourth Plan is neither the total outlay nor its rupee component but the extent of external resources which we can mobilise. There is a big question mark regarding the possibility of raising about Rs. 3,200 crores of foreign aid in order to finance a Plan of the size of Rs. 20,000 crores; if a bigger Plan of the size of Rs. 22,000 crores is approved (as is being suggested in certain circles), the foreign exchange component will have to be still larger. In other words, even if the economy is in a position to raise all the rupee resources for the implementation of the various projects outlined in the Plan, it cannot go through successfully without raising the vitally-needed foreign exchange. Thus, the size of the Plan hinges upon the total aid which the friendly nations will be willing to commit. According to present indications, the Consortium of nations, which has so far assisted us in financing our Plans, has not thought in terms of raising their level of assistance above that of the third Plan. If they should stick to this decision, the fourth Plan will have to be of a much smaller size than currently envisaged. It may lie anywhere between Rs. 16,000 crores to Rs. 18,000 crores in terms of outlay.

In agriculture, the second and the third Plans have failed to bear fruit according to expectations. But for a brief spell during the first five year Plan when agricultural production attained new heights due to favourable monsoons, the picture in this vital sector of the economy generating nearly half the national income has been dismal. The mid-term appraisal of the third Plan indicated that the target of 100 million tons of foodgrains for 1965-66 would not be achieved; now the Dhebar Committee, appointed by AICC, has given the cautious opinion that production in 1965-66 may not rise beyond 92 to 94 million tonnes as against the current level of output of 80 million tonnes. Even to reach that level within the next two years may prove a herculean task without Providential help. The gross area under irrigation as a percentage of total area under food crops has remained almost static during the last decade indicating that the dependence of Indian agriculture on weather has not been reduced. Unless the agricultural sector shows real improvement and the monetary expansion is matched by the supply of foodgrains, the Indian masses may not receive any benefit from the so-called planning conducted from Yojana Bhavan.

The Committee has suggested that the Chief Minister or the Minister-in-charge should be held responsible to the Congress Parliamentary Board for the failure in agriculture and "necessary consequence of failure to discharge the responsibility should follow". But in the same breath, the Committee has also recommended that the Government should acquire the commanding position in grain processing and trade so as to assure adequate return to the farmer. It has also recommended that the margins to be charged at different levels should be fixed and the policy of licensing of wholesalers should also be effectively implemented.

This approach of the Committee coupled with the recent opinion expressed by the Union Finance Minister Mr. T. T. Krishnamachari, regarding selective controls, shows their lack of faith in the targets which have been dangled before the country in the draft of the fourth Plan prepared by the perspective planning division of the Planning Commission. It has recommended that in view of the likely reduced target of foodgrains production in 1965-66 at 90 million tonnes as against the third Plan target of 100 million tons (and Dhebar Committee's estimate of 92-94 million tonnes), the corresponding target for the fourth Plan should be fixed at 122 million tonnes. If there were realism in the fixation of these targets, the talk of controls, fixation of margins etc. would be redundant. It is because there is no faith in the highly imaginary goals fixed by the Planning Commission that these restrictive measures have been proposed. On the other hand, no one has drawn attention to the tremendous waste of the funds which has occurred in the first three Plans for Indian agriculture. It is through better and judicious utilisation of these funds alone that an improvement in output can be brought about. In fact, the problems of Indian agriculture have been discussed threadbare in recent years and it is not necessary to repeat here that the consumption of fertilizers needs to be increased, that mechanisation, wherever possible, needs

NATIONAL INCOME FORECASTS: 1965-66 — 1975-76
(At 1960-61 Prices)

(Rs. crores)

	1965-66	1970-71	1975-76
Projections based on:			
First Plan	13,622*	17,544*	23,736*
Second Plan	18,468**	23,198**	29,179**
Third Plan	19,000	25,000	33,000 to 34,000
Fourth Plan (Preliminary estimates)	18,000	26,000	37,300

* The corresponding figures for 1965-66, 1970-71 and 1975-76 at 1950-51 prices are 13,200, 17,000, 23,000 crores of rupees respectively.

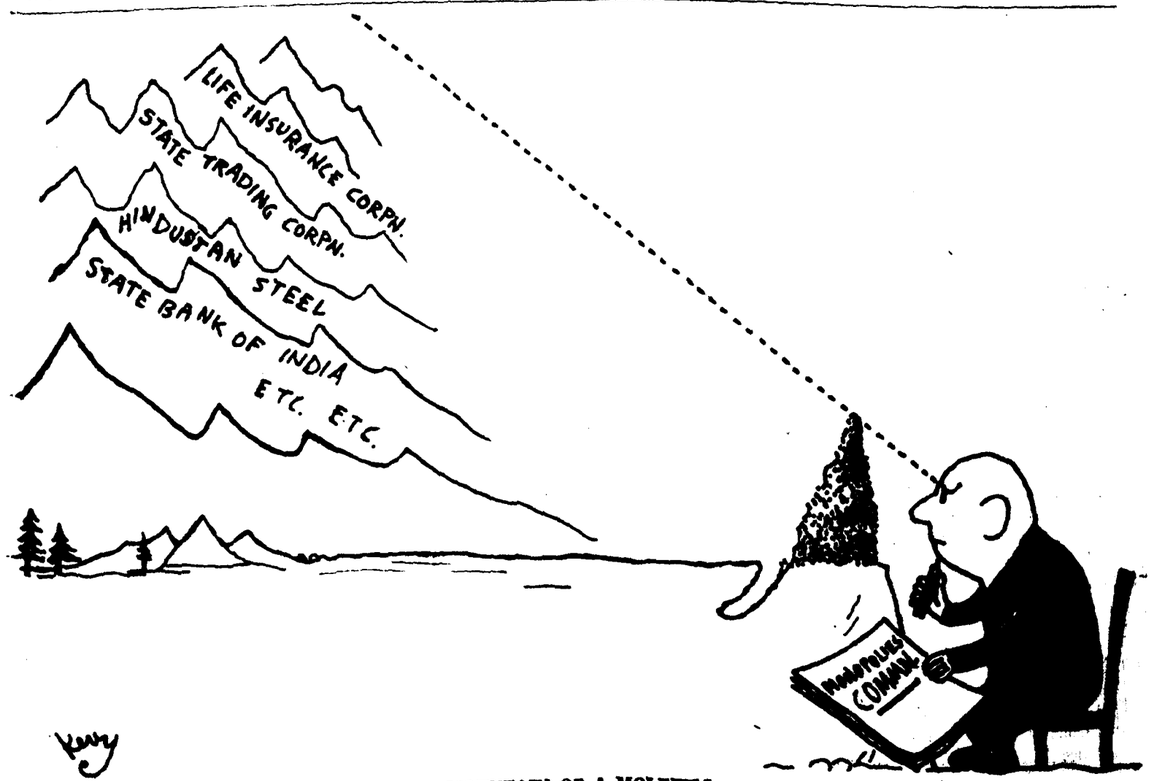
** The corresponding figures for 1965-66, 1970-71 and 1975-76 at 1952-53 prices are 17,260; 21,680; 27,270 crores of rupees respectively.

to be introduced, that farmers need to be provided with better seeds and they need incentives for making agriculture a profitable proposition. These are facts which have been stated over and over again and mere talk about them will not raise output. Also it is necessary to fix targets of production not only at the State level but also at the District level and the official concerned should be made responsible to achieve them.

In industry, again, the last two Plans had laid emphasis on basic and heavy industries with the result that output of producer goods has enjoyed preference over consumer goods. In an article in *Eastern Economist* dated May 17, 1963 (page 1018), it was shown that the output of producer goods in 1962 improved by 14 per cent over 1961 while during the same period production of consumer goods rose by 2 per cent only. The same story was repeated in 1963. It is this neglect of the consumer goods and the shortfall in food production which are at the root of the present trend in rising prices. The monetary expansion on development and defence has not been matched by the necessary increase in foodgrains and other consumer goods which could provide the necessary cushion.

In the target fixation for industry and mining, there is complete divorce between what is feasible and what the planners wish to achieve. In the case of fertilisers, for example, the proposed target is 2.5 million tonnes as against a million tonnes in the third Plan. There has been considerable failure in this vital sector in the third Plan. The actual achievement may not be more than 0.6 million tonnes at the end of the third Plan. To assume that production would be more than trebled in the next five years is again shorn of all practical considerations. Similarly, in the case of coal mining, the proposed target for the fourth Plan is 140 million tonnes — more than double the production at 67 million tonnes in 1963. These targets seem to have been fixed more to give an impressive look to the Plan than from the belief that they could be achieved.

The target for exports has been pitched at Rs. 1,200 crores per annum which again has not taken into consideration the tremendous hardships which the exporters had to face even to record the modest increase of Rs. 81 crores in 1963-64. Our exports have not looked up in recent years because of certain basic problems some of which do not lie within the control of the Ministry of International Trade. The rising costs coupled with complaints regarding the quality of our goods and the tariff barriers of the countries which have the buying capacity for our goods, have so far thwarted all our attempts to increase our exports. There is



MOUNTAIN OF A MOLEHILL

need for careful analysis not only commodity by commodity, but also country by country to determine the level to which our exports can be raised.

That the planners have refused to learn from their past performance has also been indicated by the manner in which the allocation of outlay for the public sector is being determined. The public sector has a sorry tale to tell in regard to its performance, especially in regard to the profitability of its units. Despite the unhappy experience, the fourth Plan is envisaged to allocate 55 per cent of the outlay to the State sector. Again, regarding the resources to be ploughed back from public sector units, the estimate has been presented that about Rs. 650 crores from public sector projects will be available by way of surpluses. This is again flying in the face of facts and the Commission will be well advised in looking over its calculations which seem to have been made more on dogmatic principles than on any sound economic basis.

The demographic explosion in this country has occurred at such a fast pace that much of the increase in output has been used up in providing for the new entrants. India's current population is estimated at 460 million — a figure much larger than the total population of the Indian sub-continent (including Pakistan) in 1947. This aspect has been explained at length in a series of articles entitled "Our Population Problem" in *Eastern Economist* in recent weeks. The Government is seized with the urgency of the problem but has come out with the unique solution of setting up of a separate ministry of family planning in the fond hope that perhaps the multiplication in population would be checked by multiplication of ministries. It needs to be noted that family planning measures are not short-term ones. Any step taken today will start bringing about fruits a decade later. To expect any shortcuts to it, is to live in a dreamland. There is need to evolve a purposive policy to tackle this ticklish problem.

While the fourth Plan will demand substantial sacrifices on the part of the people, it should not fail to provide them with the minimum requirements. The common man hardly understands the intricacies of a 6 per cent or a 7 per cent rise in the national income of the country. He is more concerned that his barest requirements of wheat, rice, sugar, milk etc. are provided. He has the least interest in the statistical juggleries operated in the Planning Commission.

Hesitant Growth in General Insurance

ALTHOUGH THE protagonists of nationalisation of general insurance in this country have been criticising the trend towards amalgamation of general insurance companies, evidence is daily accumulating, both in this country and abroad — the UK and Japan in particular — in favour of such amalgamations. Notwithstanding the increase in the total volume of general insurance business in India and the steady decline in the total number of companies engaged in the general insurance field, the average net premium per insurer in the country is still hardly Rs. 24 lakhs. When the Commercial Union and the North British and Mercantile merged some years ago, in the UK, their total net premium incomes were Rs. 90 crores and Rs. 53 crores respectively! In general insurance, a sizable total net premium income, far from establishing the existence of monopoly conditions or concentration of economic power, reflects the efficiency of economies of scale.

According to the Insurance Year Book 1963, just published by the Controller of Insurance, there were 148 insurers on December 31, 1962, but this number fell to 142 as on December 31, 1963. Of the former, 78 were Indian insurers, while 70 were non-Indian insurers (in 1963, the respective figures were only 76 and 66). Whereas in 1962, the 78 Indian insurers accounted for a total net premium income of Rs. 26.54 crores, the 70 non-Indian insurers earned a net premium income of only Rs. 9.06 crores. These figures are relevant to disprove another contention of the leftists, namely, that non-Indian insurers have been underwriting a substantial portion of the general insurance business in India. This is an argument which they often press into service to demand nationalisation of general insurance.

It is significant that the gross premiums written direct outside India by Indian insurers in 1962 amounted to 10.19 crores. This is a distinct improvement over the position in 1957, when this figure was only Rs. 6.5 crores, considering that the total net premium income of non-Indian insurers in India has been more or less stagnant at below Rs. 10 crores as in 1957. Those who talk of nationalisation of general insurance will do well to take note of this trend, if only to pause for a while about the possible repercussions of any such move on Indian insurers' business abroad.

A point that could easily escape one's notice has been made by the Controller of Insurance in the latest Year Book. It is that the index number of general insurance business in India (Base Year: 1956) recorded a rise of only 11.2 in 1962 as against a rise of 15.3 in 1961. Unless there is something wrong in the computation of this index number, this would seem to suggest that there has been a slackening in the rate of growth, despite the overall increase in absolute terms. If this be the case, there would appear to be need for an examination of the causes. Perhaps one of the causes is the fear of nationalisation. And, if that is so, the sooner this Sword of Damocles is removed, the better it would be for a steady and sustained rise in general insurance business. General insurance is an indispensable handmaid to economic growth and, as such, it is the responsibility of those that direct economic growth to see that no obstacles are placed in the way of the smooth

Highlights of the Week

ANIMATED SUSPENSE

WHILE THE Indian Education Minister, Mr. M. C. Chagla, and the Pakistan Foreign Minister, Mr. Z. A. Bhutto, last week had been engaged in the U.N. Security Council in a legal bout over the Kashmir issue, Sheikh Abdullah had his parleys in the Indian capital with the Prime Minister, the key Cabinet Ministers and the other prominent leaders, at Sevagram with Acharya Vinoba Bhave and at Madras with Mr. C. Rajagopalachari. As expected, the Security Council again failed to throw up any new idea to resolve the Kashmir problem. But the Sheikh is stated to have achieved some measure of success in his talks with the Indian leaders. It has been claimed by him that he and Mr. Nehru have been able to evolve a basis for a negotiated settlement over Kashmir and are currently working on some formulae which should satisfy not only India and Pakistan but also the aspirations of the people of Kashmir. No details of these formulae have yet been given out, but according to the Sheikh, they aim at maintaining the secular character of India and should inculcate a sense of security among the members of the minority communities both in this country and in Pakistan. The Sheikh will be visiting Rawalpindi shortly to get the reactions of the Ayub Government and the other prominent leaders of Pakistan to his proposals. He will then visit New Delhi again for further talks with the Indian leaders.

Although the Sheikh-Nehru talks, thus, have ended on a hopeful note, there are certain disconcerting features which would raise many an eye-brow. The Sheikh goes to Pakistan as "Sheikh Abdullah" or as a "human being". He hesitates to call himself an Indian. Is it an indication that he stands for independent Kashmir? The Sheikh's attempts at equating Pakistan, an aggressor in Kashmir, and India, which sacrificed so much in blood and money for the defence of this Himalayan State, too cannot be palatable for the Indian public. The communal disturbances that have occurred in this country have been as a sequel to what has been going on in Pakistan and to equate the two countries on this score as well is hardly justifiable. Further, the Sheikh has been challenging the very basis of Indo-Kashmir relations, alleging that the accession of this State to India still remains provisional. The Union Government has stoutly countered this claim. Although at the Press Conference he addressed in New Delhi on May 12, the Sheikh was not so insistent on this position, it remains to be seen whether the solution he is attempting for the Kashmir impasse takes cognizance of the Government of India's contention. Despite these disturbing facts, however, every right thinking person on this sub-continent will wish the Sheikh success in his efforts to bring India and Pakistan together. Without restoration of cordial relations between the two countries and without a contented Kashmir State, it may be difficult to contain the expansionist China.

BAN THE BOTTLE

THE PLANNING Commission's Study Team on Prohibition has, in its report, pointed out not only the importance of persuasive measures, but has also stressed that where it is not possible to enforce strictly the various prohibitive measures it will be in the larger interests of the society to relax such measures because, when a particular regulation is broken with impunity, it generates a corrupting chain reaction which spreads to various other activities that are not necessarily connected with prohibition. The team has, therefore, recommended that, on grounds of addiction, permits for hard liquor should be issued to persons who are above 40 years of age. For the age group of 30 to 40 it has recommended the issue of permits for mild drinks only. Persons below 30 years of age have not been recommended any permits. The team has strongly disapproved of 'the glamour of drinking' that is prevalent in high society. It has also advocated that public opinion against drinking should be roused.

The Study Team was set up by the Planning Commission in April 1963. Besides its Chairman, Mr. Tek Chand, an Ex-Judge of the Punjab High Court, the team consisted of Mr. L. M. Shrikant, Secretary of the Gandhi Smarak Nidhi and Dr. A. M. Khusro of the Institute of Economic Growth. The voluminous report embodies "an integrated set of practical measures" to reduce illicit traffic in liquor and to combat other evils of drinking. The suggested measures include: the adoption of new scientific appliances for the detection of inebriety: the de-glamourisation of drinking by the officials and by people of higher social strata; the avoidance of the misuse of spirituous medicines and other similar preparations; the prevention of misuse of molasses; the activation of public opinion against drinking and for this purpose the galvanization of the media of mass communication; the economic containment of illicit activity by reduction in the profit margins of those engaged in such activity; and the conditional and controlled liberalisation of toddy in certain areas. The report says that if these recommendations are accepted by the authorities, it will be desirable for the Government of India to set up another committee, after a suitable period of time, to assess the progress of the "integrated programme".

Loss in Revenue

Referring to the financial aspects of the prohibition programme, the Team says in its report that "the total revenue loss of all dry areas is Rs. 40.1 crores and the cost of prohibition enforcement approximately Rs. 5.4 crores, making a total financial loss of about Rs. 45.5 crores." The Team has further estimated that if the wet States in the country were to introduce total prohibition, the loss in excise would aggregate Rs. 80 crores only and that the same could be more than offset by some increases in sales tax, taxes on luxuries and central excise duties.

Estimates of the magnitude of illicit distillation as well as of the nation's drinking bill have also been made by the study Team. These estimates suggest a figure of Rs. 146 crores as the annual drinking bill of the country, of which the value of illicitly distilled liquor may be Rs. 43 crores in dry areas and Rs. 9 crores in wet areas. The illicit distillation in wet areas, according to the report, accounts for only 20 per cent of the supplies whereas in the dry areas it has increased by three to four times, as nearly all that is produced there is of illicit variety. The report further highlights the fact that the profits from illicit distillation in dry areas are as high as 200 to 1000 per cent of the profits from licit distillation in wet areas; that is why, no system of administration can face squarely the challenge of eradicating illicit distillation.

With a view to securing effective enforcement of prohibition, the Team has suggested amendments in penal, civil, special procedural and evidence laws. It has also recommended the enactment of new provisions. The lacunae in the existing laws have been indicated. As regards the administrative setup in the States, the Team is of the opinion that the enforcement of laws should rest with the police and not with any separate prohibition force. The Team, however, proposes to further pursue this subject in the second volume of its report which is still under preparation and is expected to be ready in a few months' time. The Team has also recommended that 'prohibition' should gradually be introduced throughout the country within a period of 12 years ending 1975-76 and has particularly mentioned the States of Punjab, Rajasthan, Bihar and West Bengal for such coverage. It has found the working of prohibition in Madras and Gujarat to be quite satisfactory. As regards Maharashtra, the Team has examined its new liquor policy and, while appreciating the broad strategy

of the policy, finds itself in disagreement on some points. It feels that the State Government's granting of permits for the consumption of alcoholic beverages irrespective of age and economic and social circumstances can prove calamitous. The Team refuses to accept the alleged magnitude of illicit activity in the State at its face value and finds a certain amount of defeatism in the Maharashtra Government's new policy.

With a view to meeting the challenge of illicit distillation the Team has recommended that the sale of toddy under "controlled conditions" should be considered seriously except by those States which are satisfied with their enforcement of total prohibition and where leakages are unimportant. Among other things, the Government has been advised by the Team to produce, under its own auspices, toddy with five per cent alcoholic content. It has also been suggested that the strength of toddy should be stabilised by means of refrigeration as fermentation increases its alcoholic content. The price of toddy should be kept low as it will wean away a large number of people from drinking the hard product of illicit distillation.

TEXTILE EXPORTS

IT IS difficult to understand why it should have been left to the US Government to come out first with the news of the new two-and-a-half-year Indo-US Agreement on Textile Exports from this country. The new agreement takes the place of an earlier agreement that expired at the end of March last. Unless it was the mutual intention of the two Governments to make a simultaneous announcement, the Indian Cotton Mills' Federation (ICMF), which negotiated the agreement in February itself, could very well have issued an official handout outlining the terms of the new agreement at least on April 1, 1964, when it came into force.

The circumstances in which the US came to impose restrictions on imports of Indian textiles are by now common knowledge. It was not very long after the conclusion of the Geneva Long-term Agreement on Cotton Textiles, in fact within less than a year — nine months, to be precise — that the US sought to invoke Article 3 of that Agreement relating to "disruption" of the importing country's (US) mill industry and put restriction on our exports of textiles to that country, under four specific categories. India's efforts to convince America that her action in invoking Article 3 of the General Agreement was inconsistent with the preamble of that Agreement proved futile. However, as a result of the negotiations between the US authorities and a textile delegation from India, India was given an annual overall quota of 30 million sq. yards of mill-made cloth under four different categories. The position under the present agreement is that both the overall quota and the number of specific categories have been raised, the former from 30 million sq. yards to 37 million sq. yards and the latter from four categories to five categories with a sub-ceiling under each of these five categories.

India had reasons to expect more favourable terms than she has had not only because of all the tall talk in Geneva about placing very little or no restrictions on exports of manufactures or semi-manufactures from developing countries to economically advanced countries but also because of the removal of the erstwhile handicap of American cotton mills which had to pay a higher price for American cotton than users of American cotton in other countries, including India, who export to America textiles manufactured out of this cotton. A new law recently passed by the US Congress provides American textile interests with a subsidy which makes the cost of domestic cotton used by them the same as it is to foreign buyers. This means that American cotton textile manufacturers can compete in their domestic market on equal terms (in so far as the cost of the main raw material is concerned) with textile manufacturers from abroad. There can be no quarrel with this argument, although it must be added here that the cry of American textile manufacturers, what with all their modern and automatic equipment, against unhealthy competition from Indian cotton mill manufactures sounds as hollow as the now all too familiar cry of Manchester textile interests off and on against the inroads of Indian textiles. But the fact must be faced that the types of cotton goods exports to the US from this country change so often, depending, of course, on the fast-changing tastes of American consumers, that the US authorities are hard put to it to distinguish the impact of one type from that of another type on the US textile industry. Hence perhaps their resort to the line of least resistance to justify restrictions on textile imports.

CAMPHOR: COSTS AND PROFITS

WHEN, the other day, the Chairman of Camphor and Allied Products Ltd., which has produced camphor on a commercial scale for the first time in India, disclosed in Bombay that the Company would market its product at around the same price at which the State Trading Corporation has been selling imported camphor, some eyebrows were raised as much as to suggest that the Company should not do so. The presumption here was that the Company was out to make maximum profits, but, after the Chairman gave a break-up of the costs of manufacture and described at length the high cost of indigenous raw materials (relatively inferior in quality as compared to the imported variety) and labour, the position came to be better appreciated. The fact is that, even when in a more or less monopolistic position as the new Indian camphor industry happens to be today, it cannot afford to exploit its position to make fantastic profits these days, for a variety of reasons.

Those who frequently shout at the alleged high profits being made by the private sector should note what Mr. Manubhai Shah, Minister for International Trade, told the Rajya Sabha on May 6, whilst explaining the reason for the higher profit margin of the State Trading Corporation in respect of certain scarce imported consumer commodities. This margin is intended, according to him, "to mop up a portion of surplus profits available in those commodities, owing to their short supply and high ruling market prices." As to the actual margin, the Minister for International Trade disclosed that, while, in a large number of cases, the margin charged by the S.T.C. ranged between 0.4 per cent and 10 per cent, the margin in the case of betelnut was 35 per cent over the landed cost! About the varying margin of profits Mr. Shah said: "On imports, the margin of profits varies from commodity to commodity, depending upon its availability in foreign markets, its essentiality, the prevailing market prices, the relative availability of the indigenous products, etc."

What Mr. Shah has stated shows not only his perfect understanding of the market mechanism but also what everyone engaged in trade, whether in the private sector or the public sector, does and has to do, unless one is prepared to go out of business. But the S.T.C. seems to go one step further. Apparently it does not mind entering any line of trade where surplus profits are available. The object of the S.T.C. stepping in any line, it has been thought all along, is to do something that the private trader may not or cannot do, as, for example, trade with socialistic countries, as also to ensure that, by playing the role of the good Samaritan, rising prices are kept under check. Surely this is not the result that will follow if and when the S.T.C. chooses to trade in a commodity which is in short supply and tries to mop up a portion of the surplus profits available in regard to that commodity. Anyway, the candid statement of Mr. Shah has served further to underline the dawning realism in official circles that it is wrong to suppose that business or commercial undertakings are debarred from making profits. But making unduly large profits by a public sector body, even if the prevailing circumstances are propitious for so doing, is worse than making losses due to inefficiency. The latter is bad enough, but it has at least the merit of reflecting the prevailing conditions, whereas exaggerated profits may distort and deceive one as to the precise degree of efficiency at the time.

FROM THE PRESS GALLERY

Filibuster Holds Up Pay Raise for MPs

By Our Parliamentary Correspondent

NEW DELHI:

CONTRARY TO the rushing through on April 24 by the Lok Sabha of a non-official Bill seeking to increase the salary of the Members of Parliament from Rs. 400 to Rs. 500 per month and their daily allowance from Rs. 21 to Rs. 31 and providing for a certain number of free air trips to members living over 700 kilometres from Delhi, a practically identical Bill introduced in the Rajya Sabha by a Congress member last week encountered stiff opposition from the Communist, Jan Sangh, Socialist and Republican members. Its passage was blocked by a filibuster performance of the Communist spokesman, Mr. Bhupesh Gupta, whose 130-minute marathon exhortation, punctuated by frequent interruptions from Congress benches, prevented many anxious members from participating in the discussion. The House, however, passed after brief debates, the Taxation Laws (Continuation and Validation of Recovery Proceedings) Bill, the Bill seeking to rename the "naiya paisa" as "paisa" from June 1 next, and the Advocates (Amendment) Bill seeking to remove some difficulties in the functioning of the Bar Council, as adopted earlier by the Lok Sabha. The Kashmir issue continued to exercise the minds of the members.

Ethics Challenged

Mr. Bhupesh Gupta challenged the very ethics of the move to raise the emoluments of the Members of Parliament on the score that as a result of the rise in cost of living, they were finding it difficult to make both ends meet. He exhorted the members to show to the nation that they practised what they preached and argued that the legislators could not ask the people, already groaning under the burden of ever-rising prices, to tighten their belts when they themselves sought an increase in their pay. He suggested that the whole question should be considered in the light of the low per capita income in the country. The Jan Sangh spokesman, Mr. D. P. Thangade opined that if the cost of living had gone up, the remedy should be not to raise emoluments, but to bring down prices. The Socialist spokesman, Mrs. Sarli Devi, characterised the Bill as anti-people. The Republican member, Mr. B. K. Gaekwad, in his unfinished speech, also opposed the Bill and stated that even if it were passed, he would not take the extra money.

Besides the mover, Mr. M. P. Bhargava, who called for increased emoluments for Members of Parliament in view of the rising cost of living and owing to the fact that Parliamentarians in India received the least as compared to their counterparts in the other countries, only one other Congress member, Mr. Abid Ali, supported the Bill and that too in a negative way. He challenged that the Communists were not sincere in their opposition to the move; if they were sincere, let them swear not to have a car until everyone in the country had at least a bicycle and not to eat cakes until everyone had secured his bread, he argued. The other Congress member, Mr. Akbar Ali, who participated in the discussion, neither supported the Bill nor opposed it. He was, however, glad that it had not been moved by the Government.

The necessity of introducing a separate Bill in the Rajya Sabha to increase the salary and daily allowance of M.Ps. arose because of a lacuna having been left in the Bill as adopted by the Lok Sabha on April 24. The Bill as passed by the Lok Sabha envisaged members writing to the Speaker only if they did not want to take the increased emoluments. Mr. Bhargava's Bill filled this lacuna by seeking to authorise the Chairman of the Rajya Sabha also to entertain such notices.

The debate on the Bill seeking to rename "naya paisa" as "paisa", though brief, was acrimonious and at times amusing. The Jan Sangh member, Mr. A. B. Vajpayee, considered the switch-over to decimal coinage as a retrograde step and derided the Bill by suggesting that the "naya paisa" should be named "Nehru Paisa", as, in his opinion, the introduction of decimal coinage was the only tangible achievement of the Government in the post-independence period. Another Jan Sangh member, Mr. V. M. Chordia, light-heartedly opined that the "naya paisa" coin should be made of stone so that the pocket could be weighty. Some members, however, displayed greater seriousness in this regard and they suggested that this coin should be made bigger in size. The Minister of State for Finance, Mr. B. R. Bhagat, agreed to consider the possibility of enlarging the size of the "paisa". The Taxation Laws (Continuation and Validation of Recovery Proceedings) Bill received general support from the House; the members participating in the short discussion on it urged the need to take concerted and expeditious steps to collect Government dues. The Advocates (Amendment) Bill also was generally supported, but some members questioned the wisdom of continuing certain conventions of judiciary such as wearing of black gowns by lawyers and their using the word "My Lord".

Pledge Reiterated

Although the attempts made by various Rajya Sabha members to elicit some information about the talks which the Prime Minister had been having with Sheikh Abdullah, did not succeed as Mr. Nehru expressed his inability to say much on the issue as long as the parleys did not conclude, they did bring forth a reiteration by the Prime Minister of his earlier statement in the Lok Sabha that nothing would be accepted or agreed to in regard to Kashmir without getting the approval of Parliament. Regarding Pakistan Foreign Minister, Mr. Z. A. Bhutto's plea in the Security Council that Sheikh Abdullah should be invited to the UN for putting forth his case, Mr. Nehru stated that the question did not arise. He, however, did not rule out the possibility of permitting the Sheikh to visit Pakistan if the latter wanted to.

The Rajya Sabha adjourned sine die on May 8.

Before the Lok Sabha ended its Budget Session on May 6, an important statement was laid on the table of the House disclosing that although the law and practice in India generally satisfied the various provisions of the 1962 ILO convention on basic aims and standards of social policy, India could not ratify this convention at present because of practical difficulties such as: (1) legally prescribing a minimum age for employment and barring of employment of children in any occupation during school hours; (2) grant of special benefits to migrant workers from other countries in addition to their normal wages so as to enable them to meet the needs of their families left behind; and (3) gradual reduction of the

48-hour week to 40-hour week without reduction in wages.

India, however, would be ratifying another ILO convention — on equality of treatment in the extension of social security benefits to nationals and non-nationals alike. But in this case too only the obligations to provide medical care, sickness and maternity benefits to non-nationals working in India would be accepted for the time being. It was not possible to accept the obligations under this convention for the provision of old-age, employment injury, survivors and invalidity benefits to non-nationals because of foreign exchange difficulties.

Question Hour

Diesel Oil and Kerosene: The Minister for Petroleum and Chemicals, Prof. Humayun Kabir, informed the Rajya Sabha on May 4 that the Government was aware of the use of kerosene in place of diesel oil in diesel engines. He said that this not only resulted in loss of revenue to the exchequer, but also damaged the engine. The Minister informed the House that the Government had asked the Indian Institute of Petroleum to go into the problem and find out what methods could be devised to check it. Also, the Government was appointing an oil price inquiry committee to find out the possibility of reducing the price of high speed diesel and motor spirit in order to curb the temptation to use kerosene in place of diesel oil. The consumption of inferior kerosene in the country had gone up by 38 per cent in 1963 as compared to the previous year, while it had gone up only by 15 per cent in 1962 as compared to 1961. The import of superior kerosene had gone down by 250,000 tonnes in 1963, while the figures for 1961 and 1962 stood at one million tonnes during each of the two years. The import of inferior kerosene, however, has gone up successively from 1,50,000 tonnes in 1961 to 1,82,000 in 1962 and 1,87,000 tonnes in 1963. The Minister assured that with the commissioning of the Barauni and Koyali refineries, the indigenous supply position would improve.

Fertilizer Plants: Mr. O. V. Alagesan, Minister of State for Petroleum and Chemicals, informed the Lok Sabha on May 6 of the interest shown by the team of US business men, who visited India recently, in collaborating with Indian parties in fertilizer projects. Reviewing the progress in the setting up of new fertilizer plants, the Minister said that considerable progress in securing foreign financial participation and technical collaboration had been made in the case of three fertilizer plants, two of which were to be set up at Vishakhapatnam and Kothagudem. He said that every attempt was being made to see that fertilizer prices were kept as low as possible.

Mechanized Ore Loading: The Deputy Minister for Transport, Mr. Ahmed Mohiuddin, outlined in the Lok Sabha on May 5, the plans for mechanized services at certain selected ports for the export of iron ore covering Vishakhapatnam, Paradeep, Madras, Mormugao and Mangalore. At Vishakhapatnam, a Rs. 7-crore mechanical ore-loading plant, capable of handling ore at the rate of 2,600 tons per hour, work on which is already in progress, is expected to be commissioned by the end of this year. An all-weather port at Paradeep with mechanical ore-loading facilities to handle two million tons of iron-ore annually is being built at a cost of Rs. 20 crores. A scheme for the installation of a Rs. 250-lakh mechanical ore-loading plant at one of the berths in the new wet dock has been drawn by the Madras Port Trust. The mechanical ore-loading capacity of the Mormugao port is proposed to be developed so as to handle about 10 million tons of ore per annum. The Rs. 15.42-crore Mangalore port project has provision for the installation of a mechanical ore-loading plant at one of the berths. An entirely new project with a total estimated cost of Rs. 30 crores is being undertaken at Haldia. While tenders for various works and equipment for the construction of this project are being invited, the Government of India have approached the World Bank for a loan of Rs. 14 crores to cover its foreign exchange requirements.

Foodgrain Prices: The Minister for Food and Agriculture in the Lok Sabha on May 5, and the Minister for Food in Rajya Sabha on May 7, replying to questions, ruled out the possibility either of introducing rationing or of state trading in foodgrains anywhere in the country. Mr. Swaran Singh assured the House that the Government was keeping a careful watch over the trend in foodgrain prices and, if necessity arose, it would not hesitate to impose a ceiling on prices. The Minister further said that prices of wheat had come down considerably. He felt that the strategic controls imposed by the Government, viz., control on movement and enforcement of licensing regulations, were likely to have a considerable check on the behaviour of prices. Mr. Thomas, in the Rajya Sabha, said that the Government was considering the fixation of maximum prices of wheat and rice but the details had not yet been worked out.

Assets in Burma: The Prime Minister informed the Lok Sabha that the total assets of Indian nationals taken over by the Burmese Government were roughly estimated to be of the value of Rs. six crores. He added that the Burmese Government had promised equitable compensation for concerns nationalised by it. The Indian Embassy in Rangoon was pursuing with the Government of Burma the question of speedy payment of such compensation.

Scooter Output: Mr. C. Subramaniam said in the Lok Sabha on May 4 that the present production of scooters was not commensurate with the licensed capacity of 71,000. He added that existing manufacturers had been assisted with foreign exchange for the import of capital goods to enable them to raise the indigenous content of their vehicles to over 90 per cent by the end of the current year. This would help in increasing production and would thereby improve the supply position of scooters during the next one or two years.

Eastern Economist 20 Years Ago

MAY 12, 1944

IN A PLANNED or directed economy, we start from the dictum that "what is physically possible is also financially possible." Whatever the advantages of private enterprise and market mechanism may be, the decisive advantage enjoyed by a planned economy is that, after the initial period of preparation, it can devote almost any fraction of the national income to capital formation and consequently can speed up the rate of economic development almost to any extent it chooses. Thus if the propensity to save in a capitalist economy is 10 per cent, on the assumption of absence of trade cycle and hoarding propensities and the global Ratio 2, we would expect that the general rate of economic development would be 5 per cent per annum. But a planned economy can choose to devote, say, 30 per cent of the national income to capital formation. That is to say, 30 per cent of original national income-and 30 per cent of increment of national income per annum is devoted to capital formation; and the aggregate investment as between consumers' goods industries and basic industries is also divided in the same ratio 7:30. In such circumstances, provided the strains during the first few years can be tided over either through planned stinting or foreign credit, thereafter national income, level of consumption as well as rate of investment will all simultaneously increase at 15 per cent per annum, so that in spite of the fact that every year a much larger proportion of national income is saved, general level of consumption also increases at a higher rate than before.

OUR POPULATION PROBLEM—VIII

Modern Aids to Motivation—Are They Essential?

R. CHOPRA

"SINCE I cannot read and collect information from newspapers and books on what is happening in our country, I use my ears and listen to the radio, I use my eyes and watch the television. So I do not remain ignorant of the things my friends who can read may be talking about".

The above was spoken by an illiterate but basically intelligent and mature person, when questioned about his substantial knowledge of current and other affairs. He was not rich enough to own the television or even the radio but was interested enough in his community's and country's affairs to make use of the sets in the community centre.

The chapter on television advertising in the book "Advertising and Publicity" by Peter Chandor begins in the following manner:

"Television, because of its greater intimacy within the home, gives rise to problems which do not necessarily occur in other media and it is essential to maintain a consistently high quality of television advertising". So begins the Independent Television Authority's publication, "Principles for Television Advertising", and at once it strikes home to the reader that here is an extremely powerful advertising weapon that must be handled with great care. That mahogany-veneered cabinet, firmly established in the sitting-rooms of about three million homes (in U.K.), is an open pulpit for all who wish to display their wares in the comfort of the family circle.

T.V.: Magic Carpet

Newsweek magazine in its issue of August 19, 1963 calls the television "Small screen, Super weapon" and goes on to say about the marriage of T.V. and politics:-

> "Twenty-one years shy of 1984, television has blossomed into a super weapon in the world's political arsenal. The medium has, in fact, altered the art of politicking. It changes and distorts, brings out certain qualities and blots out others. It hurts the orator and helps the personality. And it is the political newcomer's magic carpet: it takes him to the farthest corners of his territory and makes him a familiar sight.
>
> The art of politicking on television is still emerging — no major schools exist to train the T.V. speechmaker — yet it is being practised and polished almost everywhere. Cubans are treated to three-and-a-half-hour video harangues by Fidel Castro. There are fewer than 10,000 sets in Kenya, but Prime Minister Jomo Kenyatta used T.V. to announce Kenya's coming independence. T.V. has helped quell rebellion in France and elect a President in the U.S."

And further on it says —

> "Egypt's Gamal Abdel Nasser has been more subtle, but at least as effective. Today he has the most efficient T.V. Set-up in the Arab world, with three T.V. channels, and public T.V. sets installed in villages throughout the Nile Delta"

President Charles de Gaulle of France has said: "I might have had trouble saving France in 1946 — I didn't have television then".

Even since the invention of television in 1936, it has blossomed forth into the most powerful media for entertainment, education, politicking etc. The newspaper requires that the masses be literate, oratory from the platform or lessons in a classroom can reach a very small audience. The radio, though much more effective than the newspaper and a lecture hall, and has done much in bringing even illiterate masses under its influence, had to depend on the spoken word for delivering its message.

Television supersedes them all. It makes use of both the hearing and seeing faculty to educate or entertain its viewers. Illiteracy was no longer a barrier to knowledge with the invention of the radio. Television provides a ringside seat to all its viewers, hundreds of miles apart, to the world of art, science, education, politics, high adventure and even fantasy.

Sir Francis Bacon once said: "Studying in a University is half education, travelling completes it". The written or spoken word or the radio could give half education to its listeners. Television completes it. Literally everyone in the world can become informed about any subject without stirring out of his sitting room or community centre.

Special Scope in India

India has a vast illiterate population but economic progress cannot be delayed till all become literate. The word of mouth, newspaper, books etc. have their place — and very important too — in educating the people, awakening them from centuries of slumber. But they are limited more or less to the literate minority and those living in or near towns or accessible villages. By providing community radio sets a bigger percentage of the population has been reached. Television, if introduced, will banish ignorance for ever from every nook and corner of the country. Thanks to the discovery of transistors, television or radio can, for the first time, be called truly wireless. Thanks further to the rapidly advancing electronic science and space technology (*telstar* etc.) and the consequent improvement in communications, the entire world has become a vast neighbourhood.

The overall task of the P.C.P. is to achieve universal acceptance of the desirability of planning and controlling the family size soon. An essential condition for the achievement of this objective, is the awareness among people that voluntary planning and control of family size can and will provide better opportunities for all children and greater happiness for their parents.

The television and, to a lesser extent, the radio, therefore, is the best answer yet to the problem of rapid dissemination of the knowledge and technique of Family Planning.

Can anyone suggest a better media for this job?

It is estimated that at least 10 lakh televisions and 20 lakh radio sets should be installed by 1966 if the P.C.P. is to be launched as a truly mass programme. Such a mass introduction of T.V. in the country which has no experience in it so far, will present problems but they will not be insoluble. We should not hesitate to ask for help from the highly developed countries for both personnel and financial aid in the setting up of the industry, T.V. producing and relaying stations, installation of the T.V. sets and setting up of the repair facilities. Considering that electric power is not available at many places, emphasis should be placed on the installation of transistorised T.V. and radio sets.

Originally the entire T.V. and radio network thus set up

shall be used exclusively for the P.C.P. Later on when the targets of population control are achieved and the desirability for family planning universally accepted and practised, the same T.V. and radio network and facilities can be used for other purposes. Education, techniques of advanced agriculture, entertainment are some of fields where T.V. can be very effectively used. Actually its applications is limitless.

The financial implications of such a network are given elsewhere. But it will be readily seen that once the P.C.P. is successfully completed and the T.V. allowed to be used for other, including commercial, purposes it will pay for itself many times over. It should become the nucleus for the rapidly expanding T.V. industry in the country in years to come which will, no doubt, be the case. There are 12 million sets in the U.K. out of a total of 100 million sets in the world. India with its vast population will have many times the number of sets that U.K. has.

Other media for propagating Family Planning will also be extensively used. Meetings, seminars, camps, distribution of pamphlets, books, exhibition of films etc. will all be used as widely as possible by the P.C.P. Personnel and other voluntary workers.

Training and Research

Training of the P.C.P. personnel in the proper methods of motivating the population etc. in groups as well as individually, has to be undertaken with immediate effect if we want the programme to start with full force with the fourth five-year Plan. As the organisational tree of the P.C.P. has many levels from the Village upto the Central level involving over 2,25,000 workers it is very essential that the right type of training is imparted to the workers at the appropriate level.

Obviously such a large number cannot be thoroughly trained in the short time at our disposal. It is felt that the training should be broken up into two parts; preliminary training before 1st April, 1966 and advanced training during the period 1966-1970. In addition to this, it will be the personal responsibility for everyone in the P.C.P. Organisation at every level to ensure workers directly under him are trained and educated for the work they are doing in the best methods of doing that job while they are performing their duties.

It would, therefore, be desirable, in addition to expanding the present training facilities available, to take the following steps:-

(1) Select and immediately train an adequate number of Family Planning Administrators both in the country as well as abroad in any country (notably the U.S.A.) which offers training facilities. The first few batches of trainees should also receive a short but intensive course to enable them to become instructors to train other ranks of Family Planning Workers.

(2) The training of Village/Field Level Workers and above is most essential. As it is not possible to impart adequate training in the short time at our disposal, the initial training should be short and preliminary but intensive. The trained instructors would train these workers in small batches of, say, 15-25 for a period of 1-2 months. The lectures would be typed and distributed to the trainees preferably in the language they are familiar with. The typed notes will also act as guides in the actual job till proper guides and manuals are printed.

(3) A committee of experts must be organised who will define the job at each level in detail. Guides and manuals shall be prepared explaining, in detail, the scope of the job at each level and how to execute it. As mentioned earlier, due to shortage of time, the preliminary training will only acquaint the workers with their jobs. These guides and manuals and, later, circulars will help in training the men on the job. This practice is commonly followed in industry with excellent results.

(4) The training in the classroom will be supplemented in the field by lessons, lectures etc. over the T.V. network when the latter is established.

(5) The workers at Block level and above will be responsible for ensuring that those working under them are properly trained, while on the job.

(6) Later on when the P.C.P. is well under way groups of workers at various levels must be given advanced training in the light of experience gained.

(7) The training of so many persons in the short time that we have, would require a lot of classroom and hostel accommodation. It is neither possible nor desirable to put up new buildings for the purpose. We have schools, colleges and even universities in practically every small town or district. The Family Planning Schools should be located in them at strategic places with due regard to the requirements of the region. Later on, three or four or more Family Planning Training Institutes may be put up.

(8) Training of persons for the specialised agencies for the purpose of propaganda, advertisement, demographic and statistical data, accounts, personnel, welfare, office work etc. including the installation, operation and repairs of audio-visual and other aids should be undertaken by specialists in these fields.

(9) Medical colleges should immediately introduce in their curriculum the subject of Family Planning with special emphasis on its bio-medical aspect including sterilization of both men and women. This is very essential since we would require thousands of trained doctors and nurses for the success of the P.C.P.

Some Recommendations

As far as research in motivation, communication, demographic and statistical methods and bio-medical fields is concerned the following points are worth quoting. They are a part of the Conclusions arrived at in the book "The Growth of World Population". The recommendations are specifically for the U.S.A., but could be very useful for our purpose also.

(1) "Support of graduate and post-doctoral training in demography and in social and bio-medical sciences concerned with population problems should be increased."

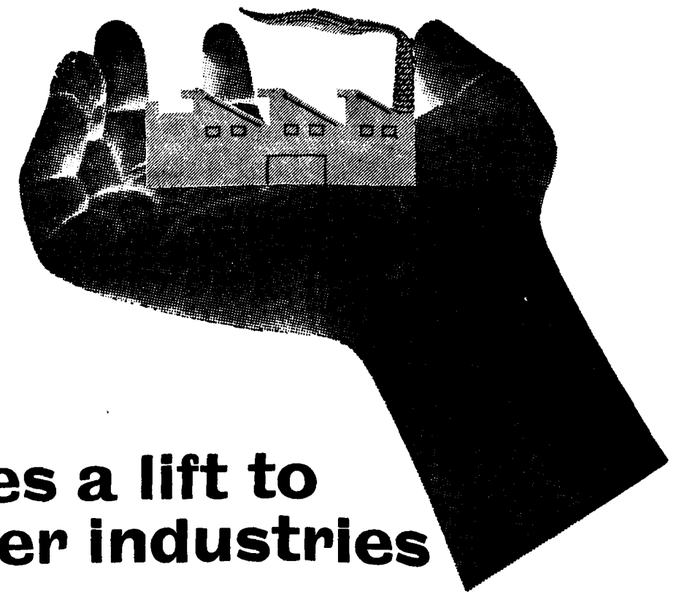
(2) "Research laboratories for scientific investigation of the bio-medical aspects of human reproduction should be expanded". The chapter on "Bio-medical Factors" gives an idea of the work that is already being done or will be taken up shortly by investigators in the U.S.A. to perfect better and better methods of contraception. I suggest that instead of duplicating facilities in India for bio-medical research, we should send our research scholars to the U.S.A. to work there. We can also make funds available for the expansion of the facilities in the States. Alternately, similar facilities can be set up in India with help from the U.S.A., where research can be carried out in close collaboration with the American research workers.

(3) "International co-operation in studies concerned with voluntary fertility regulation and Family Planning is highly desirable and the United States Government" (and the Indian Government too) "should actively participate in fostering such co-operation, working in co-ordination with appropriate agencies of the United Nations system whenever possible, and with other inter-governmental and non-governmental organisations wherever appropriate".

India, being the biggest democratic country in the world and because of its domestic and foreign policies, is in a most

(Continued on page 1147)

THE AUTOMOBILE INDUSTRY . . . .



gives a lift to other industries

Within the short span of little over a decade of its establishment in India, the Automobile industry has set in motion a large variety of industries. Steel and aluminium, lead and copper, petrol and rubber, glass and plastic, textile and leather, electric components and intricate mechanical parts, to mention only a few, have all sprung to a new life to feed the basic automobile industry.

Today the indigenous content of a motor vehicle such as the Hindusthan Ambassador, for instance, comes to roughly 80%. Over one third of this indigenous content is made up of components produced by local ancillary industries. This represents some 3628 rupees or 24% of the "on the road" price of the car in Calcutta. Each car produced, therefore, directly helps a host of other industries.

Not that alone. In the case of cars manufactured by Hindustan Motors, the Government benefits to the extent of 5140 rupees from each car produced, in the form of direct and indirect taxes, thus helping to promote additional public works projects envisaged in the Five Year Plans.

In the U.S.A. where the annual production of motor vehicles has reached approximately 9 million cars and trucks, the automobile industry consumes 43% of the country's sheet steel production, 90% of petrol, 65% of natural rubber, 58.5% of upholstery leather, 48.6% of lead and 31.7% of zinc. As our automobile industry develops, its contribution to India's industrial prosperity may well reach a corresponding scale.

CAR PRICE STRUCTURE:

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

THE AUTOMOBILE INDUSTRY IS A KEY INDUSTRY

ISSUED BY HINDUSTAN MOTORS LTD., CALCUTTA.

ASP/HM/64

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P18GC-208

Utilisation of External Assistance

ANALYST

ACCORDING TO the data published by the Rao Committee on the utilisation of external assistance, of the total amount of Rs. 2856 crores, for which loan agreements were concluded till the end of December 1963, Rs. 1672 crores only were received by this country while Rs. 1184 crores representing slightly over two-fifths of the committed loan are yet to be made available. That the problem of slow utilisation of credit has been there for the last few years would be evident from Table I below which shows the amount of loans committed, orders placed and amount drawn from 1956 to 1963. The problem has engaged the attention of the Government rather late, as even at the end of the first and second Plans, about half of the committed aid had not been used. Another fact that emerges from Table I is that there is delay also in the placing of orders and that during the period, the orders placed fell short of the committed aid by about a quarter and that even on orders placed the rate of drawal from the credit has been slow. At the end of March 1963, the orders placed amounted to Rs. 1842 crores whereas nine months after that, i.e., at the end of December, the total amount drawn is only Rs. 1672 crores, that is, a difference of Rs. 170 crores.

TABLE I

(In crores of Rs.)

	Amount for which agreements concluded	Orders placed	Amount utilized
31-3-1956 (End of Ist Plan)	226.9	..	126.4 (55%)
31-3-61 (End of IInd Plan)	1526.4	..	851.0 (56%)
31-3-63	2527.0	1841.8 (73%)	1397.2 (55%)
30-9-63	2667.9	2120.3 (79%)	1574.6 (59%)
31-12-63	2856.3	2197.6 (77%)	1672.4 (59%)

As a large part of the orders must have been placed well before March 1963, the delay in the drawal of Rs. 170 crores may be due to two reasons, viz., the protracted paper work involved in drawing the loan and the disallowance of some orders placed by us. The procedure for the drawal from the credit therefore needs simplification. We may turn towards an examination of the present procedure of the drawal of credits in general, and the special problems in relation to certain specific credits. It need not be pointed out that any delay in the drawal of the credit, not only postpones the benefits that will accrue to us by its use but also results in increasing the cost of the loan to us. This is because on most of the loan agreements agreed to by us we have to pay a commitment commission from the day of the conclusion of the agreement irrespective of the fact that drawal from it takes a few months to commence. Although in the case of most of the loan agreements this commitment commission is only a fraction of 1%, in some cases, it is fairly high, in case the foreign lending institution borrows the money from its capital market and delay occurs in our drawing the money from the institution.

The delay in utilisation of credit after placing of orders arises because of the procedure under which loans are drawn. There are two methods of drawal—the letter of commitment procedure and the reimbursement procedure.

Letter of Commitment Procedure:—The letter of commitment procedure is an undertaking by the lending country/institution to the banker of the suppliers that at the request of the borrower through a letter of credit, the banker is to make payments to the suppliers and that the amounts so paid will be reimbursed to the banker by the lending country/institution. This procedure is in vogue in respect of the credits made available by the International Bank for Reconstruction and Development (I.B.R.D. or World Bank) and some of the loans from the United States Agency for International Development (US AID). A variation of the letter of commitment procedure is the "Direct Payment" method under which payments to the suppliers are made directly out of the credit. This system is in operation in respect of the U.K. and IBRD credits.

Reimbursement Procedure: — Under this system payments to the suppliers are made initially through normal banking channels from free foreign exchange. After payments have been made the individual importers are required to supply to the borrower, who in this case is the Government of India, connected documents, e.g. receipted invoice, a certificate of origin of the goods etc. These documents are later presented to the lender to claim reimbursement of the amount already paid to the suppliers. Under the reimbursement procedure, there is an initial outgo from the foreign exchange reserves of the importer's country, which is subsequently recouped from the loan account.

Both these procedures have certain limitations and have the effect of increasing the cost of the credit to the country. Under the letter of commitment procedure, the importer in India has to bear all the cost of opening of the letter of credit; besides he has to satisfy the banker that the item in question is eligible to be financed under the credit. Even then, in some cases it does happen that the item in question is disallowed with the result that the matter has to be taken

(Continued from page 1144)

fortunate position in the sense that all the advanced countries have become convinced of our genuine desire to better the economic condition of our people within the framework of democracy. These countries are also convinced that India's greatest problem is its rapidly growing population. I am confident that once we launch the P.C.P. with all due sincerity and publicity, we will be able to secure the support of the entire economically developed world not only for research but also for the actual implementation of the P.C.P. and other projects. P.C.P. will convince everyone that we want economic advancement and a democratic way of life. Without P.C.P., even the most sympathetic people abroad are convinced that it is just a matter of time before the pressure of population forces us to shed our democratic way of life. All experts agree on this.

(To be concluded)

up with the higher authorities or dropped from the credit, resulting in both cases in the delay of the arrival of the ordered equipment. The reimbursement method, although more popular among suppliers, as the import in question is effected initially under normal banking channels and from the foreign exchange reserves of the country, has also defects in that it increases the cost of credit and also postpones the use of credit. The increase in the cost of credit arises out of the fact that like the letter of credit procedure, payments have to be made to the banker to make the payment; besides certain documents are also to be obtained from the banker for which also some commission has to be paid, either directly or indirectly, and all the documents have to be submitted to the Government who scrutinizes it and claims reimbursement. Since the initial payment is made from the foreign exchange reserves, which earn a certain interest from the Bank of England, the initial diminution of these reserves has also the effect of reducing the country's income from this short-term investment. Again under the reimbursement procedure, there are always certain payments that are disallowed by the lending authorities either on the ground that payment involved therein was too small to be processed or because the item in question is a doubtful one for being eligible under the credit.

Untied Credits

The most important reason why the above procedures are insisted upon by the lending authorities is due to the tying of the aid to certain projects or to certain categories of imports from the country giving the aid. Since the credit given is a form of aid, the question arises as to why it is necessary to tie this aid at all. In any case, tied loan postpones the availability of the aid and increases its cost. Both these features have the effect of removing to some extent, the "aid" character of the loan. The increase in the cost arises not only because of the payment of "commitment commission" for a longer period and the furnishing of procedural documents, but also because of the condition that the aided money should be used only for purchases from the lending country. In some cases it is even insisted that the purchases should be insured by an institution of the lending country and transported in that country's ships. It is not always possible to ensure that the lending country has the cheapest and best quality equipment and its ships are available to transport it as soon as delivery is guaranteed. The American authorities, who have given us the bulk of the aid, require that the use of American assistance should be based on tenders confined to American firms. In cases in which global tenders were invited in the first instance retendering in the USA became necessary when it was decided to use American assistance. Now, this insistence on inviting tenders only from American firms may be out of two reasons. If Americans have to bid with other international firms, they may be prepared to bid low, or may not be prepared to compete at all. In any case it is apparent that a higher price will have to be paid by the "aided" country in using American assistance.

All this raises an important question which the aid-giving countries should give serious consideration. Is it not possible to get rid of this practice of tying aids to projects/purchases from aid-giving countries? That the aid-giving countries cannot prevent the misuse of the funds merely because of the cumbersome procedural requirements is evident from the fact that the aid received by a country like India is only a small part of her foreign exchange reserves. To the extent to which the country herself might have used her foreign currency for the aided project, the aided money for the project is an amount which the country can use in whatever way she likes. Most of the projects aided by foreign countries are those which we might have financed from our own reserves or by putting further restraints on other imports. Hence, a considerable part of the aided money is being well used by us not because of the procedural requirements, but because of our anxiety to secure development. If giving up of this condition of tying aid can be secured only by paying a higher rate of interest, there will not be any objection so long as the rate is not unduly high. A slightly higher rate of interest and untied loan has the advantage of permitting a high degree of flexibility in the use of loans and will make it known clearly the cost of each credit. At present it is impossible to know the real cost of each loan. Since the purpose of all these loans is to aid the developing country, it is only fair that the country knows the real cost of each loan.

It is not conceivable that in the near future, this suggestion of giving completely untied loans will be acceded to by the aiding countries. In fact, it is even sometimes contended that aid is being given so that the aiding country might find a market for its equipments. Be that as it may, what steps can we take to expedite the use of credit within the conditions imposed by the aid-giving countries. It is in this direction that the Rao Committee had made several practical suggestions*. It is encouraging to see that all these suggestions have been accepted by the Government. Most of the recommendations are of an administrative nature, and so it is not enough if these recommendations are accepted, but a careful watch should be kept on its execution. Apart from implementing these recommendations, serious effort should be made, pending the time when aiding countries decide to give untied credits to get the following restrictive provisions that are found in some loan agreements removed.

(i) The aid-giving institution reserves the right to nominate the firm that is to prepare the project report;

(ii) The World Bank and the IDA require that orders should be awarded to the lowest tenderer, and they do not permit the grant of preference to indigenous suppliers. Under Indian conditions, there are a number of instances in which Indian suppliers charge somewhat higher prices in terms of rupees but require less foreign exchange for undertaking an order.

(iii) The American authorities require that the use of American assistance should be based on tenders confined to American firms and are not prepared to accept the results of global tenders in awarding the contract to the lowest American tenderer even though he is not the lowest global tenderer.

(iv) In a number of instances, there are minimum value restrictions on ordering against external assistance.

(v) Shipment should be done in the country's vessels.

(vi) All consultancy services contracts have to be approved in advance.

(vii) The equipment in question should be insured by the export credit organisation of the aiding country.

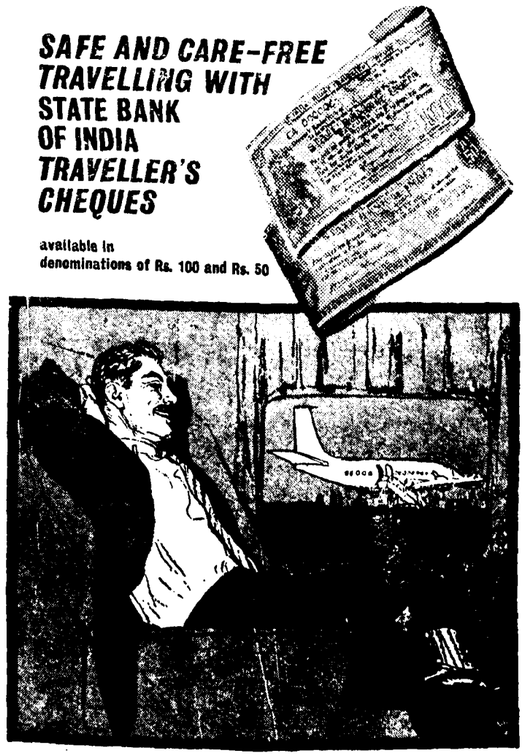
These seven are the major conditions imposed by some of the aiding countries and all of them have the effect of increasing the cost of the aid.

* Details of the recommendations were published in 'Eastern Economist', dated April 24, 1964 on page 967.



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WINDOW ON THE WORLD

Kennedy Round: First Blows

From Our Special Correspondent

GENEVA:

AS IF TO PROVE in advance that its proceedings are going to be incomprehensible to the general public, the Kennedy Round opened here with a bizarre discussion on two points of detail, one of timing, the other of vocabulary. The first question was whether lists of exceptions (products regarded as too sensitive to be exposed to a reduction of tariffs, and thus to be excluded from the negotiations) had to be presented by each party before September 10. The other was whether an across-the-board reduction of tariffs by 50 per cent was the "basis of the negotiation' (this was the Americans' formula) or a "working hypothesis" (this expression was defended by the Common Market Six). Under the apparent aridity of these disputes are concealed important matters of principle, which will in large part decide the upshot of the conference.

Disagreement about the deadline for presenting lists of exceptions stems from a difference in negotiating tactics. The Americans hoped to use a sort of salami technique, carving up the debate into successive slices, with the aim of wresting concessions from the Europeans on one matter before revealing what they themselves would yield on the next matter. So they wanted the issue of "tariff disparities" settled before fixing a precise date for showing their hand on the question of exceptions. On the contrary, the Common Market Six argue that all the issues involved are interrelated, so the conference must aim at a global package deal and not a succession of partial agreements. Hence the need to know early in the discussion which products were to be excluded from tariff-cutting, so that parties could see what concessions it was worth making.

Behind the Six's negotiating formula is an attitude of caution, if not distrust. They feel that the Americans have deliberately over-simplified the whole problem by putting all the emphasis on tariffs, leaving in the shade such matters as non-tariff obstacles to trade. This creates the danger that, in a first phase of the negotiations, the parties might exchange equivalent tariff concessions, and then find that in a second phase the Americans' concessions were emptied of all content by their refusal to dismantle non-tariff impediments to imports into the USA. To avoid that, the Six suggested that from now to the end of the year the conference should carry on parallel negotiations about all the subjects in dispute: the extent of tariff reductions, the exceptions, non-tariff protectionism, trade in farm produce, etc. Then, when all these matters had ripened, a global deal should be sought in the first half of 1965, so that the talks could be completed by next summer.

Conflicting Interests

The timetable might not be honoured, but this is no doubt the way the conference will go. A thousand and one conflicting interests are involved and it will be impossible to separate them, disposing of one subject after the other. At the end of 18 months or two years, the parties will have to weigh up the net benefits of an intricate compromise, balancing a gain on tariff reductions against a loss of protection for certain farm products, and so on. Naturally, this is unsatisfactory for a country like India, whose interest is quite specific: to see that its exports do not go on to the list of exceptions and thus escape the reduction of tariffs, whatever it might be. Whether tariffs are cut 20 per cent or 50 per cent is less important; either way, it will be so much gained because that reduction will be extended to Indian exports (without her having to make any reciprocal concession). But if the goods India can hope to sell in the West are excluded from the cut in tariffs (thanks to collusion between US and European manufacturers of similar goods, anxious to avoid Asian competition), India gains nothing. And that could well happen in the course of a complex package deal, Western countries trading exceptions between themselves for the sake of an arrangement in some field that does not concern India, e.g. trade in temperate zone foodstuffs.

The debate about whether a halving of tariffs is a "basis" or a "working hypothesis" is more arcane. Let us say from the outset that the commonest opinion here is that the upshot of the Kennedy Round will be a mutual reduction of tariffs varying between 25 and 30 per cent, not because any party is aiming at that (all would like a bigger reduction in duties imposed on their own exports) but because that will be the highest common denominator of their conflicting demands. If all parties are willing to work for the biggest reduction possible (and even the French seem to be in that frame of mind) without taking the 50 per cent figure as a sacred minimum (and even the Americans do not do that), then whether a halving of tariffs is a "basis" or a "hypothesis" becomes a mere matter of vocabulary, as Mr. Mansholt of the ECM Commission says it is.

Basis of Bargaining

However, on some quite specific issues this distinction could imply a real difference. If a 50 per cent reduction is the basis of the bargaining, a high-tariff country like the USA could take this to mean that it was never obliged to do more than halve its import duties; in that case, a low-tariff country (for the particular item in question) would refuse to lower its duties by more than 25 per cent. On the contrary, if a halving of duties is a working hypothesis, it remains open for the high-tariff country to cut its exorbitant duty by 60 or 70 per cent, whereupon the low-tariff country could consent to lower its duty on the same product by, say, 40 per cent. It would agree to this because the disparity between the two tariffs would have been narrowed. If this seems a rather abstruse difference, one must note that in fact it vitally concerns third parties, other than the USA and the Common Market. In the jargon of the Kennedy Round, such third parties are referred to as "the Swiss case" because the issue comes up clearly in regard to Swiss watches but it has much wider application.

Take for example a case where the import duty on a product is 80 per cent in the USA and 40 per cent in the Common Market, but where in reality most world trade in that product is not between the USA and the Common Market, but between some third country and the Common Market. The Six would argue that the disparity between American and European duties (80 per cent against 40 per cent) requires special treatment: the Americans halve their duty while the Europeans reduce theirs by a quarter only. The situation for the third party then would be that it gained little from the fact that the American duty fell from 80 to 40 per cent, because the USA is not its main market, while the obstacle that really interested it, the common external tariff of the Six, only fell from 40 to 30 per cent. Since that same third party would be halving its import duties on numerous other products, which it bought from the Common Market, it would be making a bad bargain in gaining a lesser reduction in tariffs charged on its exports.

The case arises, as noted, in regard to Swiss watches; the actual figures are not those cited, but they are in that sense.

The Swiss naturally suspect that the Common Market is invoking the pretext that the USA has a higher duty on watches in order to evade halving its own duties on watches. So they urge that cases of disparity between US and Common Market tariffs not be taken into account unless the high-tariff nation (here, and usually, the USA) is the main supplier of the lower-tariff nation (here, and usually, the Common Market). In all other cases, duties would be halved on both sides no matter how great the disparity. In that way the Swiss could hope to see Common Market duties on their watches reduced by 50 per cent.

"The Additional Criteria"

The Six so far reject this extra proviso that disparities only count when one of the two main parties (USA and Common Market) is the main supplier of the other; in the jargon of the conference such provisoes are known as "the additional criteria". They cannot deny that "innocent third parties" (another piece of Geneva jargon) might be harmed when a theoretical disparity is invoked to avoid cutting European duties on goods actually imported from elsewhere than the USA. But they argue that trade channels are not frozen and a country that is not a main supplier today could become so later, specially if the importer reduces his tariffs.

Hence the interest of their suggestion that a 50 per cent reduction be a simple working hypothesis, that might be exceeded in instances of disparity by the higher-tariff country. For example, the Common Market could reduce its duties on Swiss watches by almost half (thus satisfying the Swiss and giving them fair exchange for their concessions), provided the Americans reduced their duties on the same goods by much more than half. The reason of course would be that by securing a really massive cut in the US duty, the Six could hope to deflect the imaginary flood of Swiss watches waiting to pour into the Common Market, to the USA; and moreover, their own watchmakers (who are behind the bid to keep duties on Swiss watches as high as possible) could look for markets in the USA too. That is why they would consent to lowering their tariffs on watches by almost half.

Now this case concerns many products other than watches, and it illustrates to perfection one of the main ideas in the heads of negotiators on both sides in Geneva this month: the design, that is, to deflect the exports of third parties to the other side of the Atlantic. For many of the goods in question during the Kennedy Round, US firms do not fear Common Market competition, nor vice versa, but both sides want the other to bear the shock of imports from third countries in the event of a significant lowering of tariffs. Such manoeuvres could have either of two upshots. Both sides might be so much afraid of outside competition that they would agree to leave tariffs intact by making the goods in question figure on the list of exceptions. Or else they would agree to slash tariffs very heavily (more than 50 per cent), each in the hope of outdoing the other and leaving it exposed to outside competition. Which solution predominates will determine how far the Kennedy Round assists the commerce of nations other than the USA and the Common Market.

Return of the Dollar Gap?

PAUL EINZIG

LONDON:

THERE HAS been a remarkable increase of optimism about the prospects of the dollar in usually well-informed circles in London. It is expected that the balance of payments of the United States will show quite a spectacular improvement during 1964. These expectations are based on the contrast between the stability of prices in the United States and the rising trend in the principal European countries. The cost of living in the United States has been exceptionally steady during the last two years or so, and wage increases have been absorbed by increase of productivity due to technological progress. On the other hand, prices and wages in Europe have been rising and are still rising. Consequently, but for the heavy burden of foreign military and economic aid, the American balance of payments would have turned distinctly favourable by now.

Notwithstanding the efforts of the Administration to maintain foreign aid, Congress is determined to cut it year after year in order to restore the financial power of the United States, which has been impaired by the persistent decline of the gold reserve and simultaneous increase in foreign short-term holding of dollars. At the same time, the United States authorities are determined to prevent over-lending abroad. During recent years foreign loans were issued in New York by countries with a favourable balance of payments and the proceeds of such loans further increased the short-term liabilities of the United States in relation to foreign countries.

Towards the middle of 1964 the Washington Administration decided to call a halt to this trend. The announcement of the Government's intention to introduce an Interest Equalisation Tax was sufficient to divert the bulk of foreign long-term borrowing to European financial markets. Even though it is still doubtful whether that tax would be adopted in the form in which it had been intended, it is certain that the authorities will devise means by which to prevent the New York market being flooded with foreign loans.

It is the declared policy of the US Treasury to encourage the development and expansion of rival foreign loan markets in Europe in order to avoid overloading. This, together with the improvement of the trade balance and the reduction of foreign aid, is likely to bring about a fundamental change in the international monetary scene. Since the second half of the 1950s the dollar gap gave way to a situation in which dollars were no longer a scarce currency. Both official and private holdings of dollars, both liquid and long-term, have increased considerably. But now it is once more possible to visualise a return of the dollar gap. The change is not likely to take place overnight. It may take some time before a series of surpluses on the balance of payments will mop up the many billions of loose dollars held all over the world. But the gradual advent of the change is only a question of time.

Restraint on Aid

The United States authorities and American opinion, having become thoroughly alarmed by the technical weakening of the dollar in recent years and by the immense difficulty of reversing the trend, are likely to favour a policy of pressing home their advantage. The improvement of the trade balance is not likely to be used for resuming the former liberal policy of foreign aid. Nor is the Washington Administration likely to yield to pressure by New York banks to restore the former freedom of issuing long-term loans. The official policy will aim at increasing the gold reserve and reducing short-term liabilities to foreign holders of dollar assets. It is only after considerable progress has been made in both directions that the United States is likely to revert to some extent to her former generous and liberal policies in the sphere of international finance.

Meanwhile it would be expedient for all countries to face the probable return of the dollar gap and to adjust their policies in accordance with that expectation. Borrowers should endeavour to make arrangements with European lenders on the assumption that the suspension of free lending by New York is not a purely passing phenomenon. Fortunately the financial markets of London, Frankfurt, Paris, Amsterdam, Zurich and Brussels are willing, and even eager to take up the business relinquished by New York. There has been a noteworthy revival of issuing activity in these markets. So far it was confined almost entirely to issues for Western European countries — Italy, Portugal, the Scandinavian countries and Austria — and to Japan.

There seems to be no reason why India should not benefit by this revival of the European capital markets. Ever since the achievement of its independence, India has aimed at obtaining foreign capital from Governments and from official international institutions. This has been a world-wide trend. But the world-wide trend now seems to be changing back to the traditional methods of obtaining capital through the capital markets of the West. It is in the interest of India not to be left out of this new current. Indian opinion must realise that foreign aid from the United States is on the decline and that the American authorities are likely to discourage foreign issues in New York for a long time to come. Official policies should adapt themselves to this change.

The Role of Profits in National Economic Policy

GUY SIMS FITCH

WASHINGTON:

THE RECENT profits performance of American business is truly impressive. Corporate profits after taxes moved up from $22,000 million in 1961 to a record $27,000 million in 1963, and they appear well on their way to another new high of $30,000 million in 1964. This improvement in the profits picture reflects largely the improvement in the U.S. economy itself. There is hardly an economic indicator of any consequence that has not shared to a greater or lesser degree in the sustained upward movement of the past three years. This does not mean that profits are either excessive or exploitative. Even before taxes, which take roughly half their total, corporate profits still account for a little more than 10 per cent of the national income — a smaller share, in fact, than 10 or 15 years ago. And profit margins, traditionally low in the United States, still represent less than six per cent of sales for most corporations.

Profits Essential for Growth

Nevertheless, the spectre of "profitless prosperity" — an all-too-accurate catch-phrase during much of the 1950's — has almost faded from the scene. For the business man, this is a matter of obvious and considerable import. To him, profits are very much an objective of company policy, providing the source of both existence and growth. For the government, with its primary interest in national economic policy, the role of profits is essentially a derived one, a means to an end. From this vantage point, profits sometimes are an instrument of policy, sometimes a result; sometimes a guide; sometimes a target. The specific role at any given time will respond inevitably to the changing national priorities assigned to various economic objectives in the light of evolving economic circumstances. Thus, profits enter growth policy as a stimulus to private risk-taking and innovation, as a source of funds for expansion, and as a guide to the efficient flow of resources. They enter balance of payments policy as an incentive to the productivity advances that bring lower costs and a stronger competitive position in world markets. As a source of higher domestic rates of return on investment, they also help to keep capital at home and attract capital from abroad. They enter full-employment policy as a contributor to total demand for goods and services through increased investment, and as a by-product of the very success achieved in such policy generally. They enter distributional policy to the extent that they strengthen the position of one economic group—small business, for instance, or the needy in the picture —relative to another. They enter price policy as a stimulant to cost-cutting modernization and the productivity gains that permit businessmen to hold or even reduce their price lines. It is important to note, in this regard, that the pressure to raise prices to enhance earnings is strongest when earnings are low or have been declining, weakest when earnings are high or have been rising. In 1964, earnings are high and rising.

We see, then, that profits have a part to play in an efficient modern economy. Walter W. Heller, Chairman of President Johnson's Council of Economic Advisers, has some cogent comments to make on this point. "The day has long since passed," he said, "when governmental attitudes or policy on profits can be judged—or determined—in terms of gross desires to be benign or beastly to business, to deify or denigrate profits as such." Profits are best viewed perhaps from this functional perspective, regardless of the kind or extent of public policy a government may deem necessary or desirable to help promote the primary objective of advancing the well-being of the people. This is applicable not only to the United States, with its own peculiar mixture of public and private policy, but to countries everywhere, the less-developed and the developed alike.

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LISTENING POSTS

Decision on Fourth Plan Outlay Postponed

By Our Special Correspondent

NEW DELHI:

THE PLANNING COMMISSION at its full-dress meeting on May 10, held under the chairmanship of the Prime Minister, is understood to have remained content with only broadly deciding that the fourth Plan should be of a much bigger size than the current one and that the development of agriculture, rural economy, basic and heavy industries, power and transport should continue to receive top priority.

No decision could be taken at this meeting on the size of the fourth Plan as such, presumably because of the contention of the Union Finance Minister, Mr. T. T. Krishnamachari, that the Plan should be hinged to the availability of foreign exchange, and his hesitancy to accept that resources would be available for financing a Plan involving an outlay of about Rs. 20,000 crores, as suggested by the Perspective Planning Division. It was, however, agreed at the meeting that the Perspective Division's broad outline should form the edifice on which the fourth Plan should be built. The various Working Groups of the Planning Commission have been asked to scrutinise the Perspective Division's estimates with a view to making them more realistic.

The Planning Commission will be holding two more meetings, one on May 31 and the other some time next month, before arriving at some definite conclusions on the size of the fourth Plan. The matter will then be referred to the National Development Council in the first week of July. The broad framework of the Plan, thus, may be available in October.

Advance Action

Even though the thinking on the fourth Plan is taking time to crystallise, advance action on a number of schemes which are bound to be included in this Plan in view of the shortages being experienced currently or which are likely to arise, is proposed to be continued. The Planning Commission will be intimating to the State Governments soon many such schemes especially in the fields of agriculture, power and transport.

The Perspective Planning Division's outline of the fourth Plan is stated to include in an overall outlay of Rs. 20,000 crores, an investment of Rs. 6,440 crores in industries, Rs. 3,200 crores in agriculture and irrigation, Rs. 2,300 crores in power and Rs. 4,050 crores in transport.

The Rs. 6,440 crores investment in the industrial sector is to be shared by the public and the private sectors in the ratio of approximately 55 : 45. The investment in the metallurgical industries is placed at Rs. 1930 crores — Rs. 1,530 crores in the public sector and Rs. 400 crores in the private sector. Next in importance come the chemical industries on the development of which an expenditure to the tune of Rs. 950 crores is proposed — Rs. 200 crores in the public sector and Rs. 750 crores in the private sector. The investments envisaged in the other important industries are as shown alongside.

Nearly a sum of Rs. 200 crores has been included in the Rs. 6,440 crores outlay for the industrial sector for the development of village and small industries.

The main break-up of the proposed Rs. 3,200 crores investment in agriculture and irrigation is as follows: major and medium irrigation works (all in the public sector) Rs. 1,120 crores; minor irrigation Rs 470 crores; soil conservation Rs. 210 crores; land reclamation Rs. 70 crores; farm equipment and tractors Rs. 162 crores; diesel engines Rs. 100 crores; cold and ordinary storage Rs. 160 crores; animal husbandry and dairies Rs. 11 crores; forestry Rs. 125 crores; fisheries Rs. 75 crores; flood control, drainage, anti-water logging and anti-sea erosion schemes Rs. 100 crores.

Nearly 80 per cent of the Rs. 2,300 crores investment proposed for power development has been allocated to the public sector. It is hoped to raise the power generation capacity from 12.4 million kW. at the end of 1965-66 to slightly over 23 million kW. in 1970-71.

The important components of Rs. 4,050 crores investment suggested for the development of transport and communications are: railways Rs. 1,500 crores (excluding a replacement outlay of Rs. 500 crores); road transport Rs. 900 crores; shipping Rs. 150 crores; port development Rs. 150 crores; lighthouses Rs. 20 crores; inland water transport Rs. 20 crores; air transport Rs. 150 crores; communications Rs. 200 crores; manufacture of trucks and buses Rs. 110 crores; other transport requirements and tourism Rs. 110 crores.

★★

Eight joint Central Teams on Agricultural Production will be visiting the States in May-June this year with a view to ensuring close collaboration between the Central and the State Governments in the formulation and effective implementation of the 1964-65 agricultural production programmes. Similar teams visited the States in April-June last year also.

The scope of the study of these teams this year is being extended to include the implementation of the development programmes relating to animal husbandry, dairying, fisheries and forestry. Last year they concentrated their attention on agricultural crops only.

In order to make this year's visits and joint reviews effective and fruitful, concentrated attention will be paid by the joint Central Teams to a few selected aspects of agricultural programmes. These are: (i) progress of implementation and preparation for the Intensive Agricultural Area Programme during the Kharif season 1964; (ii) action taken on the recommendations of the Working Group on Inter-Departmental and Institutional Co-ordination and the Joint Central Teams which visited the States last year; (iii) action taken on the decision arrived at at the Regional Conferences on Agricultural Production Programmes held in January and February last; (iv) arrangements for distribution of seeds, fertilizers etc.; (v) utilisation of irrigation potential; (vi) provision of electricity for agricultural purposes at cheap rates; (vii) implementation

(In Rs. crores)

Industry	Public Sector	Private Sector	Total
1. Machinery & Engineering	440	420	860
2. Mining	400	185	585
3. Fertilizers	320	115	435
4. Oil Exploration & Refining	345	25	370
5. Electrical Equipment	200	100	300
6. Transport Equipment	70	200	270
7. Cement	20	165	185
8. Textiles	(Mostly in the private sector and partly in the co-operative sector)		180
9. Sugar	(Mostly in the co-operative sector and partly in the private sector).		165

of the development programmes for animal husbandry, dairying, forestry and fisheries; (viii) implementation of the action programmes on agricultural credit; (ix) problems connected with the preparation of district, block and village plans for agricultural production; (x) details of schemes sanctioned out of additional allocations proposed to be made for agricultural programmes for 1964-65; and (xi) the progress of formulation of proposals for the fourth Plan in the agricultural sector.

Each team will consist of senior officials and technical and administrative personnel drawn from the Planning Commission and the Ministries of Food and Agriculture, Community Development and Co-operation and Irrigation and Power. In many of the States, Central Ministers from the Ministries of Food and Agriculture, Community Development and Co-operation and Irrigation and Power and Members of the Planning Commission will join the Teams in their visits and discussions. Members of the Planning Commission's Panel on Agriculture will also meet the Teams during their visits to the States and have discussions with them on local problems. State Governments have been asked to invite progressive farmers to meet the Teams at the State headquarters.

Outlay for the development of agriculture during 1964-65, it may be recalled, has been stepped up over the 1963-64 outlay, by about Rs. 20 crores. Additional allocations for minor irrigation, soil conservation, intensive development programmes etc., are also contemplated. Foreign exchange allocation for fertilizers has also been increased.

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Of the nine offers of collaboration received by the Ministry of Petroleum and Chemicals for setting up the Madras Refinery — from BOC - Shell International, Esso Standard Eastern, Philips Petroleum, Caltex, Mobil, ENI, Japanese Oil Consortium, the French Oil Company (BAP) and the National Iranian Oil Company (in partnership with the American International Oil Company) — four proposals — those of BOC - Shell International, Esso, Philips Petroleum and the National Iranian Oil Company — are understood to have found favour with the Working Group set up by the Ministry of Petroleum and Chemicals to hold preliminary discussions on these offers. The Working Group's recommendations will be shortly forwarded to the Negotiations Committee, consisting of the Cabinet Secretary and the Secretaries of Union Ministries of Petroleum and Chemicals, Finance and International Trade, for final selection of the collaborators for this project.

The main consideration that appears to have weighed with the Working Group for recommending to the Negotiations Committee for further consideration of the collaboration arrangements proposed by BOC - Shell International, Esso and Philips Petroleum is said to be the comparatively cheap prices quoted by these companies for crude supplies. In the case of the BOC - Shell International offer, the proposed flexible management pattern is also considered to be of great advantage. The successful working of the partnership between the Union Government and the BOC in Oil - India is stated to be a further point in favour of this offer.

Besides the low crude oil supply quotation, Esso's proposal is thought to be attractive in view of the petro-chemicals complex proposed along with the refinery. The proposal of Philips Petroleum is being commended to the Negotiations Committee with the stipulation that this company should agree to revise the Cochin Refinery agreement also in the light of the arrangements which may be agreed to for the Madras Refinery.

The collaboration offer of the National Iranian Oil Company is said to have found favour on the ground that its acceptance may pave the way for the Oil and Natural Gas Commission securing oil exploration concessions in Iran.

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The Union Government has set up a three-member Working Group to suggest a suitable price structure for petroleum products, which should replace the present arrangement instituted on October 1, 1961 on the recommendations of the Oil Price Enquiry Committee, popularly known as the Damle Committee. The current arrangement expires on March 31, 1965. The Working Group has been asked to submit its report by December 31, 1964, so that the Government can have enough time to consider it before giving effect to the revised price structure from April 1, 1965.

The Working Group is headed by Mr. J. N. Talukdar, a former Chief Secretary to the West Bengal Government. Its other two members are Mr. S. S. Shiralkar and Mr. N. Krishnan, Joint Secretary and Chief Cost Accounts Officer of Union Ministry of Finance, respectively. Mr. N. R. Law, Under Secretary in the Ministry of Petroleum and Chemicals, has been appointed as the Secretary of the Working Group.

The Working Group has been asked to examine and report upon :

(1) the manner of determination of ex-factory prices of refined petroleum products, including bitumen produced by the refineries;

(2) the manner of determination of landed prices in respect of similar products which may be imported;

(3) the determination of marketing and distribution charges of both indigenously produced and imported petroleum products; and

(4) the determination of ceiling sale prices of oils, greases and specialities.

The Working Group has also been asked to consider the possibility of linking the prices of petroleum products of individual refineries with physical supply areas and the desirability of having uniform or pooled prices for the whole of the country or for different zones which may be carved out for this purpose.

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The Aid-India Consortium, it is learnt, will be meeting in Washington on May 26 to pledge assistance for the fourth year of our current Plan. According to the indications available here, the Consortium this time may provide slightly more aid than it did in 1963-64. India has asked for a minimum assistance of $1100 million for 1964-65. The aid actually required for implementing the development programmes intimated to the Consortium, however, aggregates $1140 million —Power $130 million; Railways $75 million; Transport and Communications $50 million; Iron and Steel $45 million; Mines and Fuel $60 million; Industries $350 million; Food and Agriculture $40 million; Education, Health and Scientific Research $40 million: Commodity aid (including refinancing) $350 million.

The minimum requirements figure is understood to have been placed at $1,100 million on the expectation that nearly half of the assistance sought will be available in an untied form.

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The Union Government has announced its decisions on two important recommendations of the Second Pay Commission. By virtue of the first decision, the Central Government employees drawing a monthly salary below Rs. 400 have been given, with effect from February 1, 1964, an increase in dearness allowance ranging from Rs. 3.50 to Rs. 15 per month. The benefit of dearness allowance has also been extended to the employees drawing a basic monthly salary between Rs. 400 and Rs. 600. The new rates of dearness allowance compared with the allowance at present admissible are given in the table on the next page.

The revised dearness allowance scheme will benefit about 2.3 million civilian Central Government employees and is anticipated to cost the exchequer nearly Rs. 14 crores a year.

The second decision relates to the Central Government Employees' Children's Education Allowance Scheme. Under this decision, the Government will now reimburse its employees drawing a monthly salary up to Rs. 600, the tuition fees payable and actually paid by them for the education of their children in middle and higher secondary schools, provided the children are educated at places other than the place of duty of the employee concerned, at rates not exceeding those approved by the State Government of the area for Government and aided schools. Primary education being free in all the States, no allowance is to be paid for the children studying in the primary classes. Railway employees and the Defence Services personnel other than officers who are already governed by a separate contributory scheme in this connection, will also be entitled to the benefits of the revised Central Government Employees' Children's Education Allowance Scheme. The additional burden of administering this revised scheme on the exchequer is estimated at Rs. 4.3 crores per annum.

Pay Range (Rs.)	DA admissible at present (Rs.)	DA admissible from 1-2-1964 (Rs.)	Increase (Rs.)
70-109	17	20.50	3.50
110-149	20	25.50	5.50
150-209	35	42.00	7.00
210-299	40	50.00	10.00
300-315) ..) ..	Amount by which pay falls short of	Rs. 350 minus pay	10.00
316-320) ..	Rs. 340	35.00	11.00 to 15.00
321-380	20	35.00	15.00
381-384) ..) ..	Amount by which pay falls short of	35.00	16.00 to 19.00
385-400) ..	Rs. 400	Rs. 420 minus pay	20.00
401-580	Nil	20.00	20.00
581-600	Nil	Rs. 600 minus pay	19.00 to 0

Maharashtra's Fourth Plan

From our Correspondent

BOMBAY:

IN THE COURSE of the two-day talks on the Plan which Mr. Asoka Mehta had with the Chief Minister of the State, the size of the Plan for Maharashtra was fixed at almost double the level of the third Plan. There was general agreement that the emphasis in the fourth Plan should be on agriculture in the State. The discussions covered agriculture, irrigation, co-operation, education, water supply, backward class welfare, working of some of the schemes and the impediments experienced in the effective implementation of the same. Mr. V. P. Naik, Chief Minister has stated that the State Government had pressed the need for a special allocation of steel for pipelines to implement the Upper Vaitarna and the Bhima water supply schemes. The Government of the State has also stressed the need for cheaper insecticides and fertilisers to improve agricultural productivity in the State and further, they have asked for assistance in augmenting rural water supply and the allocation of a sizable quantum of foreign exchange for the execution of irrigation schemes.

Besides the discussion on planning, it is learnt that the new prohibition policy was also touched; the Deputy Chairman will shortly invite the Chief Ministers of States to examine the Tek Chand Committee Report on prohibition. Since Maharashtra has departed from the policy pursued hitherto, it is interesting to examine the recommendations of the Report to see how for the State can maintain its stand on the new policy. In fact, the State Government has not been able to take a decision in regard to free sale of alcoholic beverages containing 3.5 per cent alcohol, pending the consideration of the Tek Chand Committee Report.

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At the second quarterly general meeting of the Maharashtra Chamber of Commerce, Mr. Lalchand Hirachand, President, made a pointed reference to the need for a more precise evaluation of the progress of industrial growth in the State. He suggested that the State Governmen should investigate as to how many substantial licences were issued in Maharashtra and how many industries were actually established. The results of such an investigation, he said, would give a clear picture of the rate of industrial growth. Mere issue of licences does not imply a corresponding rate of industrial growth. He also referred to the Master Plan for Bombay, which, he said, should be given wider publicity to ascertain the views and suggestions of the public keeping in mind the necessity of perspective planning for this growing and congested city.

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Whatever may be the political attitudes and policies, any trend which helps to contribute to the economic advancement particularly through industrialisation should be welcomed. The Government of Goa, Daman and Diu, has decided to lift all restrictions of non-Goans in the matter of granting of licences for setting up industries and other establishments in the territory. This was revealed by Mr. V. S. Karmali, Minister for Information. Previously, these restrictions were imposed by the Military Governor in order to give protection for Goans. The lifting of the restrictions would enable non-Goans to purchase properties in Goa. The Minister also disclosed that permission would be granted for running private lotteries and raffles on the condition that the proceeds of such institutions were used for charitable, educational and welfare purposes, and not for private profit. The removal of restrictions on the issue of licences is considered a very effective and desirable move in promoting the industrial advance of the Union territory.

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The automobile interests in Bombay do not subscribe to the view of the Union Minister for Steel, Mines and Heavy Engineering that the supply position of scooters would improve in the future, unless immediate steps are taken to permit increased imports of components which are not manufactured in the country. The present production of scooters is much below the licensed capacity of 71,000. With the 10 per cent cut of imports after the declaration of national emergency, in respect of all automobile vehicles except commercial trucks, there has been a proportionate fall in production. The licensed capacity of scooters was raised to the above figure only recently from 51,000. Even the previous capacity has not been reached as the production of scooters, motor-cycles, three-wheelers and mopeds for 1963-64 was just 27,130, little over half the licensed capacity; of these scooters numbered 15,444. Thus, the question of stepping up of scooter production does not arise until the necessary components are made available. If the revised capacity is to be reached, obviously, a more practical view of the position should be taken, and the problems of the industry should be fully examined. It should not be forgotten that even if increased imports are allowed, there is a time lag in reaching higher production levels. The position in regard to automobile industry reveals lack of co-ordination in the import licensing policy where foreign com-

ponents are indispensable in the manufacture of the end-product.

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The development of ports and harbours may have to receive increasing attention and priority in the fourth Plan of Gujarat. The State has a vast coastline with a large number of intermediate and minor ports. Out of the 18 intermediate ports and 200 minor ports in the whole country, the State accounts for 8 of the former and 42 of the latter. The ports of Gujarat handle two million tons of cargo against a total of five million tons handled by the intermediate and minor ports in the whole of India. Thus, the potential for developing the ports is significant. However, having regard to the organisational, technological and financial limitations, it would be necessary to resort to selective development with reference to the existing and potential needs of the traffic. In the Rajkot division, intermediate ports like Okha, Porbandar, Veraval and Bhavnagar have great scope for increasing traffic and it is therefore necessary to give priority in developing them to the maximum extent possible. An immediate and pressing problem of several ports is their siltation, which places a serious handicap in the way of their maximum use. Provision of dredgers and dredging is, therefore, required to be made on a sizable scale.

In the first Plan, an amount of Rs. 1.6 crores was spent on the Gujarat ports. But, this was only to make up for arrears of the neglect in the war years. However, certain basic investigations which were undertaken during this period enabled the Government to formulate engineering schemes for augmenting the port facilities. The essential repair and replacements of flotilla were also undertaken. But apart from this no further progress could be made. In the second five-year Plan period, investigations for more improved engineering works, such as for the break-waters at places like Porbander and Veeraval, hydrographic surveys and certain model tests were carried out. But, even in this period only those schemes were undertaken which more or less could make good the deficiencies in the existing facilities so as to make the ports serve the traffic needs better than before. No substantial provision could be made for significant increase in the port handling facilities. It is expected that an amount of Rs. 4 crores would have been spent in the period, including the expenditure incurred from Saurashtra Port Development Fund.

The third Plan has provided for an expenditure of Rs. 1.9 crores for the development of these intermediate ports and several minor ports in the State. All these would seem to be inadequate looking not only to the urgent need of utilising the intermediate ports and some of the minor ports but also to the defficiency in the facilities now made available. Therefore, a much faster pace of development may have to be envisaged in respect of the ports in Gujarat.

K. K. Birla: Talk of Monopolies is Meaningless

From our Correspondent

CALCUTTA:

IS THE MONOPOLIES Commission chasing a shadow? Mr. K. K. Birla's answer to this question of the day is in the affirmative, and without any qualification. While addressing the annual general meeting of the Indian Chamber of Commerce, Mr. Birla rightly pointed out that the latest "socialist" measure to track down monopolies in the private sector is based on a misconception of the term "monopoly" itself. Some industries by their very nature have to be necessarily of large size; this is a question of modern technology and economies of scale and has nothing to do with the suspected manipulation of "wicked capitalists" to hold the community to ransom. Mr. Birla cited the example of the motor-car industry in India. It would be ridiculous if a hundred factories were to be licensed to make motor-cars in the country, particularly when the market for the product is so small. Most of the other major industries like textiles, sugar, jute, tea, electric motors and so on are so widely dispersed that there can be no question of monopolistic tendencies arising in them. In the iron and steel industry, it is the Government which now has the upper hand, and if the private sector has only two units it is because the Government, in terms of its industrial policy resolutions, has debarred other entrepreneurs from entering the field. "As a matter of fact", Mr. Birla pointed out, "the complaint has rather been that, whereas in other countries there are only four or five important producers of a particular item, in India, on the other hand, most of the important manufacturing concerns of the world are represented by some collaboration agreement or the other."

The boot, in fact, is on the other leg — in the public sector. Over the past decade one monopoly after another has come up in this sector; life insurance, airways, ore exports are likely to be followed by sugar distribution. As Mr. Birla again pointed out, during the last few years, the public sector has grown so rapidly that it now practically dominates the country's economy. In the first Plan, investment in organised industry and minerals in this sector was only Rs. 60 crores as against Rs. 340 crores in the private sector. In the second Plan, public sector investment rose to Rs. 870 crores, while the share of the private sector relatively declined to Rs. 675 crores. In the third Plan, the process moved even faster — the original investment target of Rs. 1,520 crores in the public sector of industry was subsequently raised to Rs. 1,800 crores, while the private sector's share was raised by just Rs. 100 crores to Rs. 1,200 crores. It is certain that the pattern will be repeated in the next Plan. The private sector obviously has been given a less important place in the country's scheme of economic development. Monopolies are a bad thing, even if they are run by the State. The Indian Airlines Corporation is not exactly a model of efficiency, nor is the Life Insurance Corporation, nor any other organisation which runs under State ownership. 'In these circumstances, the constant talk of monopolies in the private sector has no meaning," Mr. Birla emphasised. "On the contrary, it will be an irony that when the country needs so much industrialisation those who owing to their experience and resources are in a position to serve the country are denied such opportunities. But even assuming the existence of monopolies in some stray industries, what was the necessity of appointing a monopolies commission, when the Development Wing of the Government of India itself could have studied the problem and adopted appropriate methods to solve it by denying the so-called 'monopolies' further industrial licences"? Mr. Birla asked.

The other obsession of the Government is to check the concentration of economic power in private hands. This too is based on a wrong appreciation of the facts. The rich are not really getting richer, although there is a great disparity in income and wealth, but this is more due to the character of the economy in which so much unemployment and underemployment exist rather than to the acquisitive instincts of the "upper ten" of the Indian society. Mr. Birla quoted some statistics which are illuminating. The number of wealth tax assessees with a wealth of over Rs. 50 lakhs was 191 in 1960-61, but it dwindled to 165 in 1961-62. On the other hand, in the income group not exceeding Rs. 15,000 a year, the total number of assessees increased to 820,441 in 1961-62 from 422,328 in 1957-58. In other words, their number has almost doubled in about five years' time. As against this, the number of assessees with an income of above Rs. 2 lakhs has fallen from 650 to 543 in the same period. Those who still believe that the rich have any scope for adding to their riches will do well to take a careful look at the present structure of personal taxation. What with the gift tax, the high rates of estate duty, the capital gains tax, the expenditure tax and above all, the very steep rates of income-tax, no person in India can conceivably accumulate much wealth, much less get richer and richer. As Mr. Birla said, it has become impossible for the society to produce a Henry Ford or a Nuffield starting from scratch. To quote Mr. Birla again, if a man earns, he has to pay a heavy income tax; if he spends, he has to pay expenditure tax, if he saves he has to pay a heavy wealth tax; if he gives away, there is a high gift tax; and if he dies leaving any savings in the form of wealth he has to pay a heavy estate duty. Mr. Birla then went on to add: "Owing to the atmosphere of despondency that has been created in the country by the expropriatory tax structure, there is no possibility of any new big enterprise coming into existence as a result of public support. It is not a happy thought to reflect that the useful pattern of shareholding which has been developing in our country for so long, whereby larger and larger numbers of people have been participating in the corporate sector, will soon get reversed and public participation in corporate enterprise will drastically diminish."

Well-Pointed Facts

As for the growth of old and established firms, Mr. Birla did well to point out some relevant facts. If an industrialist, renowned for efficiency, honesty and good management, starts an industry, the shareholders naturally extend substantial support to him. If he is able to promote more companies, that only shows the trust and confidence the general public have in him. "It will be an irony to decry such an industrialist and say that rich as he was he is getting richer or that economic power is being concentrated in his hands. In decrying him, we are really decrying the investing public." Concentration of economic power today is really in the hands of bureaucrats, just as political power is concentrated in the hands of Ministers and their deputies. Concentration of political power is no less bad than concentration of economic power, but concentration of any of these powers is really bad "when a man misuses his position and privileges and betrays the confidence of the investing public." In any case, the talk of concentration of economic power in private hands is irrelevant in the Indian context. The so-called big business in India is really not so big as is commonly supposed. If international standards are taken, there is in fact no such thing in this country. Indian companies are mere pigmies in comparison with the giant companies of Europe and the U.S.A., and no Indian company finds a place in the list of even the first 450 companies of the world.

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The recommendations of the Bonus Commission, although still under the Government's consideration, have caused a lot of uneasiness among industrial circles here. The Engineering Association of India, representing one of the major industries of eastern India, has just drawn the attention of the Government of India to certain objectionable features of the Commission's report. The report defines bonus as a share of workers in the prosperity of the concern. By this the Commission appears to have endorsed the outmoded principle of profit-sharing — a principle which militates against productivity and efficiency. The Association, therefore, points out that if workers are to get bonus irrespective of efficiency, it is certain that production and productivity cannot be stimulated. The Commission has recommended a minimum bonus of 4 per cent of the workers' annual earnings including dearness allowance even when there are losses. The Association feels constrained to point out that the practice of giving annual profit-bonus to workers, irrespective of profit or loss, is against the very concept of bonus as formulated by the Commission and a contradiction in terms. Bonus can be paid only when there is profit; otherwise it would only load a concern with liabilities which would discourage venture capital and unnecessarily increase the entrepreneurial risk. Moreover, in the present context of balance of payments difficulties and the need to minimise exports, the cost structure of industry should be rationalised and made competitive in order to enable the country to retain its hold on foreign markets, and expand it.

The Association takes particular objection to the "set-off" and "set-on" formula which is meant to guarantee the minimum bonus in good years and bad. This, the Association points out, is not conducive to higher efficiency or productivity for the simple reason that workers, once they are assured of their minimum bonus, have no incentive to co-operate with the management for achieving production targets or improve their own productive standards. The formula obviously deserves to be rejected. Industry is not allowed to treat super profits tax (now surtax) as a prior charge on profits. This tax is a direct levy, and it is difficult to see the logic of the Commission in disallowing this as a prior charge. It is equally illogical of the Commission to have summarily rejected industry's claim for a specific rehabilitation allowance as a prior charge in the bonus formula. A large part of machinery and equipment in different industries has been rendered obsolete and replacement costs are steadily rising. The normal depreciation allowances, which are now available, are not sufficient for the simple reason that costs of plant and machinery have greatly risen over the years. Under the Commission's formula, a concern can retain only 40 per cent of the available surplus after distributing 60 per cent of the same as bonus. Out of this 40 per cent, it is required to meet such liabilities as (a) super profits tax (now surtax), (b) additional return on capital and reserves, (c) repayment of indebtedness (including deferred payments, debentures, and redeemable preference shares), (d) provision for gratuities, (e) reserves for contingencies, (f) finance for rehabilitation requirement, modernisation and obsolescence. It is obvious that in the process of meeting this formidable array of obligations out of the retained balance, nothing is likely to be left over for rehabilitation.

Disincentive for Investment

As return on capital, the Commission has allowed only 7 per cent as a prior charge on profits. This rate is unrealistic because it does not take into account the established trends in the capital market. As far back as 1950 when the bonus formula was evolved by the Labour Appellate Tribunal, the fair return on capital was conceived to be such that the investing public would be attracted to industry by a steady and progressive return on capital which industry may be able to offer. This return on paid-up capital was fixed in 1950 at 6 per cent tax free which is equivalent to 8.7 per cent taxable. By fixing the return on paid-up capital at 7 per cent taxable, equivalent to 4 per cent tax free, the Commission has in fact decreased the rate of return from its 1950 level. This can hardly be expected to act as an incentive to further investment. Since then not only have the rates of borrowing gone up, but because of the credit squeeze by the Reserve Bank, business men have to resort to private borrowing paying as high a rate of interest as 12 per cent.

How realistic is the Commission's prescribed margin of return can be judged against the following facts: Government securities now yield about 4 per cent tax free; fixed deposits

in banks yield 5 per cent or more; banks lend at about 7 to 8 per cent or even more; even the Reserve Bank charges 6½ per cent to scheduled banks beyond the quota limit. The Association, therefore, urges that at least 10 per cent should be allowed as a return on capital considering the present cost of money. The Deputy Chairman of the Planning Commission, Mr. Asoka Mehta, who can hardly be accused of having sympathies with private enterprise, has declared that at least 10 per cent should be taken as the reasonable rate of return on capital if industry is to maintain a steady rate of growth.

New Wings to Fly

From Our Correspondent

MADRAS:

THE AIRCRAFT industry is developing in a big way in this country and the Southern States will be playing a prominent part in manufacturing components of various kinds in five centres in this country located in five different States. The MIG Project, which will be constructed with Soviet assistance and which will have three units, one each in Maharashtra, Orissa and Andhra Pradesh, has given a push to the development of the aircraft industry. Already, the factory at Bangalore has made tremendous strides and it is expected that there will be a doubling of the turnover of Hindustan Aircraft Limited to Rs. 20 crores during the current financial year from Rs. 11 crores in 1963-64. It must be said that the credit for the pioneering effort in this industry goes to this factory which has been gradually improving the technique of manufacturing components and parts and which has given rise to the confidence that the complicated production of aircraft parts and their assembly can be easily undertaken in this centre. Even now the indigenous content in Orpheus, which is the engine powering the H.F.-24, has an indigenous content of over 60 per cent while this percentage would be achieved, if not exceeded, in the case of the airframe in a short period. While large-scale production of this transonic aircraft will be undertaken, it is being examined whether, with suitable modifications to both the frame and engine, the aircraft can be made to achieve Mach-II speed. It has been stated that the airframe would be quite suitable to achieve also supersonic speed if the Orpheus engine itself can be made to power the aircraft with the reheat process. This arrangement will no doubt be followed as a last course. It is being explored whether an entirely new engine can be produced so that dependence on outside sources for securing supplies of Supersonic aircraft can be eliminated. It may be that, during the forthcoming visit of the Defence Minister to the USA, it would be possible for our Government to negotiate for the supply of one or two squadrons of Supersonic aircraft, but with the new consciousness in the country that there should be a greater measure of reliance on indigenous sources, it is emphasised that the manufacture of defence equipment should be carried out on a planned basis and completed in a period of five years.

MIG Project

While the MIG project is fast assuming shape, in spite of the speculation for a time that the scheme might be abandoned because of the unsuitability of the Russian fighters for operation under Indian conditions, it is felt that for the development of the supersonic aircraft at Bangalore, US assistance should be sought. If a new engine can be developed or if the equipment could be supplied so that the range of production could be diversified and aircraft produced in large numbers achieved in a shorter period, the requirements in terms of both military and civil aircraft can be secured from within the country as far as possible. It is indeed a matter for gratification that most of the tooling has been done at the Bangalore factory and there would be, after some time, dependence mainly on raw materials rather on components and parts.

Since there will be a number of units in operation in different places and there is need for co-ordination of the activities of the various units and utilising effectively available capacity, it has been decided that there should be one corporation looking after the administration of these units. An announcement to this effect was made when Mr. Raghuramaiah visited Bangalore recently. Air Vice-Marshal Ranjan Dutt, who is now looking after Hindustan Aircrafts Limited, will be the Managing Director of the new Corporation, Aeronautics India Limited. In order to divest the Bangalore factory of its other activities, the Coach-Building unit will be attached to the new Central Government undertaking that is proposed to be established in the Kolar Goldfield area for manufacturing heavy earth-moving machinery. It is the intention of this undertaking to provide employment for those that might be discharged by the Kolar Gold Mining Companies. It may be recalled that there was a proposal sometime back to suspend gold mining in areas where it was not considered profitable and to provide alternative employment to workers that might be retrenched.

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Industrialisation in this part of the country is taking place at a rapid rate in other directions as well. While the Surgical Instruments Factory in Madras is fast being completed and regular production might be commenced sometime next year, at Tiruchirapalli the Heavy Boiler Factory, being erected with Czechoslovakian assistance, has progressed beyond expectations and there is now confidence that the whole scheme could be completed early next year and supplies of heavy boilers to the thermal generating units made available by the end of next year or early in 1966. Civil construction work on the main factory buildings has progressed to such an extent that even the casual visitor would be able to have an idea of the massiveness of this new project. In Neyveli, too, the fertilizer project is being rapidly completed and one of the two streams might be ready for trial tests by the end of this year. The briquetting unit will, of course, be easier of construction as multiple units are involved and production can be commenced even while other sections are being finished.

There is, however, anxiety to know when and where new pig iron plants will be established in Andhra Pradesh, Madras State and Mysore. A Japanese team is presently visiting this country in order to explore the possibilities of constructing a number of units having a capacity of at least one lakh metric tons each. The experts of the team claim that Japan has evolved a process which will be more economical than that suggested by Norway. If this new process is adopted, smelting by electricity, along with low grade coal like lignite, can be found economic. There is at present an acute shortage of pig iron. Even though efforts are being made to construct the blast furnaces under the expansion schemes in the three public sector steel unit earlier, in order to increase the output of pig iron, there will be need for a large number of medium-sized units in different States where the necessary resources are available. Thereby, freight costs can be considerably reduced besides achieving the much desired dispersal of capacity. It has also been represented to the Centre that in the Bellary-Hospet region a large-sized steel plant should be erected in order to utilise the rich iron ore reserves which are estimated at over 1,000 million tons. It is not known whether the Government would be able to take a decision about the location of a steel plant in this region if Goa is chosen as one of the sites for a new steel unit. But there is every scope for producing pig iron based on the electric process as the required quantity of coal could be imported. It may, however, be found that the movement of ore to Goa would be more economic in the long run.

Trade Winds

PROFIT MARGINS IN PUBLIC SECTOR

Replying to a question in the Rajya Sabha, the Minister of International Trade, Mr. Manubhai Shah, disclosed that generally, the distribution margin on items handled by the State Trading Corporation and the Minerals and Metals Trading Corporation varied between half per cent and 10 per cent (limited to only half to three per cent in the case of exports) and covered distribution expenses and other incidental charges including profits. In the case of scarce commodities such as mercury, camphor, cloves, betelnuts, etc., the main objective of the corporations was to canalise imports and distribution in order to mop up the difference between the ruling prices in the market and the landed costs.

The margin of distribution charged in respect of imports is illustrated as under:—

Item	Distribution margin
Fertilisers	about ½%
Copper	about 2%
Zinc	about 2%
Steel	about 4%
Tools and alloy steels	about ½%
Dye intermediates, pharmaceutical intermediates, sodium nitrate, caustic soda, sodium sulphate and miscellaneous basic chemicals.	below 10%
Newsprint	about 1%

TRADE WITH DEVELOPING COUNTRIES

The Board of Trade, at its meeting in New Delhi on May 5, 1964, expressed concern over the decline in India's exports to African countries in 1963-64 (eleven months, April to February) when they totalled Rs. 42 crores only as compared to the total of Rs. 45 crores in 1962-63 (April-February). It was recommended at the meeting that a committee be set up, with the Foreign Secretary as the Chairman, to go into the question of trade expansion with the developing countries of Africa, Latin America and Asia. It was disclosed at the meeting that the largest increase in India's exports in 1963-64 (eleven months, April to February), the largest increase of Rs. 47 crores, was in respect of Asia and Oceania, of which again the ECAFE region alone had accounted for Rs. 42 crores. Exports to America (Canada, the U.S.A., Latin America, etc.) increased from Rs. 145.6 crores to Rs. 156.1 crores, showing a rise of Rs. 10.5 crores. Exports to West European countries were also higher by Rs. 10 crores, of which the countries forming the European Economic Community accounted for over Rs. 8 crores. The exports to East European countries recorded an increase of Rs. 12 crores, of which the Soviet Union's share alone was Rs. 11 crores.

EXPORTS OF JUTE MANUFACTURES

The increased exports of jute manufactures from 7.8 lakh tonnes in 1962-63 (April-February) to 8.4 lakh tonnes during the corresponding period of 1963-64, more than offset the decline in the export price from Rs. 1,758 to Rs. 1,740 per tonne, thereby increasing the country's export earnings from Rs. 137 crores to Rs. 145 crores. The export earnings would have been still higher but for the decline in the export of jute bags from 2,56,000 tonnes to 2,43,000 tonnes. Fall in the price of jute bags from Rs. 1,422 to Rs. 1,388 per tonne also contributed to the lower value of their exports from Rs. 36.4 crores in 1962-63 (April-Feb.) to Rs. 33.7 crores in 1963-64 (April-Feb.). The decline of 13,000 tonnes in the export of jute bags was largely due to the less purchase by Nigeria (26,000 tonnes), followed by Thailand, Indonesia and Egypt by 7,000 to 8,000 tonnes each. Part of the decline in exports to these countries was offset by increased exports to the U.S.S.R. by 16,000 tonnes and to Syria by 15,000 tonnes. Exports of jute bags were also higher in the case of Chile, West Germany, Italy, Sudan and the U.K. Exports to Cambodia, Ghana and Netherlands remained, more or less, stationary at the last year's level. Exports of jute cloth rose from 4,42,000 tonnes valued at Rs. 92 crores to 4,66,000 tonnes valued at Rs. 98 crores. Of this increase, the U.S.A. alone accounted for 11,000 tonnes followed by the U.S.S.R. 8,000 tonnes and Argentina and Canada by another 7,000 tonnes each. Exports to the U.K. remained, more or less, stationary while those to Australia and Turkey were somewhat lower.

MONOPOLIES INQUIRY COMMISSION

The Monopolies Inquiry Commission which was appointed by the Government of India in April, 1964 (vide "Eastern Economist" dated April 17, 1964—page: 862a) has notified that all those interested to place their views on the subject before the Commission may send *memoranda* to the Secretary, Monopolies Inquiry Commission, 7, Tughlak Lane, New Delhi, by July 15, 1964.

DREDGERS TO BE BUILT IN INDIA

The Mazagon Docks Ltd., Bombay, and the Garden Reach Workshops Ltd., Calcutta, have signed collaboration agreements with a Scottish firm for the construction of non-propelled bucket dredger and twin screw hopper barges. The firm of Simon Lobnitz of Glasgow will supply designs and drawings for the construction of the vessels as also the specialised dredging equipment and other items which cannot be built in India. The non-propelled bucket dredger, capable of dredging 1,000 cubic yards of mud or silt per hour from a depth of 45 feet, will be built by the Mazagon Docks, Bombay. The hopper barges will be manufactured at the Garden Reach Workshops in Calcutta. They will be twin screw diesel-powered vessels, each with a capacity of 1,000 cubic yards.

RISE IN PRODUCTION OF MESTA

According to the Directorate of Economics and Statistics, Ministry of Food & Agriculture, the All-India Final Estimate of Mesta, 1963-64, puts the current year's area and production of Mesta at 952,000 acres and 1,805,000 bales (of 400 lbs. each) respectively. As compared with the Partially Revised Estimates of 937,000 acres and 1,684,000 bales for 1962-63, the Estimates for 1963-64 show an increase of 15,000 acres or 1.6 per cent in area and of 121,000 bales or 7.2 per cent in production. This increase has, however, been offset to some extent by the decline in area reported mainly by West Bengal. The increase in production is accounted for mainly by Bihar and Andhra Pradesh and is attributed to the corresponding increase in area under the crop and the favourable weather conditions. The yield per acre during the current year work out to 758 lbs. as against 719 lbs. of last year showing an increase of 5.4 per cent.

DRILLING EQUIPMENT PARTS

The Government of India has announced that import duty on specified articles and component parts, imported for use in connection with the exploration of mineral oil or gas, will be levied at the concessional rate of ten per cent ad valo-

rem. The list includes drilling bits, core barrels, core bits, turbo drills and bits, drilling speed testers, blow out preventors, formation testers, packers used in oil wells, gas and air compressors, de-sanding units, cementation units, bunkers and ancillary equipment, well-head fittings, oil gas separators, high pressure valves and other allied fittings, de-salting equipment, oil pumping sets, gasoline equipment, swabbing equipment, high pressure flow lines, pressure release and relief valves, bottom hole samplers, bottom hole pressure and temperature recorders, tubings draw works, mud pumps, shale shankers, swivel, hook, rotary tables, crown block and travelling block and derrick.

IRON ORE EXPORTS

The Minerals and Metals Trading Corporation of India exported 4,35,000 tonnes of iron ore in April, 1964 as against 3,39,000 tonnes exported in April , 1963. The April, 1964 shipments of iron ore included 52,000 tonnes from Goa. Exports to Japan aggregated to 2,57,000 tonnes while the remaining 1,78,000 tonnes were exported to Czechoslovakia, Rumania, Yugoslavia and Poland.

EXPORT CLAIMS SETTLEMENT PERIOD REDUCED

Addressing the Southern India Chamber of Commerce in Madras, Dr. S. P. Chhablani, Managing Director of the Export Credit and Guarantee Corporation Ltd., disclosed that the period of settlement of export claims had been reduced by the Corporation to four months instead of six months. He said that underwriting of export risk by the Corporation was the surest way of realising the exporters' claims. Referring to the progress the ECGC had made since its inception in January, 1964, Dr. Chhablani said that it had secured business worth Rs. 8 crores and had lost only Rs. 24,000 by way of defaults.

REFRACTORIES PROJECT

In collaboration with West Germany and the U.K., a Rs. 2.82 crore refractories project will be set up near Ranchi in Bihar. The project envisages the manufacture of 32,000 tonnes of refractories a year from locally available raw materials. The Bihar Government will underwrite shares to the tune of Rs. 10 lakhs.

EXPORTS OF PHARMACEUTICALS

According to Mr. R. N. Thakkar, the leader of the Trade Delegation sponsored by the Basic Chemicals, Pharmaceuticals and Soaps Export Promotion Council of Bombay, there is a good scope for the export of India's drugs, pharmaceuticals, dyes, alcohols, insecticides, chemicals and cosmetics to Uganda, Kenya, Ethiopia, Sudan, Kuwait and Aden. He, however, stressed the need for conducting occasional studies of the market conditions in these countries as well as the need for better packaging and the removal of disparities in shipping freights. According to the Secretary of the Delegation, Mr. P. K. K. Vydiar, the Delegation itself booked orders worth Rs. 2 lakhs of which 50 per cent were for chemicals. Orders for toilets and cosmetics were of the order of Rs. 75,000.

TEXTILE MACHINERY IMPORTS

In order to enable the units in the textile industry to submit their applications for the import of permissible items of textile machinery from Italy, along with performa, invoices etc., the Textile Commissioner has extended the last date for the receipt of applications to May 31, 1964.

POZNAN FAIR

The 33rd Poznan International Fair in Poland will open on June 7 and close on June 21, 1964. The fair area this year will be larger, covering 1,04,000 sq. metres. The largest exhibitor will be Poland which is giving special attention to the exhibition of heavy industrial goods. In all, 57 countries will be represented in the fair including 25 countries of Europe, 11 of Africa, 10 of America, 8 of Asia and 3 countries of Australia and Oceania. The list of exhibitors contains 191 firms of West Germany representing almost all branches of industry, 72 firms of Austria, 81 of U.K., 44 of Yugoslavia, 20 of Hungary, 20 of the G.D.R., 18 of the U.S.S.R. and 14 of Czechoslovakia. India is also participating in the fair.

The forthcoming fair is expected to carry a display of the following types of items: complete industrial plants and equipment for light and heavy industries in such fields as mining and industrial automation; electronic equipment including calculating machines and measuring instruments and apparatus; mining and smelting machinery, automatically steered machine-tools, outfitting equipment for ships, building and public works machinery, rolling stock, aircrafts, motorcars and agricultural machinery. The fair Authority has also set up a special office for the dissemination of technical information. The office will have at its disposal a selected team of experts who will organise lectures and symposia in which international experts representing particular technical branches will participate.

IMPORTS FROM IRAN

The Union Government will grant, during April-September, 1964 period, ad hoc licences for imports from Iran to eligible established importers who have to their credit past imports in the prescribed basic period. The licences will be issued with the monetary ceiling fixed for each item. The necessary applications for licences will be received by the Import Trade Control authorities at Bombay and Delhi upto May 21, 1964. The licences will be valid upto September 30, and will have to be returned by October 15. The basic period is 1951-52 to 1961-62 in the case of imports of dates, red oxide, medicinal herbs and crude drugs, dyeing and tanning substances all sorts n.o.s. excluding wattle extracts and the articles specified in S.N. 5, Part five; wattle extract, wattle bark, bark for tanning excluding wattle bark; gums, resins and lac all sorts n.o.s. excluding olibanum and frankincense, and it will be 1951-52 to 1960-61 in the case of dry fruits and asafoetida. Licences will be valid for imports from Iran either by sailing vessels or land route. Raisins of Iranian origin will also be allowed to be imported by steamships from Iranian ports. Such imports will be on c.i.f. basis. (n.o.s. stands for "not otherwise specified").

CZECHOSLOVAK CREDIT FOR INDIA

An agreement providing for Czech credit, equivalent to Rs. 40 crores, to India was signed in Prague on May 11, 1964. The projects that will be helped by the new credit include the expansion of boiler plant at Tiruchirapalli and the Heavy Electricals Plant at Hyderabad, the creation of additional foundry and forge facilities in some of the existing foundries, two new machine tool plants, one tractor and power tiller factory and one 220 MW power plant. Components worth Rs. 14 crores will also be imported under this credit arrangement. The loan will be repid (with 2.5 per cent interest) in rupees which will be utilised for the export of Indian goods to Czechoslovakia. The repayment period will be 12 years in respect of projects and 8 years in respect of imported components.

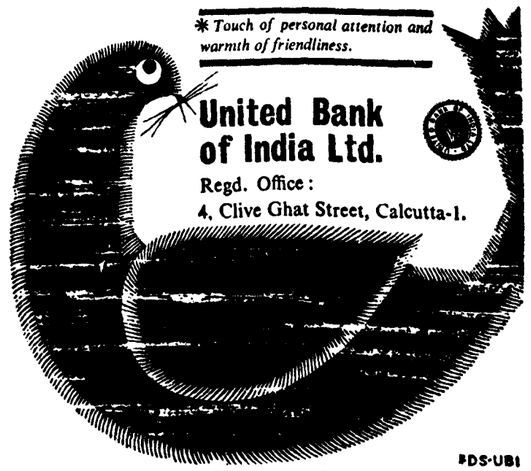
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Company Affairs

JAY SHREE TEA AND INDUSTRIES

JAY SHREE TEA and Industries Ltd., has reported satisfactory working results during the year ended December 31, 1963. A remarkable improvement in sales was recorded during the year; it almost doubled from Rs. 4.09 crores in 1962 to Rs. 8.08 crores in 1963. The spectacular rise in sales was, however, not followed by a corresponding rise in gross profit which increased marginally by about Rs. 2.6 lakhs to Rs. 65.4 lakhs. Net profit was a shade lower at Rs. 18.1 lakhs as compared with Rs. 18.5 lakhs in the previous year. The directors have, however, decided to maintain the dividend at 12.5 per cent.

Substantial exports to the U.S.S.R. and U.A.R. and higher production accounted for the rise in sales. It is worth mentioning here that the Tea Gift Caddy exhibited by the company in the Autumn Fair had the unique distinction of winning the Leipzig Fair International Gold Medal for finest Indian Black Tea. The Government of India had approved the company's purchase of three estates in Cachar, having an area of 2,050 hectares under tea cultivation. One more tea estate in Kerala, with about 270 hectares under tea, was acquired by the company towards the close of 1963.

There was some improvement in the working of Jay Shree Plywoods during the year under review but due to shortages of timber and skilled workmen, coupled with keen competition in decorative plywood markets, the factory is currently not working at full capacity. Conditions are expected to improve in the course of the current year. The off-take of products from Jay Shree Chemicals and Fertilisers was better during the year and further progress is expected in this year.

The company has received industrial licences for two plywood units, one in Andaman and Nicobar Islands and the other at Bastar in Madhya Pradesh. The work on the Andaman unit has started and the unit is expected to commence production by the beginning of 1965. Investigations are in progress for the other unit. It has also obtained an industrial licence for the manufacture of 8,250 tons of alum per annum at its chemical plant at Khardah. Steps are being taken to implement the scheme. The company has, however, dropped the proposal to set up a hard board unit in Madhya Pradesh.

The capital of the company was increased during the year by issuing 2,18,666 Bonus Equity Shares of Rs. 10 each and Preference Capital by Rs. 24.80 lakhs, by issuing 24,800 'B' Redeemable Cumulative Preference Shares of Rs. 100 each. The preference issue to the public was oversubscribed. The company has obtained permission to issue 2,91,558 Right Equity shares at the reduced premium of Re. 1 per share (as against Rs. 3.50). The directors have not taken a final decision about this issue.

Appropriations included Rs. 23.24 lakhs for depreciation (Rs. 17.30 lakhs), Rs. 1.55 lakhs for development rebate reserve (Rs. 3.25 lakhs), Rs. 3.68 lakhs for managing agents' commission (Rs. 3.89 lakhs), Rs. 5.87 lakhs for general reserve (Rs. 5.00 lakhs) and Rs. 21.50 lakhs (Rs. 22.50 lakhs) as provision for taxation.

INDIAN TOOL MANUFACTURERS LTD.

The Indian Tool Manufacturers Ltd., will be entering the capital market on May 18 by offering for public subscription 15,000 Redeemable Cumulative Preference shares of Rs. 100 each, carrying a fixed return of 9.3 per cent (taxable) per annum. The shares are redeemable at par at the end of 12 years from the date of allotment. The subscription list will close on May 26 or earlier but not before May 20.

The company has an authorised capital of Rs. 75 lakhs and subscribed and paid-up capital of Rs. 25 lakhs. The present issue is for Rs. 15 lakhs. Messrs. Navalchand T. Shah & Co., Rasiklal Maneklal & Co., Chimanlal J. Dalal & Co., Kantilal Purtapshi, Narottam B. Javeri, Dhirajlal Maganlal Purshottamdas, and Harkisondas Lukhmidass, who are also Brokers to this issue, have agreed to underwrite the issue.

The company, which was set up at Bombay in 1937, is currently manufacturing a wide range of products such as Twist Drills, Reamers, Cutters, Taps, Tool Bits, Micrometers, Cemented Carbides and Carbide Tipped Tools. The capacity was first expanded in 1956 and is presently undergoing another substantial expansion. The company's products will find a ready market because of the rising demand for machine tools in the coming years.

PHILIPS

Despite serious shortages of raw materials, power and foreign exchange, Philips India Ltd., has reported all-round progress during the year ended December 31, 1963. Sales for the first time crossed the Rs. 10 crore mark and stood at the record figure of Rs. 10.63 crores, bettering the previous year's performance by as high a margin as Rs 178.37 lakhs (a rise of about 20 per cent). The high standards maintained by the company's products combined with the intensive sales promotion campaign pursued by the selling and service organisations have made this increase in sales a reality. Gross profits too have shown an appreciable rise, increasing from Rs. 1.20 crores in 1962 to Rs. 1.66 crores in 1963. The adjusted profits as a percentage of total capital employed showed a significant improvement from 18.41 to 20.18 while the net earnings as a percentage of net worth shot up from 11.17 to 14.53.

The year under review witnessed the stepping up of production of light products in the company's factories in Bombay and Calcutta. While the factory in Bombay manufactured a large number of lamps, fluorescent lamp starters and burners for gaseous discharge lamps, the unit in Calcutta successfully implemented its production programme for fluorescent lamp fittings and various accessories. The installation of a new capping mill at the unit in Bombay, besides increasing the efficiency at the finishing stage, had also succeeded in speeding up the manufacture of lamps.

The expansion plan to produce tungsten and molybdenum wire had reached the final stage and it is expected that tungsten coil will be made available in the course of the current year. Land had been acquired at Kalwa in Bombay and the company intends to manufacture here different types of lamps and their components and various other products.

Production of radio sets and components recorded an appreciable increase during the year under review. Apart from the existing range of components, the manufacture of miniature electrolytic condensers was also started. This marks an important step forward in the development of miniature components which are so vital for the growth of the transistor technique in the radio industry. A limited number of radio sets and components were exported during the year, earning valuable foreign exchange for the country.

Continuous efforts are being made to reduce the requirements of maintenance imports by stepping up the indigenous content of the products. A graph, published in the Report, shows how the imported cost per product is being reduced year after year. Whereas in 1957 it stood at about 39 per cent, in 1963 this was reduced drastically by two thirds to 12 per cent.

Of the other manufacturing projects taken in hand by the company, mention needs to be made of the new unit which was opened in Bombay to produce electronic measuring instruments and other industrial and scientific apparatus. It has already succeeded in turning out a number of electronic measuring instruments during the year. The company has also received an industrial licence to manufacture wireless communication apparatus known as "Trans-receivers" at the factory in Calcutta for meeting defence requirements.

To implement the expansion programmes, the company is making use of the existing arrangements for foreign loans to finance the imports of capital goods. Consent was received from the Government in 1962 to issue new equity shares to the tune of Rs. 16.66 lakhs. The proposal is being examined and the directors hope to place before the shareholders a scheme in this respect in due course.

Appropriations included Rs. 25.22 lakhs for depreciation (Rs. 20.96 lakhs), Rs. 11.04 lakhs (nil) for general reserve, Rs. 5.50 lakhs for development rebate reserve (Rs. 6.15 lakhs) and Rs. 117 lakhs (Rs. 85.5 lakhs) for taxation.

MAHINDRA AND MAHINDRA

The central theme of Mr. Keshub Mahindra's address to the shareholders of Mahindra and Mahindra Ltd., at the annual general meeting was the historical growth of the company—from its infancy to its present gigantic stature—during the last 18 years. Within this brief period the company enhanced remarkably the scope and range of its manufacturing activities.

Machinery Manufacturers Corporation, the first venture with public participation, was formed with the object of manufacturing carding engines for the textile industry and it still continues to enjoy the proud privilege of being the largest producer of carding engines in the country. The Automobile Division, which forms the principal activity of the company, now has an installed capacity to manufacture 10,000 jeeps per year. The dependence on imports for components is fast diminishing and with matching progress in the field of ancillary production, it is anticipated that an indigenous content of 90 per cent will soon be achieved. New factories are under construction at Kandivli and these units are expected to be ready by early 1965.

In collaboration with reputed firms in the U.S.A., the U.K., France and Germany, the company is producing a wide variety of products. For instance, in association with famous firms in the U.K., the company is manufacturing a large number of products such as trailers, sintered products, air-cooled diesel engines, water meters, and instruments, while in partnership with a German firm, it is producing a good number of items like synthetic resins, enamels and varnishes.

The company continues to extend its activities to new lines of manufacture. A new company has been recently floated in association with a leading French firm for the manufacture of alloy steels while a unit has been set up in collaboration with an American company to produce elevators. A big project which has currently been taken in hand is for the manufacture of tractors. The factory is presently under construction. Consent has been received from the Controller of Capital issues and shares will be offered to the public in the course of the current year.

The performance of the company is encouraging from every angle. Practically every unit in the group is in the process of expansion and more ambitious targets have been fixed for the future. Production of jeeps is currently running at the average rate of 900 vehicles per month and deliveries are also keeping pace with production. The steel division has maintained its rate of booking and the machine tool division expects a considerable volume of business during the current year. All in all, the company's record for the past 18 years has been one of sustained growth and rapid expansion. It goes to the credit of the late Mr J. C. Mahindra that he built up such a sound and stable organisation which has a built-in capacity for expansion and growth.

COROMANDEL FERTILISERS

Coromandel Fertilisers Ltd. approached the capital market on May 11 with a public issue of Rs. 3.95 crores. The subscription list will close on May 22 or earlier but not before May 14. The authorised capital of the company is Rs. 8.50 crores. The present issue is for Rs. 8.48 crores. Out of the present issue, California Chemical Company, U.S.A., International Minerals & Chemical Corporation, U.S.A., and E.I.D. - Parry Ltd. have been allotted shares worth Rs. 1.16 crores for consideration other than cash. They have also agreed to subscribe capital worth Rs. 3.37 crores. The balance of Rs. 3.95 crores is now offered for public subscription for cash at par. The entire public issue has been underwritten.

The company proposes to set up a new industrial undertaking for the production of complex fertilizers and urea with a capacity for producing ammonium phosphate of various grades equivalent to 365,000 tonnes per year "in terms of 20-20-0" and 16,500 tonnes of prilled urea per annum. The factory is to be located at Visakhapatnam which is considered as an ideal site for the fertiliser factory. Apart from the harbour facility for the import of raw materials, plant and equipment, naphtha, the main indigenous raw material to be used will also be available in plenty from the nearby refinery of Caltex Oil Refining (India) Ltd. The plant is expected to commence production during the last quarter of 1966.

The capital outlay is estimated at Rs. 32.47 crores and it is to be met by share capital (Rs. 8.49 crores), loans from Export Import Bank and A.I.D. (Rs. 21.24 crores) and Rs. 2.74 crores as overdrafts from banks.

RAYMOND WOOLLEN

Better working results have been reported by Raymond Woollen Mills Ltd., during the year 1963. Sales recorded a spectacular improvement from Rs. 375.54 lakhs in 1962 to Rs. 510.61 lakhs in 1963, an increase of 35.9 per cent as compared with a modest rise of 17.27 per cent in the previous year. The big rise in turnover was largely due to sales against heavy defence orders which accounted for Rs. 2.38 crores as compared with only Rs. 36 lakhs in 1962. Sales to the civilian market were however curtailed by about 40 per cent on account of the cut in the import of raw materials. But exports increased from Rs. 15.19 lakhs to Rs. 26.77 lakhs. Pre-tax profits recorded an appreciable rise, increasing from Rs. 50.44 lakhs to Rs. 60.86 lakhs. The company also made satisfactory progress in developing business in nylon hosiery articles such as stock, ready-made garments etc.

The modernisation schemes which are under active consideration include the setting up of a wool combing division in collaboration with Sir James Hill and Sons Ltd., U.K. It also proposes to undertake the complete modernisation of its worsted spinning section in replacement of the existing looms.

Allocations included Rs. 4.65 lakhs for managing agents' remuneration (Rs. 4.02 lakhs), Rs. 9.70 lakhs for depreciation (Rs. 6.41 lakhs), Rs. 1.80 lakhs for development reserve (Rs. 95,000), Rs. 2.50 lakhs (nil) for deferred taxation reserve, Rs. 11.80 lakhs for general reserve No. 2 (Rs. 10 lakhs) and Rs. 34.50 lakhs (Rs. 30.30 lakhs) as provision for taxation.

DUNLOP : RIGHTS ISSUE

The directors of the Dunlop Rubber Co. (India) Ltd., have decided to apply to the Government of India for consent to issue 5 lakhs of ordinary shares of Rs. 10 each at a premium not exceeding Rs. 10 per share. The new shares will be offered to the existing shareholders in the ratio of one share for every three held. The additional capital raised will be used for the expansion of the company's existing works.

CAPITAL ISSUES

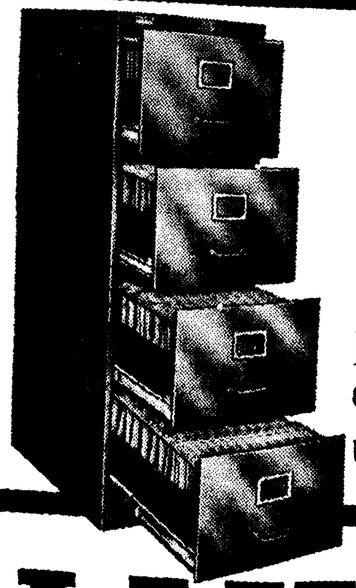
Three companies have been authorised to raise further capital amounting to Rs. 74 lakhs. Of these one company is issuing bonus shares and the rest are issuing equity plus cumulative redeemable preference shares on rights basis.

The consent of the Controller of Capital Issues in all cases is valid for 12 months.

Escorts Limited, Delhi, a public limited company, will issue further capital of Rs. 22,40,000 divided into 2,24,000 equity shares of Rs. 10 each, as bonus shares on capitalisation of its share premium account to a like extent. The consent is subject to, inter alia, the condition that the bonus shares will be issued after the equity shares have been called and paid-up in full in the ratio of one bonus share for every five equity shares held, to all the equity shareholders of the company.

Mysore Kirloskar Limited, Harihar (Mysore State) is to issue a further capital of Rs. 30 lakhs, divided into 15,000 equity shares of Rs. 100 each and 15,000 redeemable cumulative preference shares of Rs. 100 each carrying a dividend not exceeding 9.5 per cent per annum, to be issued on rights basis. The proceeds of the issue will be utilised for financing substantial expansion of the company's foundry capacity.

The General Industrial Society Limited, Calcutta, a public limited company engaged in the manufacture of jute goods etc., is issuing further capital of Rs. 21.60 lakhs divided into equity shares of Rs. 10 each, for cash at par, to the existing shareholders as rights in the ratio of one new share for every two shares held. The proceeds of the issue will be utilised for partly meeting cost of a factory to be established in Mirzapur district for the manufacture of aluminium foils.



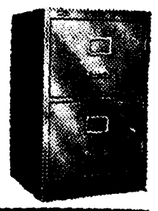
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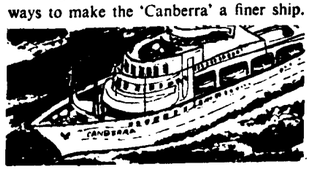
The requirement: a microscope capable of magnification well over a million times. AEI's answer for the National Metallurgical Laboratory, Jamshedpur: the EM6. An electron microscope capable of direct magnification up to 120,000 times, the image it produces can be enlarged by photography well over a million times. The EM6 is being used to observe minute disorders in the arrangement of the atoms in a metal, an invaluable aid to metallurgists in their search for the Why and How of metal and alloy fatigue. Another highly sophisticated AEI instrument, the MS-3 Mass Spectrometer, is installed in the research laboratories of The Indian Association for The Cultivation of Science at Calcutta. It is used in the chemical and isotopic analysis of gases and volatile liquids; this institution is also equipped with AEI's RAYMAX-60 Diffraction Apparatus, used for quick accurate analyses of specimens. Precision AEI instruments like these are serving science, the world over.

720 mile journey for oil

Three million tons of crude oil a year will soon be piped from the jungles of Assam to the refineries being built at Noonmati and Barauni. As a result, production of crude oil in Assam is expected to increase six times to three million tons per annum. The 720 mile pipeline makes 78 river crossings as it cuts through jungles, swamps and paddy fields. Radio signals giving temperatures, pressures and rates of flow along the pipeline will be received at a central headquarters. It will switch on by remote control the electrical motors operating valves and engine controls. Two independent communications systems will ensure absolute reliability. AEI is supplying part of it—a multi-channel carrier system and voice frequency telegraph equipment.

Ship to capture public imagination

'Canberra', the P.&O. Orient Lines' 45,000 ton passenger liner, is the newest and brightest addition to a proud fleet. Revolutionary in design, electricity has helped in many ways to make the 'Canberra' a finer ship.



Two of the world's largest marine propulsion motors, 42,500 shaft h.p. each, give her a swift, quiet 27½ knots. Electric drive allows the synchronising of propellers, so reducing vibration. AEI has supplied this equipment and also the auxiliary turbine generators for the ship's power supply system, more than 90 miles of cable, and the turbine-compressors used in the air conditioning plant.

Imagine 7,000 horses in Bombay's docks

Last year, nearly three thousand ships entered Bombay docks to load and unload over 117 lakh tons of cargo. Without the cranes that swing these vast amounts of merchandise between wharves and ships, by day and night, the docks would come to a standstill. The cranes must be completely dependable. And that largely depends on the quality of their electrical equipment. As dock traffic increases, so new cranes must be installed. Seventy-two have been commissioned; they are equipped with AEI motors and control-



gear totalling 5,868 h.p. AEI will soon provide yet another eighteen sets of motors (totalling 1,314 h.p.) and controlgear for new cranes in Bombay's Alexandra Docks.

40 years is a responsible age

In India, AEI's activities date back about forty years and include association on the steel works at Durgapur, the important heavy electrical project at Bhopal and the Bhakra dam project. AEI has been man-



facturing electrical equipment in India for over twenty years and a wide range of products is now serving industry and the home.

We don't usually indulge in name-dropping, but...

In our case it's justified. AEI is no newcomer. Its origins go back *more than sixty years.* Today, Associated Electrical Industries Limited embraces such famous names as British Thomson-Houston, Metropolitan Vickers, Siemens Edison Swan, Henley's, Ferguson Pailin, Birlec and Hotpoint. Worldwide, AEI operates 60 factories and employs 100,000 people. It produces everything electrical from lilliputian transistors to the world's biggest turbine generators.

Principal products worldwide

Steam and gas turbines and generators • Hydro-electric generators • Marine propulsion equipment • Electric drives for rolling mills and mine winders • Electric furnaces • Traction and railway signalling equipment • Transformers and switchgear • Power and telephone cables • Motors and their control gear • Electronic apparatus and radar equipment • Particle accelerators, electron microscopes and mass spectrometers • Industrial controls, instruments and meters • Semiconductor devices and power rectifiers • Private and public telephone exchanges and other telecommunication equipment • Lamps and lighting fittings • Heating equipment • Electro-medical apparatus • Nuclear power station equipment • Domestic appliances.

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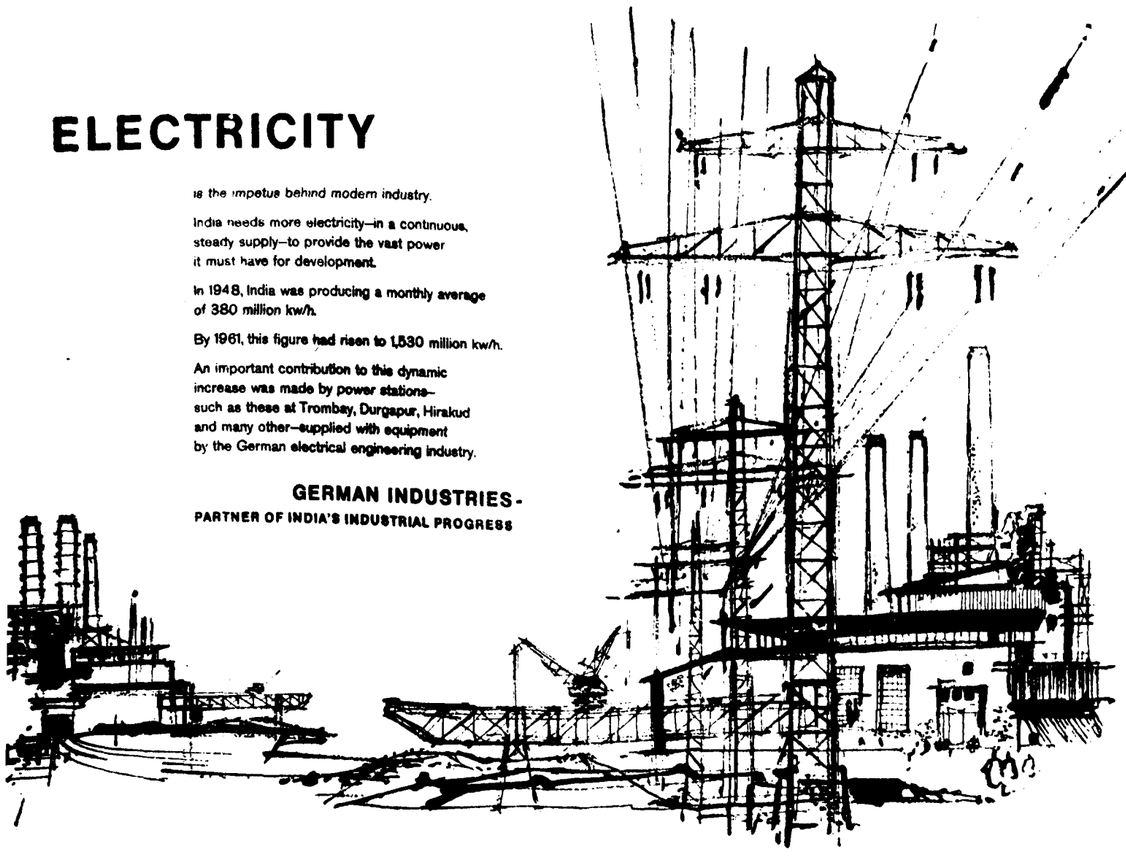
is the impetus behind modern industry.

India needs more electricity—in a continuous, steady supply—to provide the vast power it must have for development.

In 1948, India was producing a monthly average of 380 million kw/h.

By 1961, this figure had risen to 1,530 million kw/h.

An important contribution to this dynamic increase was made by power stations—such as these at Trombay, Durgapur, Hirakud and many other—supplied with equipment by the German electrical engineering industry.



GERMAN INDUSTRIES

PARTNER OF INDIA'S INDUSTRIAL PROGRESS

BOOKS BRIEFLY

The Controlled Economies

Economic Trends in the Soviet Union: By Abram Bergson and Simon Kuznets, (Editors) Harvard University Press, Cambridge, Mass, 1963; Price $9.75.

Communist Economy Under Change: By Margaret Miller, Ljubo Sirc and Tersa Mania Piotrowicz; Andre Deutsch, London; Price 25s.

Reviewed by B. M. BHATIA

STARTING ALMOST at the bottom among the European nations in 1928, the Soviet Union, with the help of her five-year plans, had taken long strides in the development of her economy before World War II. Her net national product (in rouble prices of 1937) had risen from 137.2 billion in 1928 to 248 billion in 1940—an increase of 81 per cent in 13 years or an average annual increase of 6.2 per cent. The largest contribution to this increase in national income was made by industrial production which rose (in 1937 prices) from 26.3 billion roubles in 1923 to 93.1 billion roubles in 1940. In the industrial sector the emphasis was largely on the heavy industry. To the Soviet economists and administrators, the establishment of heavy industry was the 'sine qua non' of economic progress. Russia built up, therefore, during the first three plans period, an impressive capital structure. The capital stock of the country employed in manufacturing industry rose from 28.6 billion roubles in 1928 to 130 billion roubles in 1940 (in terms of 1937 prices).

Decline in Living Standard

But with all this seeming progress, the standard of living of the people instead of showing improvement suffered a decline. The index of per capita consumption (1937 : 100) fell from 103 in 1928 to 96 in 1940. This excludes "consumption" of communal services. If that is taken into consideration, we find a slight improvement in consumption, the index rising from 91 in 1928 to 96 in 1940.

Two factors mainly contributed to this result. The first was the failure of agricultural output to increase rapidly despite collectivization and mechanization. The index of gross agricultural output, both crops and livestock, rose (1913 : 100) from 124 in 1928 to 141 in 1940. Taking livestock separately, instead of increase there was a decline in the output, the index falling from 137 in 1928 to 114 in 1940. With the increasing incomes and employment in the industrial sector and stationary or even declining food production it was natural that the country should suffer shortages and rise in prices in food stuffs. Secondly, the Soviet planners in their zeal for rapid industrialization concentrated mainly on the development of heavy industry almost to the neglect of consumer goods industry. Thus while there was some improvement in the output per capita of cotton fabrics, the per capita output rising from 17.7 metres in 1928 to 20.3 metres in 1940, the output of woollen fabrics remained stationary at 0.6 metre per capita while that of shoes, soap, linen fabrics and cigarettes declined. Similarly there was an acute shortage of urban houses, the availability of urban housing space per capita declining from 5.8 square metres in 1928 to 4.5 square metres in 1940. With a view to building a strong industrial base and ultimately raising the living standards, Russian leaders forced a life of austerity on the Russian people before 1940.

These trends in her economic development were interrupted by the War. Russian territory was the battle ground in the war between Soviet Russia and Nazi Germany; the loss of men and material suffered by Russia during the war was colossal. However the victory helped her to acquire political power and prestige which was unprecedented in her history. Not only Russia emerged as the second largest political and military power in the world but she also assumed the leadership of East European countries which had been liberated by her from the Nazi yoke. This provided a new ground for experimentation in the theory and practice of economic development through planning; the East European countries adopted Russian pattern of planning for development of their economies.

The Soviet Union itself faced enormous economic difficulties at the end of the war. The war had caused great destruction and brought privations to her people. Her immediate concern was to rehabilitate the national economy rather than work for a more rapid rate of economic development. Even this task was accomplished quickly and by 1950 not only the national product (in 1937 prices) had moved up to 248 billion roubles from 204.5 billions in 1940 but the industrial capital which had fallen to 111 billion roubles in 1945 (as compared with 130 billions at the beginning of the war) rose to 191 billion roubles. As against a fall of 3.8 per cent per annum in 1940-45, industrial production rose by 9.2 per cent per annum in the five years following the end of the war. The rate of growth after 1950 was even more impressive. According to official Soviet Statistics, the national income in 1950-61 increased at the rate of 10 per cent per annum. During the same period industrial production increased at the rate of 11.5 per cent while agricultural production rose by 4.8 per cent only.

Difficulties in Agriculture

Over the last five years, however, Russia has been facing difficulties in the agricultural field and apart from creating scarcities and raising prices, this had led to slowing down the pace of her economic development. Thus in the period 1950-58 national income rose at the annual rate of 10.9 per cent but during 1958-61 this rate came down to 7.6 per cent. The factor that principally contributed to this decline was the fall in agricultural production from an annual rate of increase of 5.8 per cent in 1950-58 to 1.9 per cent in 1958-61. This had a disastrous effect on the country's food supply. In the current year, Soviet Russia is faced with an estimated shortage of 30 million tons in foodgrains with the result that she has been obliged to make large purchases of foodgrains abroad and pay for these by exporting gold.

This impressive story of the growth of the Soviet economy forms the subject matter of "Economic Trends in the Soviet Union". The book represents the collective effort of eight research workers in the United States of America in studying various facets of the Soviet economy. The study was sponsored by the Committee on Economic Growth of the Social Science Research Council under whose auspices a Conference was held at Princeton, New Jersey, on May 6-8, 1961. The present volume brings together the papers read

and discussed at that conference. Among the more important contributions are those of Abram Bergson (National Income), Norman M Kaplan (Capital Stock), Powell (Industrial Production), D. Gale Johnson (Agricultural Production) and Simon Kuznets (A Comparative Appraisal). The last contribution is of particular interest to the student of economic development for it compares Russian experience with that of other countries in matters of over-all rates of growth, changes in industrial structure resulting from economic development, rate of capital formation, consumption expenditures and foreign trade proportions. The book is an authoritative reference work on the growth of the Soviet economy and is a welcome addition to the growing literature on the subject.

An Exercise in Polemics

The second book, "Communist Economy Under Change", is an exercise in polemics. The central theme of the book which consists of four independent studies in "the theory and practice of markets and competition in Russia, Poland and Yugoslavia" is that socialist planning is economically inefficient and administratively impracticable; that market forces of demand and supply assert themselves as much in the socialist as in the capitalist countries; and that the market functions of adjustment of demand and supply in the case of individual commodities and services and allocation of resources to various lines of production are better performed by what Adam Smith called the "invisible hand" than by regulation and control from an organ of the State. All these conclusions are sought to be established by reference to the experience of three socialist countries, viz., Soviet Russia, Yugoslavia and Poland.

In the first essay on Markets in Russia we are informed by Dr. Miller that "the current debate about planning methods clearly indicates the growing recognition within the Soviet Union that methods applicable to the earlier stages of industrialization when the 'laws' of economics were swept aside by the politically inspired decision to industrialize as quickly as possible at any cost, are no longer suitable for an economy that has become more mature and vastly more complex than it was 30 years ago" (p. 21). True but in establishing her case against centralized planning, Dr. Miller unconsciously concedes that Russia achieved spectacular results in economic development within a comparatively short period of time under her five-year plans. In his zeal to prove his point Ljubo Sirc makes the following astounding statement about growth in the Yugoslav economy in the period 1947-58. "... however, capitalists had had a free hand in Yugoslavia they would have achieved the same growth rate as the Communists by increasing investment by about 60 instead of 480 per cent." (p. 192). This calculation is based on a table on p. 190 that gives the rates of saving, growth of national income and capital coefficient in the Yugoslav economy. According to this table the capital coefficient (K) was 1.7 per cent in 1923-39 and 4.9 per cent in 1947-58. It is, however, forgotten that Yugoslavia was an agricultural country before the war and therefore capital output ratio, as is usual with a peasant economy, was low in that country all that time. After the war Yugoslavia had to build up an industrial base and set up heavy industry in which the gestation period as compared with light consumer goods industry, is long. The fact that Yugoslavia has suffered shortage of consumer goods, as a result of concentration of effort in the initial stages of her economic development, does not validate the conclusion that "Communist economies are not only incapable of transforming high investment and growth rate into high consumption; they cannot discover (as market economy does) what the real wishes and needs of the people are" (p. 193). This is too sweeping a generalization which in the face of Russian example even Western economists will find hard to digest. The book is full of similar statements which make it a highly tendentious piece of writing.

However planners and students of economic development in all countries will find much of interest to them in the book. The weaknesses of centralized planning and the problems that the planners are likely to face in under-developed countries in the initial stages of economic development are brought out clearly in the first three essays of the book. India has adopted democratic planning as a means for economic development. This is an experiment in a new system of planning, which is being watched with interest all over the world. Does it provide an effective alternative to socialist planning that has been adopted by Soviet Russia and by the countries of Eastern Europe? Is it possible to achieve comparable rates of growth under democratic planning? Can we, within the frame work of democracy, keep down the levels of consumption and raise the rates of savings and investments? These are some of the questions which planners in India must be able to answer in the affirmative if they wish to establish the superiority of democratic system of planning over the pattern of planning, adopted by the socialist countries. As things stand at present, while we have failed to secure comparable rates of growth with socialist countries, we are facing almost identical problems that the planners in the socialist countries have faced—failure on the agricultural front, shortage of consumer goods, rise in prices and failure of the consumer to benefit from large investments made under the plans. Is it not a case of having worst of both the worlds?

READERS' ROUNDTABLE

Santhanam Committee Report

Dear Sir,

The Santhanam Committee Report on corruption is not available for sale to the public. It is said that barely 500 copies were printed, thus laying the Government open to the charge that it did not wish this report, which has many unpleasant things to say about the Administration and Ministers, to be readily available to the public. This is not the first time that the public is faced with a similar problem of obtaining important Government documents.

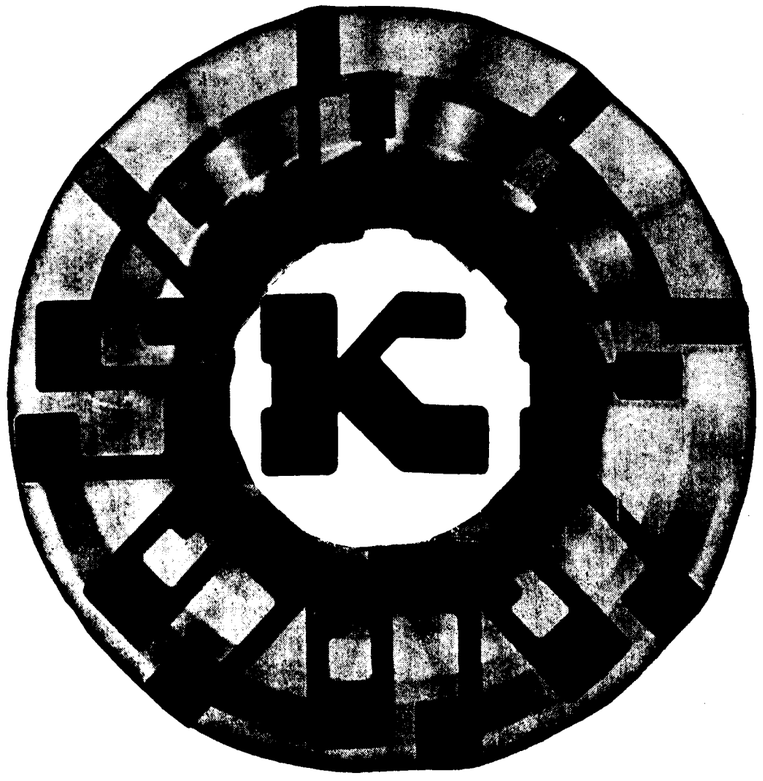
On the other hand, the working of the Publications Division, "a Government Agency for the production, distribution and sale of pamphlets, books and journals, dealing with matters of national importance with a view to provide to the general public, at home and abroad, authentic information about the country," provides a study in contrast. Expenditure on this agency (exclusive of printing, etc.) amounted to Rs. 29.24 lakhs in 1962-63 On 17 journals which it published in 1962-63, losses amounted to Rs. 4.83 lakhs. Advertisement revenue declined from Rs. 1,82,170 in 1961-62 to Rs. 1,57,542 in 1962-63.

On 16 of these journals, the cost of production amounted to Rs. 9,99,681 while the sales and advertisement revenues were only Rs. 5,20,272. Of about 14½ lakhs copies printed, only about 8½ lakhs were sold, and about 5½ lakhs were distributed free, about 43,000 being balance on hand.

The recent report of the Comptroller and Auditor-General, which gives these figures, also points out that of 122 publications printed prior to April 1, 1960, more than 30 to 98 per cent of copies valued at Rs. 10 lakhs were still in stock.

In view of the heavy burden of taxation imposed on the country, and the growing demand for utmost economy in Government expenditure, is it not high time that these wasteful activities of the Publications Division were reviewed? Let the Government easily make available to the public reports it needs, and curtail output of unsaleable journals and publications.

Bombay. M. R. PAL



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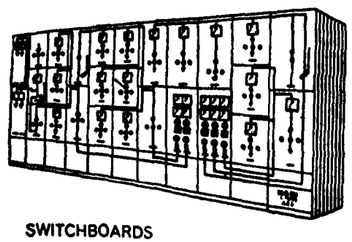
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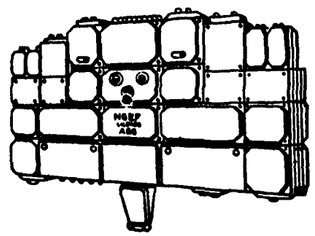
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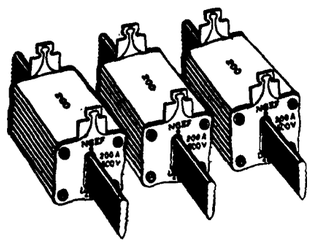
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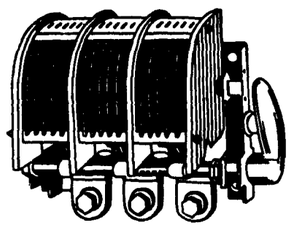
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NOTICE

BHARAT COMMERCE AND INDUSTRIES LIMITED

NOTICE is hereby given that the Eighteenth Annual General Meeting of BHARAT COMMERCE AND INDUSTRIES LIMITED, will be held at 15, India Exchange Place, (4th floor) Calcutta-1 on Monday, the 15th day of June, 1964, at 4 P.M. to transact the following business —

ORDINARY BUSINESS :

(1) To receive and, if approved, adopt the Report of the Board of Directors and of the Auditors, the Audited Balance Sheet as at 31st December, 1963 and the Profit and Loss Account for the year ended on that date.

(2) To appoint a Director in place of Shri S. M. Dahanukar who retires and being eligible offers himself for re-appointment.

(3) To appoint a Director in place of Shri A. V. Birla, who retires and being eligible offers himself for re-appointment.

(4) To declare dividends on Preference and Ordinary shares.

(5) To appoint Auditors for the current year and fix their remuneration.

SPECIAL BUSINESS :

To consider and if thought fit to pass with or without modification the following resolutions as —

ORDINARY RESOLUTIONS —

(A) RESOLVED that the company doth hereby approve of the appointment and/or re-appointment of the undernoted parties as Sole Selling Agents of the company for sale of staple fibre yarn produced by the company for a period of five years each, commencing from the dates and on terms and conditions as mentioned in the respective agreements placed on table and initialled by the Chairman for the purpose of identification :—

(a) **For re-appointment —**

(1) M/s. Balabux Birla & Co., Ludhiana.

(2) „ M. Satyanarayan, Bombay.

(b) **For appointment —**

(1) M/s. Laxmankumar Birla & Co., Amritsar.

(B) RESOLVED that, in supersession of the ordinary resolution No. (d) of the Sixteenth Annual General Meeting of the company dt. 22th May, 1962, the Board of Directors be and are hereby authorised to contribute, subscribe and/or to provide for charitable, political and other purposes from time to time any amounts, provided that, the aggregate of which in any one year does not exceed two lacs and fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of sections 349 and 350 during the three financial years immediately preceding, whichever is greater.

SPECIAL RESOLUTION —

RESOLVED that the Memorandum of Association of the company be altered —

(a) by adding a new sub-clause numbered (40) after sub-clause (39) of clause 3 of the Memorandum of Association of the company as follows :

(40) To support, donate, contribute, subscribe, to give and to pay in cash or in kind for any political purpose to any individual or body of individuals and also to contribute, donate and subscribe to any charitable, religious, educational or other public institutions, trusts, funds, clubs, societies or individual or body of individuals and

(b) by re-numbering the existing sub-clauses (40) and (41) as sub-clauses No. (41) and (42) respectively of clause 3 of the Memorandum of Association of the company.

For and on Behalf of the Board,

HARDATTA RAI SUGLA

Managing Director

Registered Office:
9, Parsee Church Street, Calcutta-1.
13th April, 1964

NOTES :

(1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

(2) The Share Transfer Books of the company shall remain closed from the 18th May to 15th June, 1964, both days inclusive.

(3) The dividends when declared in the meeting shall be payable to those shareholders only whose names shall appear in the company's registers as on 15th June, 1964.

(4)) Explanatory statement pursuant to section 173 of the Companies Act, 1956 has been forwarded to the members of the company along with notice of the annual general meeting.

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* Type Metals
* Tin Solders
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* Cupro Manganese
* Aluminium Base Die Casting Alloys
* Brass & Bronze Rods–Solid & Cored
* Finished Castings–rough & machined.

2. HOT ROLLING DIVISION

* Commercial Quality Brass Sheets
* Commercial Quality Copper Sheets
* Brass & Copper Heavy Base Plates
* Copper Anodes

3. COLD ROLLING DIVISION

* Cold Rolled Industrial Quality Brass Sheathings, strips & Coils from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.
* Cold Rolled Industrial Quality Copper Sheathings, strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.

RECORDS AND STATISTICS

Foreign Collaborations

(Approved during January — March 1964)

Name of the Indian firm	Name of the foreign firm	Item of Manufacture
	INDIA — U.S.A.	
M/s. Anil Hardboards Ltd., Lakshmi Insurance Bldg., Sir Pherozeshah Mehta Road, Bombay-1.	Baldwin-Ehret-Hill, SA, Trenton, New Jersey.	Granulated Rockwool (Mineral Wool)
M/s. Anil Harboards Ltd., Lakshmi Insurance Bldg., Sir Pherozeshah Mehta Road, Bombay-1.	M/s. Conversion Development Corporation, St. Paul, Minnesota, U.S.A.	Mineral Fibreboard products.
Bajaj Electricals Ltd., 45-47, Veer Nariman Road, Bombay.	M/s. Westinghouse Electric International Co., Park Avenue, New York-17, U.S.A.	Electrical Instruments
M/s. Bhor Industries Ltd., Sir Vithaldas Chambers, 16, Apollo Street, Bombay-1.	M/s. Standard Tool Co., Leominster, Massachussets, U.S.A.	Plastic Injection Moulding Machines.
The Director of Industries Punjab, Chandigarh.	M/s. Daisy Manufacturing Co., U.S.A.	Rifles and Shots.
The Director of Industries Punjab. Chandigarh.	M/s. Avnet Shaw Co., U.S.A.	Ceramic Precision Casting Units.
The Director of Industries Punjab, Chandigarh.	M/s. Mckay Machine Co., U.S.A.	Seamless Steel Tubes.
The Director of Industries Punjab, Chandigarh.	M/s. Kuljian Corporation, Philadelphia, U.S.A.	Steel Castings.
M/s. Investment Corporation of India Ltd., Ewart House, Bruce Street, Fort, Bombay.	M/s. Pfaulder Permutit Inc., Rochester, New York, U.S.A.	Glass Lined Water Treatment Stainless Steel and Corrosion resistant alloy equipment.
M/s. Kerala Rubber & Reclaims Ltd., c/o Jain Hind Agencies, Willingdon Island, Cochin-3.	M/s. U.S. Rubber Reclaiming Co., Inc., New York.	Reclaimer rubber.
M/s. McNally-Bird Engineering Co. Ltd., Chartered Bank Building, Calcutta-1.	M/s. McNally Pittsburg Manufacturing, Corporation of Pittsburg, Kansas, U.S.A.	Coal washeries.
M/s. Macfarlane & Co. Ltd., Radhanath Chowdhury Road, Calcutta-15.	M/s. Sun Chemicals Corporation, New York (USA).	Paints and varnishes.
M/s. Ragnunand Chemicals Industries Pvt. Ltd., (Sponsors of M/s. Maleic India Pvt. Ltd.), Mustafa Bldgs., Sir P. M. Road, Bombay.	M/s. Scientific Design Co. Inc., U.S.A.	Maleic Anhydride.
M/s. Sundaram-Clayton Ltd., 37, Mount Road, Madras-6.	M/s. Bendix Westinghouse Automotive, Air Brake Co., Delaware, U.S.A.	Compressed Air Brake Equipment.
M/s. Swastik Rubber Products Ltd., Swastik House, Poona-3.	M/s. West Company Phoenixville, Phoenixvilla, U.S.A.	Rubber Closures.
Shri S. N. K. Sundaram, "Kalyan" Tallakulam, P.O. Madurai-2.	Mr. John A. Soissa, U.S.A.	Asphaltic Roofings and Allied Products.
M/s. Steel Plant Pvt. Ltd., Dr. A. Besant Road, Worli, Bombay.	M/s. Westinghouse Electric International Co., U.S.A.	Industrial Blowers.
M/s. Vimar Limited, 9, Barrackpore Trunk Road, Calcutta-2.	M/s. Manhattan Shirt Co., America.	Readymade garments.

FOREIGN COLLABORATIONS (Contd.)

Name of the Indian firm	Name of the Foreign Firm	Item of Manufacture
	INDIA — U.K.	
M/s. Amar Dye-Chem. Ltd., Rang Udyan, Sitladevi Temple Road, Bombay-16.	M/s. Novadel Ltd., London.	Laurcyl Peroxide, Benzoyl Peroxide, etc.
M/s. Asbestos, Magnesia and Friction Materials Ltd., Ghatkopar, Bombay-77.	M/s. Ferodo Limited, Asbestos House, Fountain Street, Manchester England.	Automobile ancillaries (Expert of)
M/s. Bombay Alloy Steel Industries (P) Ltd., 220, Masjid Bunder Road, Bombay-3.	M/s. A. R. Heathcote & Co. Ltd., Bernard Works, Sylvester Gardens, Sheffield-1, England.	Various type of industries knives.
Shri Bahubhai Chagganlal, Shroff Lalsing Bldg. Lohar Chawl, Bombay-2.	International Nickel Co.. U.K	S. G. Iron castings.
M/s. Best & Co., Pvt. Ltd., 13/15, North Beach Road, Madras-1.	M/s. Autolite Motor Products Ltd., U.K. 88, Regent Street, London, U.K.	Alternaters Starter Motors, etc.
M/s. Chemicals & Fibre of India Ltd., ICI House, 34, Chowringhee, Calcutta.	M/s. Imperial Chemical Industries, Ltd., London, U.K.	Dyestuffs and Intermediates.
M/s. C. Comens & Sons Ltd., 103/3, Diamond Harbour Road, Behala, Calcutta-38.	Mining Engineering Co. Ltd, U.K.	Conveyors.
M/s. Emco Electricals Pvt. Ltd., 94, Medows Street, Fort, Bombay.	M/s. Lancasire Dynamo Nevelin Ltd., England.	Rectifiers etc.
M/s. Grauer & Weil (India) Ltd., Janmabhoomi Chambers, 29, Fort Street, Bombay.	M/s. Albright & Willson Ltd., 1, Knightsbridge Green, London, S.W.1.	Various compounded chemicals.
M/s. Gordon Woodroffe & Co. (Madras) Ltd., 1/21, North Beach Road, Madras-1.	M/s. Crawford Collets Ltd., U.K.	Collets and feed fingers for lathes.
The Indian Tube Co. (1953) Ltd., 41, Chowringhee Road, Calcutta-16.	M/s. Metal Trim, U.K. M/s. Stewarts & Lloyds Ltd., U.K.	Cold formed sections.
The Indian Iron & Steel Co. Ltd., Martin Burn House, 12, Mission Row, Calcutta-1.	International Construction Co. Ltd., U.K.	Consultancy service.
M/s. Jost's Engineering Co. Ltd., Great Social Bldg., Sir P. M. Road, Bombay.	M/s. Alfred Bullows and Sons Ltd., U.K.	Spray Painting Equipment.
M/s. Jhunjhunwala Industries (P) Ltd., 59, Apollo Street, Fort, Bombay.	M/s. Reyrolle & Co Ltd., U.K.	Commutator Motors, D.C. Generators etc.
M/s. Kirloskar Brothers Ltd., Kirloskarvadi, Distt. Sangli, Maharashtra State.	M/s. Butler Machine Tools Company Ltd., Mile Thorn, Halifax, Yorkshire, England.	Planing and shaping machines.
M/s. Kanshiram Shital Kumar (P) Ltd. 2/72, Roopnagar, Delhi-6.	M/s. Scott Bader & Co., Ltd., England.	Polyster resins.
M/s. Lightfoot Refrigeration Co. (India) Ltd., Karimjee House, 39, P. M. Road, Bombay-1.	M/s. Jackstone Froster Ltd., 1, Hutton Road, Grimsby, England.	Frosters.
Marshall Sons & Co., (Mfg.) Pvt. Ltd., 9, Second Line Beach, Madras-1.	M/s. Blaw Knox Ltd., Thorn House, Upper Street, Martin's Lane, London.	Paver Finishers.
M/s. Ram Labhaya Arora & Sons, 164/4, Harrison Road, Calcutta-7.	M/s. Johnson Mathey and Co. Ltd., London, U.K.	Platinum Laboratory Apparatus ware, etc.
M/s. Ravi Paints and Chemicals, Pvt. Ltd., 85/87, Armenian Street, Madras-1.	M/s. United Paints & Company Ltd., London, E.C. 2.	Marine Paints, Industrial Finishes etc.
Shri Soli Hataria, "Kalyan" Race Course, Coimbatore.	M/s. Metrode Products Ltd., Randor Road, Weybridge, Surrey, England (U.K.)	Welding Electrodes.
M/s. Scindia Workshop Limited, Scindia House, Ballard Estate, Bombay.	M/s. MacGregor & Co. Ltd., U.K.	Hatch Covers.

FOREIGN COLLABORATIONS (Contd.)

Name of the Indian firm	Name of the foreign firm	Item of Manufacture
M/s. Sankey Electrical Stampings Ltd., "Jeevan Vihar", Parliament Street, New Delhi-1.	M/s. William Crosland Ltd., U.K.	Press Tools by M.V.C. Tooling Process.
M/s. South Indian Export Co. Ltd., McLean Street, Madras-1.	M/s. Laslie Hartridge Ltd., U.K.	Diesel Fuel Injection Equipment.
M/s. Sankey Electrical Stampings Ltd., 3, Parliament Street, New Delhi-1.	M/s. Telcon Magnetic Cores Ltd., U.K.	Silicon Iron Cores.
M/s. Tools & Electricals India Ltd., 38, Netaji Subhas Road, Calcutta.	M/s. Coley Brothers (Tools) Ltd., U.K.	Die Block Sets.
M/s. Westerwork Engineering Pvt. Ltd. Vulcan Insurance Building, Bombay.	M/s. British Moulding Machine Co. Ltd., Weston Works, Faversham, Kent, England.	Automatic Moulding Machines.
M/s. Wadhawaram & Bros., 87, Nagdevi Cross Lane, Bombay.	M/s. Thomas Smith & Sons, of U.K.	Spanners.
M/s. Wesman Engineering Co. (P) Ltd. Allenby Court, 1/2, Allenby Road, Calcutta-20.	M/s. A. K. Waugh Ltd., Glasgow, U.K.	Oil Pre-heaters.
M/s Zaverchand, Goekward Private Ltd. Post Box No. 95, Padra Road, Baroda.	M/s. Compoflex Company Ltd., U.K.	Metallic flexible hoses.
	INDIA — WEST GERMANY	
Bhai Sunder Das Sardar Singh Pvt. Ltd., 4/23-B, Asaf Ali Road, New Delhi.	George Stetter Baumaschinenfabrik, KG, Memmingen, West Germany.	Concrete Mixers.
M/s. Bombay Fine Worsted Manufacturers, Agra Road, Thana, Bombay	M/s. Textilmaschinen Josef Pfenningberg, West Germany.	Worsted Spinning frames, etc.
M/s. C. & N. Commar & Co., c/o M/s. Protos Engg. Co., Pvt. Ltd., 173, J. Tata Road, Bombay.	M/s. Karl Schmidt, Hamburg, West Germany.	Automobile Components
M/s. Cawnpore Dyeing & Cloth Printing Co. Ltd, 14/64, Civil Lines, Kanpur.	Dr. Tilemenn, West Germany.	Conveyors and Industrial Chains.
M/s. Eagle Paint & Pigments Industrial Pvt. Ltd, 135, Canning Street, Calcutta-1.	M/s. Uranerz Verwertung, Junefernstieg 30. Hamburg 36, West Germany.	Reflex Paints Reflex Sheeting, etc.
M/s. Ganges Printing Ink Factory, Ltd., Gillander House, Block F-3. 8, Netaji Subhas Road, Calcutta-1.	M/s. Concentra GMBH GEBR, Hartmann, West Germany.	Printing ink.
M/s. India Paint Colour and Varnish Co. Ltd., 14. Netaji Subhas Road, Calcutta-1.	M/s. Zoellner Werke Gesellschaft Fur Farben-U, Lackfabrikation MbH, Gradester 60-72, Berlin/Germany.	Insulating Synthetic enamels.
M/s. Khandelwal Ferro Alloys Ltd., Khandelwal Bhavan, 166, Dr. Dadabhai Naroji Road, Bombay-1.	M/s. Mannesmann-Meer, West Germany.	Welded Steel Tubes.
M/s. Khemchand Rajkumar, Mohatta Building No. 1, Bartan Market, Sadar Bazar, Delhi-6.	M/s. Stahl Und Eisen Gesellschaft of Vadus Lichtenstein, West Germany.	Cold Formed Sections.
M/s. Munnalal Bhalotia and Co., H-22, Lajpat Nagar-3, New Delhi-14.	M/s. Geselischaft Fur Huttenwer Sanlagen Dusseldorf, of Federal Republic of Germany.	Steel Castings.

FOREIGN COLLABORATIONS (Contd.)

Name of the Indian firm	Name of the foreign firm	Item of manufacture
M/s. R.L. Oberai & Co. Pvt. Ltd., 2217, Chuna Mandi, Paharganj, New Delhi-1.	M/s. Ing. Josef Wagner, Friedrichshafees Fischbach, West Germany.	Electric Spray Guns.
M/s. Plantation Machinery Co., 7/1, Mission Road, Bangalore-2.	M/s. Carl Platz GmbH of West Germany.	'Boss' Knapsack type power sprayers/ dusters.
M/s. Pump Manufacturing Corpn., Das Chambers, Dalal Street, Fort, Bombay.	M/s. Gebr. Ritz & Schweizer, West Germany.	Centrifugal Pumps.
M/s. B.M. Singh & Sons, 1, Crooked Lane, Calcutta-1.	M/s. Ringsdroff Werke GmbH, Bad Godesberg-Mehlem, West Germany.	Carbon Products.
Swastik Jndustries, 21, Heber Road, Tiruchi.	M/s. Hansa Werke, Hamburg, West Germany.	Welding Electrodes.
M/s. Testeels Ltd., Commercial Ahmedabad Mills Premises, Near Idgah Gate, Ahmedabad-11.	M/s. Pintsch Bamag, Aktiengesellschaft, Butzbach, West Germany.	Electric Hoists and Cranes.
M/s. Texwell Private Ltd., 28, B.T. Road, Calcutta 2.	M/s. Albert Jurgens, West Germany.	Broad Looms (Jute mill machinery)
M/s. Texwell Private Ltd., 28, B.T. Road, Calcutta-2.	M/s. CIC. Egelheaf, West Germany.	Wrap Stop motions (Jute mills machinery)
M/s. Usha Automobile and Engineering Pvt. Ltd., 14, Princep Street, Calcutta-13.	M/s. Walter-Hunger KG Fahrzeng Und Hydraulik-work Lohar AM Main Rodenbacher Strasse 50, West Germany.	Hydraulic and Tipping Gears for automobiles.
INDIA — FRANCE		
M/s. G.S. Atwal & Co., 16-A, Asaf Ali Road, 1st Floor, Sundarson Court, New Delhi.	M/s. Renault Engineering, France.	Malienble Iron Castings and Malleable Iron Pipe fittings.
M/s. Britannia Engineering Co., Ltd., 3, Netaji Subhas Road, Calcutta.	M/s. Levage Manutention Verlinde S.A., 19, Rue Danton — Loos — Lez-Lille (Nord) France.	Electric Hoists.
Madras Tube Co. Ltd., 69, Sembudass Street, Madras-1.	M/s. Vallourec, France.	Welded Steel Pipes and Tubes.
M/s. Premier Asphalt Sheets Ltd., "West View", Flat 21/23, 1st Pasta Lane, Bombay-5.	M/s. Omnium Francais Industrial Commercial, France.	Courrugated Roofing Asphalt sheets.
M/s. Star Textile Engineering Works, Ltd., Bank of Baroda Bldgs., 12, Apollo Street, Fort, Bombay.	M/s. Ateliers Roannais de Constructions Textile, France.	Sizing machines and stenter clips.
M/s. Sen & Pandit Industries Ltd., Mercantile Bldg., Lall Bazar, Calcutta.	M/s Societe Ramo, France.	Engine Lathes.
Shri K. L. Varadarajan, No. 1 V Palaniswamy Naidu Street, Coimbatore.	M/s. Gurtner S.A., 44, Rue Laugier, Paris, France.	Carburettors.
M/s. Voltas Ltd., 19, Graham Road, Ballard Estate, Bombay-1.	M/s. Merlin & Gerin. France.	Electrical Switchgear and Control gear.

FOREIGN COLLABORATIONS (Contd.)

Name of the Indian firm	Name of the foreign firm	Item of manufacture
	INDIA — HOLLAND (NETHERLANDS)	
M/s. Philips India Ltd., 53, Jorbagh, New Delhi.	M/s. N.V. Philips Gloeilampenfabriken, Bindhoven, Holland.	Transreceiver (Wireless Communication Apparatus).
M/s. General Magnets Limited, India Exchange Building, 6th Floor, 1, India Exchange Place, Calcutta-1.	M/s. N.V. Philips Gloeilampenfabriken Netherlands.	Ceramic Magnets.
M/s. Welding Electrodes and Metallic Alloys Pvt., Ltd., Laxmi Building, 6, Ballard Road, Bombay-1.	M/s. N.V. Philips Gloeilampenfabriken of Eindhoven, Netherlands.	Welding Electrodes.
	INDIA — BELGIUM	
M/s. J.K. Commercial Corporation Ltd., Kamla Tower, Kanpur.	M/s. Compagnie Generale of Belgium.	Cast Iron Spun Pipes.
M/s. Orissa Industries Ltd., P.O. Barang, Distt. Cuttack.	M/s. Lepage Consulting Engineers. Antwarp, Belgium.	Steel Castings.
M/s. Rajanahally industrial Enterprises, Post Box No. 54, Davangere City, (Mysore State)	M/s. Eurorient (Belgium) S.P.R.L., Brussels (Belgium).	Welding Electrodes.
M/s. Synbiotics Ltd., Wadi Wadi, Baroda.	M/s. Union Chemique Chemische Bedrijven Brussels.	Carbetopentane.
	INDIA — CANADA	
M/s. Consultech Pvt., Ltd., 32, Nicol Road, Ballard Estate, Bombay.	Mr. John Portas, a Canadian National.	Consultancy Engineering firm.
	INDIA — DENMARK	
M/s. B.S. Machine Tools Corporation, 435, Jessors Road, Dum Dum, Calcutta-28.	M/s. Vilh Pedersen Ltd., Denmark.	Milling Machines.
M/s. Bhopal Toughened Glass Works, C/o Shri N. Vithaldas, Central India Flour Mills, Bhopal (M.P.)	M/s. K.G. Ltd., Denmark.	Toughened Glass (Bent & Straight Varieties).
M/s. Chippendale, New Sun Mill Compound, Sun Mill Lane, Lower Parel, Bombay-13.	M/s. Royal System, Denmark.	Wooden furniture.
M/s. Deepak Industries Ltd., 62, Hazara Road, Calcutta-19.	M/s. J. Jorgensen Maskinfabrik, Denmark.	Centrifugal Clutches.
	INDIA — NORWAY	
M/s. Binny's Engineering Works Ltd., Post Box No. 2393, Madras-27.	M/s. Elektrokemisk, Norway.	Electric Smelting Furnaces
	INDIA — POLAND	
M/s. Gujarat Machinery manufacturers Ltd., 32-34 Veer Nariman Road, Bombay-10.	M/s. Centrala Handlu Zagranicznego Obiektow, Przemyslowych Cekop, Poland.	Special purpose machine and Unit heads.
	INDIA — SWITZERLAND	
M/s. Deepak Industries Ltd., 62, Hazara Road, Calcutta-19.	M/s. Tralus A.G., Switzerland.	Electro Magnetic operated clutches.
M/s. Electric Construction & Equipment Co. Ltd., 9, Kaliprasanna Singhee Road, Calcutta-1.	M/s. Schindler & Co. Ltd., Lucerne, Switzerland.	Lift parts and components.

FOREIGN COLLABORATIONS (Contd.)

Name of the Indian firm	Name of the foreign firm	Item of Manufacture
M/s. Hiranand Sons, Central Building, No. 3, New Silk Bazar, Bombay.	M/s. O. Schnyder, Pully, Lausanne, Switzerland.	Welding Electrodes.
M/s. Radio Electricals Manufacturing Co. Ltd., Post Bag 16, Mysore Road, Bangalore-18.	M/s. Aquametro Water Meter Works Ltd., Basle-13, Switzerland.	"Model T.N.R." Water Meters.
M/s. Seth Mafatlal Gagalbhai Group Mills, P.B. No. 1038, Bombay-1.	M/s. Charles Weber Ltd., Switzerland.	Linen and silk finshes for cotton fabrics etc
M/s. Seth Mafatlal Gagalbhai Group Mills, P.B. No. 1038, Bombay-1.	M/s. Baduner & Co., Switzerland.	Organdy of different types.
M/s. Shree Ram Mills Ltd., Fergusson Road, Lower Parel, Bombay-13.	M/s. Reishauer Tools Works Ltd., Limmastrasse 87, Zurich, Switzerland.	Hand operated self-centring chucks
M/s. Walchandnagar Industries Ltd., Industrial Machinery Division, P.O. Walchandnagar, Poona Distt., Maharashtra.	M/s. Escher Wyes A.G. of Zurich, Switzerland.	Chemical and paper equipments.
	INDIA — HUNGARY	
M/s. Gujarat Machinery Manufacturers (P) Ltd., 32-34, Veer Nariman Road, Churchgate House, Bombay-1.	M/s. Nikex Hungarian Trading Company, Budapest, Hungary.	Enamelled, Acid and alkali resistant chemical equipment.
M/s. Netar Krishna Sahgals Pvt. Ltd., 4/90 Connaught Circus, New Delhi.	M/s. Metrimpex Hungarian Trading Co., Budapest, Hungary.	Water Meters.
	INDIA — HONG KONG	
Shri A. Gopi, an Indian Citizen working in Hong Kong.		Readymade Garments.
	INDIA — ITALY	
M/s. Shantilal & Co. Pvt. Ltd., 195-197, Abdul Reham Street, Bombay-3.	M/s. Soc Per Az Bassani, Milano, Italy.	Thermo Magnetic Switches.
	INDIA — JAPAN	
M/s. Anil Starch Products Limited, Anil Road, Ahmedabad-2.	M/s. Nagase & Co., Osaka, Japan.	Dextrose.
M/s. Anandlal Hiralal, Station Road, Baroda.	M/s. Sumikin Welding Electrodes Co. Ltd, Japan.	Welding Electrodes.
Shri K. Devdas, 7/9, A. T. T. Colony, Coimbatore-1.	M/s. Yamatokoei Machinery Works Ltd., Osaka, Japan.	Textile Auxiliary machinery.
M/s. Durgapur Engineering Co. Ltd., 25, Swallow Lane, Calcutta-1.	M/s. Kurimoto Iron Works Ltd., Osaka, Japan.	Crushers and Separators.
Electric Construction & Equipment Co. Ltd., 9, Kaliprasanna Singhee Road, Calcutta-2.	M/s. Tokyo Shibaura Electric Co. Ltd. Japan.	Transformers.
	INDIA — EAST GERMANY	
M/s. Coimbatore Pioneer Mills Ltd., Peelamedu Post, Coimbatore-4.	M/s. WEB Grobdrehmaschinenbau 'S. Mai' KarlMarx-Stadt, G.D.R.	Machine Tools and Ball Bearings
Shri G. R. Damodaran, The P.S.G. Industrial Institute, Coimbatore-4.	VEB Waelzlagerfabrik, Berlin-Lichtenberg, Berlin, G.D.R.	Ball and roller bearings.
M/s. National Steel & General Mills, Patel Marg, Ghaziabad.	M/s. VEB Werkzeug Union Steinbach-Hallenberg, East Germany.	Double Ended Spanners, Pliers and Wrenches.
M/s. Shree Vallabh Glass Works Ltd., 2, Swadhin Sadan, 'C' Road, Churchgate, Bombay-1.	M/s. VEB GuB-und Farbenglasswerke, Pirna/Copitz, G.D.R.	Copilit Profile Glass.
M/s. T. N. Vishwanatha Reddy & Co., Madanapalle, Chittor Dt., Andhra Pradesh.	M/s. Limex GmbH Schickbrastrasse, 5-7, Berlin (C. 2), G.D.R.	Carbon Film Resistors.

CAPACITY AND PRODUCTION IN CHEMICALS AND ALLIED INDUSTRIES

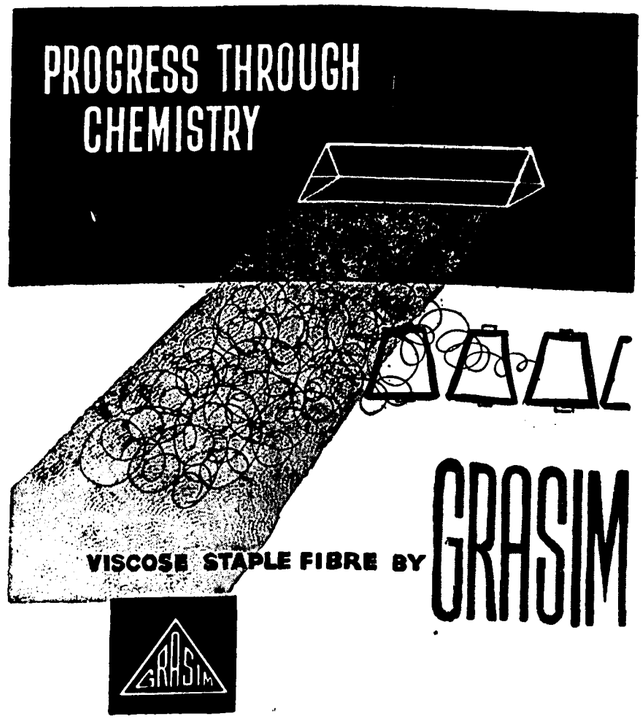
Name of the Industry	Accounting Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 Estimated Production
INSECTICIDES, PLASTICS & PLASTICS CHEMICALS							
Flavouring Essences							
(i) Alcoholic	Tonnes	2	N.A.	1.5	1	—	0.684
(ii) Non-alcohol	Tonnes	12	N.A.	3.95	10	N.A.	401
Hydroquinone	Tonnes	2	36.6	34	2	80	47
Perfumery compounds	Tonnes	12	N.A.	89	10	N.A.	103
Pine Oil Synthetic	Tonnes	1	300/325	143	1	300/325	268
Sandal Wood Oil	Tonnes	6	146	106	6	146	98
Rosin	Tonnes	3	12,396	12,633	3	12,396	13,397
Turpentine	K. Litres	3	..	3,263	3	..	3,795
Menthol	Tonnes	..	..	..	2	86,500	9,125
Plastics							
Moulding Powders/Resins :							
(i) Phenol Formaldehyde	Tonnes	5	4,500	2,423	5	4,500	2,915
(ii) Polythylene	Tonnes	2	6,556	8,058	2	6,556	7,629
(iii) Polystyrene	Tonnes	1	5,486	3,887	1	5,486	5,460
(iv) P.V.C. Resins/Composition	Tonnes	1	3,600	2,064	1	3,600	3,453
(v) Urea Formaldehyde	Tonnes	3	1,384	679	3	1,074	1,017
DYES							
Azo Dyes (acids & Mirets)	Tonnes	5	1,914	1,361	5	1,914	1,070
Basic dyes	Tonnes	2	102	74	4	339	205
Fast Colour Bases	Tonnes	3	964	358	3	964	365
Nephthols	Tonnes	3	1,069	913	3	1,273	635
Organic Pigments	Tonnes	4	544	299	5	820	510
Optical Bleaching Agents	Tonnes	4	198	178	6	420	270
Solubilised Vats	Tonnes	3	165	78	3	165	101
Stablised Azoics	Tonnes	3	335	197	3	335	143
Sulphur Black	Tonnes	2	1,832	1,254	2	1,836	1,520
Vat Dyes	Tonnes	2	482	546	3	600	510
Coke Oven by-products Industry							
Benzene	Kilo Litres	6	..	10,281	7	..	21,170
Crude Coal Tar	Th. Tonnes	13	..	299	11	..	346
Motor Benzol	Kilo Litres	5	..	4,661	4	..	2991
Solvent Naphtha	Kilo Litres	6	..	728	7	..	968
Toluene	Kilo Litres	6	..	2,204	6	..	2,142
Creosote Oil	Kilo Litres	7	..	4,159	7	..	8,700
Naphthalene (Refined)	Tonnes	4	..	898	4	..	344
Pitch	Tonnes	4	..	20,325	6	..	19,300
Road Tar	Tonnes	7	..	11,021	7	..	19,200
DRUGS AND PHARMACEUTICALS							
Anaesthetics :							
(i) Ether Anaesthetics	Kilogram	3	392,000	179,259	3	392,000	147,883
(ii) Ethyl Chloride	Kilogram	1	72,000	40,863	1	72,000	39,116
Antibiotics :							
(i) Chloramphenicol	Kilogram	2	15,000	6,024	2	15,000	14,881
(ii) Penicillin	MMU	3	65	62.384	3	65	72.650
(iii) Chlorotetracycline (iv) Tetracycline (v) Oxytetracycline (vi) Demothyl Chlorotetracycline	Kilogram	2	15,000	11,534	3	18,000	22,706
Antidiabetic Drugs :							
Tolbutamide and Carbutamide	Kilogram	2	39,600	2,146	2	39,600	1,372
Antidysentry Drugs							
Di-iodo & Iodo-chlorohydroxy quinoline	Kilogram	14	73,700	44,173	14	73,700	61,700
Antileprosy Drugs :							
D.D.S. & Derivatives	Kilogram	4	18,300	14,304	4	18,300	12,500
Antipyretics :							
(i) Aspirin	Kilogram	1	360,000	297,619	3	560,000	376,340
(ii) Phenacetin	Kilogram	2	32,000	16,651	2	32,000	1,892
(iii) Sodium Salicylate	Kilogram	4	379,000	262,866	4	379,000	258,867
Hormones, Synthetic :							
Corticosteroid Hormones Testosterone & other Hormones	Kilogram	4	458	339.97	4	458	433.69

CAPACITY AND PRODUCTION IN CHEMICALS AND ALLIED INDUSTRIES (Contd.)

Name of the Industry	Accounting Unit	1962 No. of Units	1962 Installed Capacity	1962 Actual Production	1963 No. of Units	1963 Installed Capacity	1963 Estimated Production
Anti-T.B. Drugs :							
I.N.H.	Kilogram	8	55,500	49,983	8	71,580	53,729
P.A.S. & its Salts	Kilogram	3	196,000	150,992	3	196,000	214,481
Liver Extracts :							
Injections	M CCS	16	67.42	43.94	16	67.42	44.78
Orals	Tonnes	17	652	166.29	17	652	164.00
Alkaloid and Allied Drugs : (Drugs of Vegetable origin)							
(i) Caffein & its Salts	Kilogram	7	11,760	14,522	7	11,760	16,491
(ii) Emetine Hydrocloride	Kilogram	2	337	259.5	2	337	255.9
(iii) Ephedrine & Salts	Kilogram	2	1,800	..	2	1,800	880
(iv) Opium Alkaloids	Kilogram	1	1,500/ 2,000	2,307.7	1	1,500/ 2,000	2,350.0
(v) Quinine	Kilogram	3	..	34,502	3	..	28,773
(vi) Reserpine	Gram	1	12,000	1,700	1	12,000	368
(vii) Strychine & Brucine	Kilogram	3	36,000	16,172	3	36,000	15,408
Sulpha Drugs :							
(i) Sulphadiazine	Kilogram	2	107,400	48,542	2	107,400	86,464
(ii) Sulph-pyridine	Kilogram	1	18,200	13,340	1	18,200	10,619
(iii) Sulphasomidine	Kilogram	2	46,000	20,776	2	46,000	67,163
(iv) Sulphathaizole	Kilogram	2	182,300	70,790	2	182,300	92,195
Vitamins :							
(i) Nicotinic Acid & Amide	Kilogram	3	45,100	31,162	3	45,100	58,354
(ii) Vitamin 'A'	MMU	2	20	17,569	2	20	17.62
(iii) Vitamin B6	Kilogram	1	1,000	141.1	1	1,000	640.0
(iv) Vitamin B12	Gram	1	25,000	17,683	2	37,000	23,254
(v) Vitamin C	Kilogram	1	60,000	32,449	1	60,000	55,265
Other Drugs :							
(i) Bismuth Salts	Kilogram	3	103,000	54,570	3	103,000	38,961
(ii) Calcium Gluconate	Kilogram	6	232,596	105,474	6	232,596	122,001
(iii) Chloral Hydrate	Kilogram	1	54,560	26,023	1	54,560	29,178
(iv) Calcium Lactate	Kilogram	2	204,000	82,749	2	204,000	51,185
(v) Ether B. P.	Kilogram	2	328,000	295,772	2	328,000	514,594
(vi) Ferrous Gluconate	Kilogram	4	60,000	20,825	4	60,000	20,499
(vii) Nikethamide	Kilogram	4	8,088	6,630	5	10,188	6,300
(viii) Saccharine	Kilogram	4	154,000	83,596	4	154,000	98,131
(ix) Diethyl Carbamazine Citrate	Kilogram	2	24,360	3,294	2	24,360	3,970
(x) Meprobamate	Kilogram	1	1,800	2,262	1	1,800	1,599
(xi) Buclizine	Kilogram	1	120	66.4	1	120	207.0
(xii) Meclozine	Kilogram	1	300	12.4	1	300	101 2
(xiii) Hydroxyzine	Kilogram	1	300	52.8	1	300	162.7
New Items produced in 1963 :							
(i) Streptomycin & Dihydro-streptomycin.	Tonnes	..	..	..	1	45	27,066
(ii) Dextraven	Litres	..	..	..	1	259,206	51,820
SOAPS AND DETERGENTS							
Soaps	Tonnes	80	242,742	151,500	59	227,242	1,59,000
Synthetic Detergents	Tonnes	2	7,315	3,700	2	7,315	5,277
SYNTHETIC RUBBER							
Synthetic Rubber	Tonnes	..	..	..	1	20,000	8,737
FERTILIZERS							
Ammonium Phosphate	Tonnes	1	33,000	9,772	2	84,480	23,956
Ammonium Sulphate	Tonnes	9	4,75,000	4,18,086	9	5,28,260	4,40,130
Double Salt	Tonnes	1	1,34,110	57,767	1	1,34,110	47,186
Nitro Chalk	Tonnes	1	4,02,336	2,59,707	2	5,96,336	4,85,832
Sufer Phosphate	Tonnes	21	6,37,810	4,47,730	24	7,50,570	5,55,275
Urea	Tonnes	1	23,460	17,043	1	23,460	18,103

Source: Ministry of Petroleum and Chemicals.

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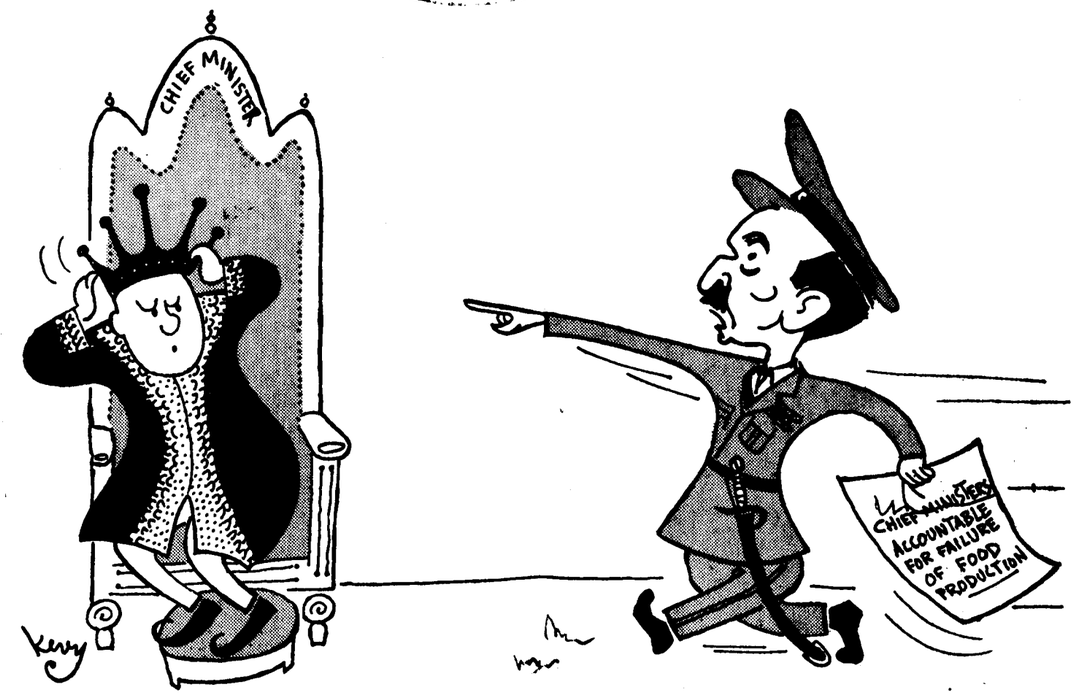
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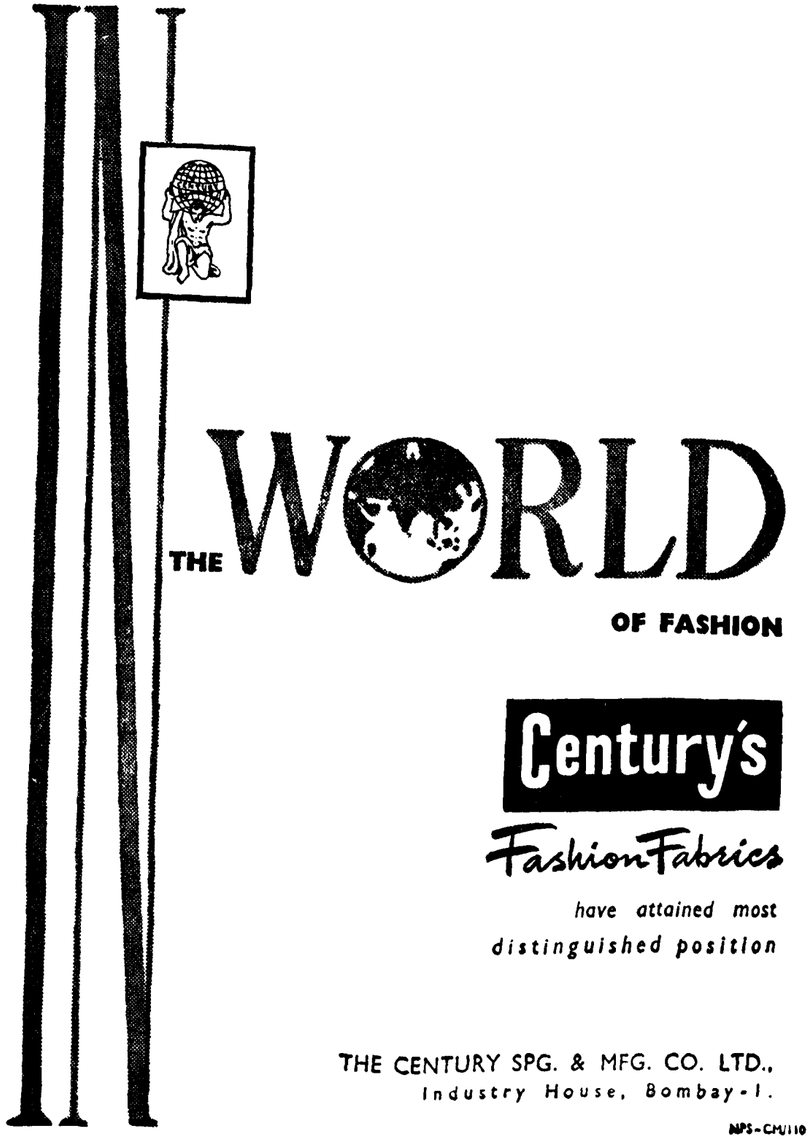
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The Artillery of Words

AT BOMBAY last week was witnessed a unique spectacle wherein the powerful guns of the Congress Party, mounted on their high pedestals, let loose a barrage of "words, words and words". While resolutions were passed regarding the communal situation and the amendments to the Congress Constitution, the centre of attraction was the Dhebar Committee Report which had outlined the ways and means by which the Bhubaneswar Resolution could be put into practice. The spate of speeches indicated that within the Party there were many strands of opinion even on the basic meaning of "Democracy and Socialism" and the manner in which the avowed policy of the Party was to be implemented. The only achievement of which the Party could rightfully boast was that another pedantic report had been added to its archives.

The Report has, in view of the successive failures of the food crops to reach the targets fixed by the planners, made certain recommendations for breaking through the stalemate. It has suggested that the responsibility for failure in agriculture should be fixed either on the Chief Minister or the Agriculture Minister in a State. If in a certain State the agricultural targets were not attained, the Chief Minister or the Minister-in-charge should step down in favour of people who would deliver the goods. Will this kind of compulsion bring about some tangible results? Those who have watched carefully the duels between the various factions of the Congress Party at the State level are convinced that this formula is not likely to work out successfully. The manner in which power at the State level is sought will make it unworkable. Perhaps, the most sarcastic criticism came from Mr. A. P. Jain, ex-Union Minister for Food and Agriculture, who has had a first-hand experience of the problems of agriculture. The fact that Mr. Jain described the Report as "a paper report" showed that, in his opinion, the Committee had failed to grasp what was really involved in stepping up India's agricultural production. That is why he suggested that Mr. Dhebar should give up his present assignment to take charge of agriculture in Gujarat so that he could show how the stipulated targets could be achieved. Mr. Jain reiterated that the basic considerations for promoting agricultural production were adequate supply of fertilisers, seeds and steel for agricultural implements to farmers. Unless the fertilisers and seeds were supplied in adequate quantities no one could bring about a miraculous change in the agricultural scene. The likely failure to achieve the target of fertiliser production in the third Plan was indeed a contributory cause for the shortfall in agricultural output. He made another interesting suggestion that instead of deputing I.C.S. officers in the Agricultural Departments, there was need to post people with knowledge of agriculture who could pull this sector of the economy out of the present malaise. Again, his suggestion for keeping the Union Minister for Food and Agriculture for a reasonably long period at his post needs to be commended because, in fairness to the Minister, he must be given sufficient time to study the problems thoroughly.

The Committee has recommended that an autonomous body under the Union Ministry of Industries should be established so as to concentrate on the implementation of the programme of rural industries. It is forgotten, however, that the first three five-year Plans also laid stress on rural industries; the Committee has ignored to have a close look at the performance of rural industries which continue to be primitive in character. Because of the outmoded methods of working, the return on additional funds invested in rural industries is not commensurate with the resources

involved. The inefficiency of these industries is the biggest factor working against them. This is a lesson which the enthusiasts of rural industries have refused to learn.

In regard to industrial development, the Committee has suggested that within the next decade or so, it should reach a stage where a high rate of growth and investment could be maintained with minimum reliance on external assistance. There can be no difference of opinion in regard to this exhortation but in the same breath, the Committee has put a rider by saying that additional capacities of mass consumption like cloth should be in the co-operative or State sector on a decentralised basis. While it has been demanded that in the sector of consumer goods industries, production should be oriented to the needs of the common man, the Committee has shut its eyes to the failure of the co-operative and the State sectors in fulfilling the aspirations of the people. The Committee has, thus, set the laudable objective of hastening the industrial development of the country, but has also imposed conditions which will, instead of accelerating, retard the process. It has failed to see the inherent contradiction in its own recommendations. When people put on blinkers while looking into the future, the vision is bound to be distorted.

The Committee has also given its opinion on the concentration of economic power — a subject on which only a few weeks ago the Mahalanobis Committee had already publicised its findings. It has suggested that for preventing big business houses from getting bigger, it would be necessary for the Government not to issue any licences for new projects and extending industrial concentrations. This particular suggestion was completely devoid of all understanding of the way industrialisation has been carried out in this country ever since Independence. It is through judicious creation of reserves and ploughing back of profits that many of the units have been able to expand their activities so as to derive the advantage of the economy of scale. It is an acknowledged principle that the cost of manufacture per unit continues to be reduced till the manufacturing unit reaches the optimum size. If production remains below the optimum level, the cost of manufacture remains high and the consumers have to suffer. In other words, it is in the national interest that all units which are not operating at the optimum level should be allowed to expand so that they can bring down their costs. There is no economic wisdom in putting a restraint on their expansion

There was no mention in the Bhubaneswar Resolution of the nationalisation of banks. The Dhebar Committee Report has, therefore, refrained from discussing this issue. It has, however, recommended that the Reserve Bank should set up a proper machinery for detecting cases of abuse and should take suitable action against commercial banks indulging in malpractices. In the lending policy of the banks, basic and small industries, new entrepreneurs and agricultural operations should be given priority, it has suggested. But there is the Menon-Malaviya axis in the Congress Party which must harp on its pet theses and nationalisation of banks seems to be on the top of their list. Irresponsible speeches made by these leftist leaders serve only one purpose and that is to scare away the private foreign capital. Whereas the Committee (and Mr. Dhebar personally in his reply to the debate) advocated in strong words that the inflow of foreign capital was essential for the speedy growth of the economy, the noises made by the leftists in the Congress Party do a great disservice to the country and to the economy. Their misguided speeches act as irritants in industrial expansion.

Having realised that the target of 100 million tonnes in foodgrains output will not be attained by the end of the third Plan, the Committee has recommended that production should be raised to at least 92-94 million tonnes. It seems that the Committee has hardly any faith in its own recommendations. That is why it has also suggested that the Government should acquire a commanding position in the trade in foodgrains in order to prevent profiteering and hoarding. If even the reduced target stipulated by the Committee were achieved, the foodgrains supply position would be relatively comfortable, taking into account, of course, imports under PL 480. According to present indications, it is clear to everyone that the shortages of food are likely to persist. If the demand is to remain ahead of supply, it is not explained how by bringing food distribution under State control, supply would be stretched to meet demand. Middlemen are being made a scapegoat in this misreading of the whole situation. A shortage in supply will remain a shortage whether trading remains in private hands or is passed on to the public sector.

The Committee has also dilated upon the housing situation in the country. It has come down heavily on the plot-holders in urban areas who do not build houses for one reason or the other. The inconsistency in this approach of forcing the plot-holders to build their houses has become manifest in Delhi where the administration has already taken measures suggested by the Committee. While the plot-holders — thousands of them — have exhibited willingness to build their houses, they are not able to procure construction materials, particularly cement, which is under the control of the State. Even before the application of the present rigorous regulations in Delhi, it was known to the students of economics that the administration will not be able to meet the demand for construction materials. This once again is a manifestation of a dogmatic approach without any practical understanding of the situation.

Target Practice in Coal

HOW COMPLETELY unrealistic our planners can be is once again evident from the ambitious target of coal production which the Planning Group on Coal has recommended for the fourth five-year Plan. With current production at 67 million tonnes they suggest that it be raised to 154.5 million tonnes (88 million tonnes by the private sector and 66.5 million tonnes by the public sector) in 1970-71 or an increase of 130 per cent in 7 years. This will amount to an average increase of about 18.5 per cent a year against the average of 9 per cent since 1955. Apparently, the Group which consists of representatives from the Ministries of Steel, Mines and Heavy Engineering, Railways, Irrigation and Power, Finance and the Planning Commission, failed to evaluate properly factors such as the past performance, current slackness in demand, lopsided production and financial limitations of the industry. What final shape this target assumes will be seen in a few weeks but one does expect that at least after 15 years of planned development, the National Development Council would give the country a consistent, comprehensive policy on coal which not only lays a basis for realistic progressive production but also provides for immediate steps for conservation of limited stocks of metallurgical coal and a rationalist approach to price policy.

The production experience of coal during the third five-year Plan can hardly be considered as encouraging. The first year i.e. 1961-62 started with a slight decline in production from the second Plan achievement of 55.51 million tonnes (which itself had a shortfall of over 4 million tonnes), and by 1963 the target had been officially scaled down from 98.6 million tonnes (97 million tons) to 89.88 million tonnes. It is no secret that because of the slackness in demand the Government now does not expect even the revised target to be achieved and believes that coal production may be only about 85 million tonnes in 1965-66. In view of the fact, however, that output in 1963-64 has not exceeded 67 million tonnes the steep increase of 18 million tonnes during the next two years also seems to be rather unlikely. It will not, therefore, be surprising if actual production at the end of the third Plan turns out to be between 75 to 80 million tonnes.

It will be wrong to think that the slackness in demand has been the only cause for frequent changes in production targets. The Government's approach to consumption and production patterns is not entirely free from blame and confusion in official circles is deeper than it is generally realised. Evidence of this is found in the Report of the Estimates Committee which pointed out that since the finalisation of the third Plan to March 1963 diverse estimates of demand were being made by the Government from time to time. Earlier in April 1962, the same Committee was told by the Working Group on Coal Production and Transport comprising representatives of the Ministries of Mines and Fuel, Railways and the Planning Commission that the target of coal production in the last year of the Plan would have to be revised upwards from 97 million tons to 101 million tons while production in the last quarter of 1965-66 would have to be raised to 26 million tons i.e. at the annual rate of 104 million tons. Three months later, the Ministry of Mines and Fuel furnished a statement to the Committee saying that while the target of coal production was 97 million tons, the Ministry was working for a schedule of 99.98 million tons in order to take care of possible shortfall in production against individual targets. In August 1962 the Working Group worked out the production pattern for the third Plan and suggested a revised production target of 98.3 million tons for 1965-66. Now, though the shortfall in demand has been with us for more than a year, the Planning Group on Coal has failed to appreciate its impact on production in the third and the fourth Plans and has come out with its fantastic figure of 154.5 million tonnes. Nobody disputes that planning is a continuing process of adjustment and development but in the case of coal it seems to be only a continuing process of errors or at best a changing catalogue of ambivalent ambitions.

The production of coal was recorded at 55.51 million tonnes in 1960-61. It declined to 55.23 million tonnes the next year but jumped to 63.83 million tonnes in 1962-63 and is estimated at 66.8 million tonnes for 1963-64. Thus only one year i.e. 1962-63 registered an increase of 8.6 million tonnes out of which additional production of 2.84 million tonnes was attained in a period of three months from November 1962 to January 1963.

Eastern Economist 20 Years Ago

MAY 19, 1944

THE PROSPECTS of the abolition of quantitative trade controls immediately after the war may safely be said to be nil. The war is going to leave for readjustment a legacy of disparate price levels, different degrees of inflation, altered balances of payments of varying strength, and an excessive diversion of resources to war industries for all the nations. Under those uncertain conditions control of foreign trade and exchanges will be an absolute necessity. The long-term prospects for uncontrolled foreign trade are none too bright either. The recent speech of Sir John Anderson, the British Chancellor of Exchequer, in the House of Commons debate on the new monetary plan is perhaps the greatest blow the cause of free trade has sustained in recent years. Sir John made it clear beyond the smallest doubt that there was no obligation on Britain's part to abandon imperial preference in consideration of lease-lend facilities and refrain from entering into "reciprocal trade agreements with other countries or groups of countries either in the monetary or the commercial field"; nor would Britain attach less than the first importance to the maintenance of "traditional relations with countries which have stood by us." Russia, whose place in the European and world economy is going to be very important, is not likely to give up her State monopoly of trade in order to conform to laissez faire regulations. If every important and powerful nation is thus going to retain the control of foreign trade, common prudence suggests that in sheer self-defence India should adopt a similar course. In doing so India will not surely be pursuing a policy of isolation.

by working round the clock for all the seven days of the week. This high rate of production could not be maintained for long and was soon given up, indicating serious drawbacks in production trends. For instance, though coal output in general has increased, the output of metallurgical coal has remained almost stationary at 17 million tonnes — total increase during a period of three years from 1961 to 1963 being not more than 0.45 million tonnes. The production of Selected Grades A and B actually registered a fall from 6.4 million tonnes in 1961 to 5.5 million tonnes (estimated) in 1963. Similarly, Selected A and B Grades of non-coking coal showed a downward trend from 10.5 million tonnes in 1961 to 8.5 million tonnes (estimated) in 1963—a fall of 2 million tonnes. Thus we have been witnessing a strange paradox that while the production capacity of steel plants has been growing during the last three years the output of metallurgical coal has not shown any material increase. As a matter of fact, production of coking coal has been ahead of demand and more than 5 million tonnes of metallurgical coal are being consumed every year for non-metallurgical purposes. It is wrong to allege, therefore, as has been done by official spokesmen that the glut is only in the production of lower grade coals. The output of Grade III coals, which has created a general impression about the glut in supply, rose from 5.5 million tonnes in 1961 to 7.9 million tonnes (estimated) in 1963, their contribution to the total production being only 9.9 per cent in 1962 and 10.6 per cent in 1963.

The surplus in coking and non-coking coals has been attributed to a slump in demand which occurred because of the delay in the construction of new projects like the Bokaro plant and the thermal power station and non-expansion of existing projects at the level originally envisaged. The important consumers who have reduced their requirements significantly are:

Steel Plants	.. ..	4.37 million tonnes
Railways	.. .. ..	1.34 " "
Textiles	.. .. ..	1.29 " "
Paper Mills	.. ..	0.44 " "
Power	.. .. ..	1.80 " "
TOTAL	.. .. ..	9.24 million tonnes

As a result of the difficult transport position in 1960-61 and 1961-62, the Government granted exemption of excise duty on oil to certain consumers to encourage them to switch over from coal to furnace oil. The substitution is said to have resulted in a reduction of coal demand of about 4.7 million tonnes (3 million tonnes in the case of power houses and 1.7 million tonnes in case of cement factories). Assuming that the entire loss of demand is recovered— an unlikely proposition— there would still be a shortfall of demand of about 4.5 million tonnes by important consumers. The Government is hoping that the slump is only temporary and the demand will catch up but there is also the fear that the glut in supply may continue affecting further production of coal at all levels and depressing prices, particularly those of lower grade coals.

Already, the coal-miners have been critical of the Government's approach to fixation of prices and have openly accused coal administration of discrimination in favour of Selected Grades of Coking Coal. It is felt that any depression through continuing glut in the supply may cause general adverse repercussions. There was little justification for sanctioning price increases in favour of superior grades only especially when the country has been having a surplus of about 5 million tonnes of metallurgical coal every year and using it for non-metallurgical purposes. The Minister for Steel, Mines and Heavy Engineering recently admitted in Parliament that coking coal was being diverted for other uses and that this was "waste of very valuable reserves." But new incentives under the present conditions would mean only new or increased diversions of these stocks — stocks which the Government well knows may not last for more than 25 years — to industries which can very well use medium and high grade coals. Apart from the fact that this attitude reflects poorly on Government's assertions to conserve limited stocks of coking coal for steel plants, it betrays the unsoundness of the price policy regarding coal. The analysis of cost structure made by the Coal Price Revision Committee (1958) clearly established that the cost of extracting coal is related not to the quality of coal but to the cost of production effort involved in mining the coal. If the cost and labour involved in extracting coal of different grades in similar conditions are the same, exclusive price increases in the case of Selected Grades of Coking Coal become completely unwarranted. Official defence that these increases would discourage non-metallurgical industries from using coking coal is manifestly a poor logic and lacks conviction.

Too Many to Do Too Little

THE PUBLIC sector in India has grown enormously during the last fifteen years. It is essential that a sector of the economy where substantial public funds are involved should normally remain in the continuous gaze of those who are responsible for its proper functioning. Most of the units have, however, been found lacking in some of the basic elements of efficient operation. The complicated but expensive units are left to the management which is largely impersonal in nature and does not feel sufficiently involved. Excessive reliance on individuals who do not have stakes as well as ability matching the fortunes invested in these huge units creates an atmosphere of callousness which only the State-run units can afford. The Fifty-Second Estimates Committee Report, commenting on the personnel policies of public undertakings, has provided evident proof of this attitude. The Committee has devoted its 190-page report entirely to the state of the personnel manning these undertakings and the most significant fact brought out by the report is the employment of excessive staff for long periods of time. Most of the units have the tendency to employ in the initial stages the staff that is required for full production. This overstaffing leads to low productivity, high cost of production, disproportionate expenditure on residential colonies and various avoidable labour problems.

Providing concrete instances the Committee states that the three steel plants of Hindustan Steel alone employed a surplus staff of over 22,000 workers, and with the exception of Bhilai, they could not even offer satisfactory explanation for this state of over-staffing. The Bhilai steel plant continued to employ nearly 6,000 unskilled workers even when they were rendered surplus on the completion of the construction work. It was under some sort of pressure that the project authorities chose to provide alternative employment to these persons. In this context the Committee provides evidence that in the USA a million ton steel plant would employ about 6,000 men as against about 19,000 employed at present in Rourkela. Similarly the fertiliser plant at Sindri employs nearly 9,000 workers as against 1,000 workers employed on comparable plants in some foreign countries. This fact is of particular significance because Sindri is one of the older enterprises and it did get time to devote sufficient attention towards the standards of efficiency. Even on the score of unemployment it is unfair to load any plant with excess man-power and evade the responsibility of finding for them alternative avenues. The Committee has made, therefore, a meaningful observation about such units. "Having committed the initial mistake, they find it difficult to subsequently increase workload of employees or lay them off, with the result that they are obliged to carry the extra strength".

From another angle the state of over-staffing means that several useful technicians are prevented from being utilised at many other units where personnel shortage in various sections is almost chronic. They can, for instance, be utilised to man new projects The Committee has, therefore, rightly recommended that the newly developed public undertakings should keep the staff strength at levels slightly below the figures suggested by the consultants for each stage of the project and in no case should any staff be employed over and above the estimates of consultants without the approval of the Government. In fact whenever a unit is proposed to be established the personnel available with the already established units that can be spared should be absorbed in the first instance which would mean the utilisation of valuable experience apart from solving the problem of over-staffing.

Another significant aspect of top management about which the Estimates Committee has expressed its opinion is the increased reliance on the Civil Service to man the top posts in these undertakings. In the initial stages there could have been some justification for putting the civil administrators at the top posts but with the passage of years these units should have evolved a regular scheme of executive development which would enable them to provide trained and seasoned executives to step into positions of responsibility. A new project of a large size faces numerous difficulties at the initial stage and the problems are by no means easy to be overcome even by a seasoned administrator. It is, therefore, quite justifiable on the part of the Committee to be critical of the continuance of Civil Service personnel in the top cadres in these undertakings. The administrators do have judgment and executive ability but hardly any business acumen or experience so very necessary for the top management.

The Committee also hints that the Civil Service personnel do not many times put their heart into the job because when found less suitable they can always go back to their original assignments. This is all the more true about those individuals who work on deputation. At the moment nearly 3,500 deputationists from Government service are functioning on the staff of these undertakings and the Committee has naturally advised that this practice should be kept to the minimum. Besides being expensive, this practice is not conducive to efficiency. "Such officers as have no stake in the undertaking can hardly be expected to put in their best. They fail to develop a feeling of attachment to the undertaking and do not identify themselves with its problems". In fact this practice also holds up the prospects of the regular employees and those who could be employed on permanent basis. The presence of individuals from Government departments also spreads inefficiency because they tend to introduce the traditional pattern of layers of officers for each department. This hierarchical system of administration devised for Government departments to provide checks and balances is neither desirable nor necessary for industrial and commercial enterprises.

The Committee has pointed out that the practice of changing top personnel has been followed too frequently. This indeed is a wasteful measure because the experience and intimate knowledge acquired by the individuals is lost in no time. This problem has been accentuated by the fact that as many as 4,857 technical and managerial personnel left the public undertakings on their own during the last three years to join other public or private undertakings. While it is not possible to impose a ban on such movement, it cannot be denied that it leads to lower efficiency. If the tendency of drift of personnel is to be checked the Committee felt that the public undertakings should try to create a good image of themselves. It has also recommended that the

individuals for the posts should be selected carefully and appointed for a minimum term of say, five years, so as to enable them to fully implement the plans and programmes entrusted to them and to contribute to the efficiency and economical working of the enterprises. It is added that the tenure of these posts should be linked up with the performance of the individual concerned. It should always be possible for Government to remove inefficient people in key posts before the expiry of their terms and give sufficient encouragement to those who prove their efficiency.

Another way of developing an efficient cadre is to start a scheme of training the selected officers. As the Committee suggests, the estimate of the likely requirement of top men for the next five years should be prepared and action taken to select suitable persons from all possible sources — public undertakings, Government service — and given a specialised training for a period of about two years. The officers who prove useful should be drafted for employment in the public undertakings for the rest of their service and if necessary the terms of their appointment should be made attractive.

On the subject of salaries the Committee does not hold the view that remuneration for higher jobs in public sector should be brought at par with the private sector. It believes that the conditions of service and responsibility of the officials in the public sector are not comparable with those obtaining in the private sector. "The risk and uncertainties which management face in regard to capital, production, cost, demand, pricing, profit etc. in the private sector are not comparable to those in the public sector". It seems that the Committee agrees that the top management in the private sector is required to be more imaginative and competent to face unconventional situations which are not likely to be faced by the public sector top management. The Committee, therefore, concludes that the top management in the public sector need not be as expensive as it is in the case of the private sector. Logically it follows that the public sector management need not be as competent as the private sector top managers have got to be. The Committee also feels that the public sector which is emerging as the biggest employer should set the pace for other employers by pegging the salaries rather than compete with the private sector in this regard. One does not, however, understand the assumed arrogance of the public sector becoming the biggest employer and, therefore, setting the standards of salaries for top managements. Once it is agreed that the top management in the public sector is not required to handle similar situations which arise in the private sector, the talk about pegging the salaries is meaningless. The public sector with its limited ambitions about efficiency can continue to be run by comparatively low-paid top management so that the difference between the top and the bottom employees is less and incidentally the Government is able to pursue its socialistic goals.

EASTERN ECONOMIST BUDGET NUMBER

March 6, 1964

THE BUDGET NUMBERS of "Eastern Economist" are a popular and valued annual feature of the Journal. This year's Number should be of special interest and importance in view of the complexity as well as ingenuity of the economic and fiscal policies presented through the Central Budget.

An attempt has been made in the Budget Number to analyse the various aspects of the Budget proposals and study the Budget documents with a view to bringing out the larger and deeper implications of Government policies for the future course of the national economy. The result is an objective and critical evaluation of the economic situation and outlook at a significant turn in the course of national development.

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Highlights of the Week

AFTER NEHRU WHO ?

EVER SINCE the illness of the Prime Minister, his succession has become a poignant question in the Indian political scene. For the first time Mr. Nehru gave a concrete reason why he had refused consistently to name his successor, in a television interview which was exhibited in New York on May 18 and had been recorded in New Delhi a few weeks earlier. He cited the example of Sir Anthony Eden in the U.K. who had been nominated by Mr. Winston Churchill and who did not last long because of the cruel pressure of political events. If Mr. Nehru nominated someone, he was afraid his nominee might not be able to retain the leadership. That was the precise reason why he wanted the choice of the successor to be left to the people.

A pertinent reference was made by the interviewer to Mrs. Indira Gandhi, asking the Prime Minister if she could succeed him. The Prime Minister gave the opinion that it was "very unlikely" that she would take his place and that it was not correct to say that he was grooming her for that high post. When later these remarks of the Prime Minister were conveyed to Mrs. Gandhi, she reacted in these words: "I think he is right in what he said in that I have no such idea. I would not call it an ambition because to me that does not seem to be a good thing. Different types of people want different things — and it is just not what I want for myself". The interviewer persisted in eliciting further light on this aspect when he said, "Would it not be a question of who has the necessary equipment to carry the tremendous burden? I am sure you have it". Mrs. Gandhi's answer was non-committal. She said: "Well, I am not conceited enough to think that I am the only person who has it — even if I do. But a lot of other things depend on who will succeed. I know that I will not enter into this at all". In reply to the further question whether, if the Prime Ministership was thrust upon her, she would shirk responsibility, Mrs. Gandhi said: "It cannot be thrust upon me if I do not want it".

A similar reply exhibiting no keenness to become India's Prime Minister was given by Mrs. Gandhi in the last week of April in Washington. She had participated in a "Meet the Press" television programme where she had been asked almost similar questions and her reply had been that 90 per cent she was inclined to refuse the Prime Ministership. The impression was created that she would agree to be the Prime Minister if she was persuaded to do so. The Prime Minister's interview has also highlighted the same aspect that whereas he was making no effort on his part to train her for the post of the Prime Minister, it was left to the people and the party to select her as India's future Prime Minister. The Prime Minister's judgment in regard to succession seems to be correct because if the successor is thrust upon the public and is not the spontaneous choice of the people, it may tend to create some sort of hostility. Mr. Nehru has seen that if Mrs. Indira Gandhi were to take his place, it would not materialise through his efforts. She will have to be acceptable to the party and the people.

KASHMIR DEBATE

THE DEBATE on Kashmir in the Security Council was wound up on May 19 by the President, Mr. Roger Seydoux of France, who expressed the hope that the two countries would establish good relations between themselves and would attempt an amicable solution of the dispute. The Security Council members had expressed the desire that the two countries should resume contacts as soon as possible so as to resolve the differences through negotiations. Mr. M. C. Chagla, India's Minister for Education, who represented this country in the Security Council, said that direct negotiations between the two countries could be useful and fruitful only if both the parties approached the problem with goodwill and if Pakistan accepted India's basic position that Kashmir was an integral part of India and nothing should be done which would affect India's secular character. Regarding the suggestion made by some members that Mr. U Thant should assist in bringing about a solution, Mr. Chagla said that any intervention on the part of the Secretary-General uninvited and without the consent of both the parties would hinder and hamper the negotiations which were proposed to be started in the near future.

It has become patent that any lasting solution of the Kashmir problem will have to be acceptable to India, Pakistan and the people of Kashmir. Sheikh Abdullah is planning to visit Pakistan next week. According to his present programme, he will visit Delhi first and will then fly to Lahore on May 24, from where he will proceed to Rawalpindi in President Ayub's plane. Sheikh Abdullah also indicated recently in Srinagar that in an effort to find a solution acceptable to all the three parties, he may have to make more than one trip to Pakistan. Commenting on his forthcoming visit to Pakistan, he said that the purpose of his visit was to "cement the bonds of friendship between the two countries".

Mr. Jayaprakash Narayan, the renowned Socialist leader, has advocated a bold line of approach in tackling the Kashmir problem. He has recommended the establishment of some sort of a Confederation between India, Pakistan and Kashmir which ultimately might involve a gradual loosening of India's association with Kashmir. This line of approach, however, has countered stiff opposition from influential sections in the Congress Party itself. It is argued that if we let the people of Kashmir and Sheikh Abdullah have the feeling that the issue of Kashmir is still an open one, it could lead to sinister consequences. In any case, the various formulae which Sheikh Abdullah is carrying with him to Pakistan and which are still a mystery for the Indian public, are not likely to bring about the desired amity in the sub-continent because there seem to be some revolutionary elements in them for which the public both in India and Pakistan has not yet been made ready. In the meantime, it is perhaps wiser to keep one's fingers crossed.

OUR CRAFTSMEN ABROAD

EVEN AFTER making due allowances for the impatience of developing countries in this era of rising expectations, one cannot absolve the planners in India of their share of responsibility for failing, at any rate in the early stages, fully to appreciate the need for a large army of skilled craftsmen to cope with the problems of an economy about to enter the take-off phase. It must, however, be added that they did not take very long to realise this and adopt suitable measures to ensure the results desired. Perhaps the most notable of these measures was the establishment of a Central Training Institute for Instructors at Kurla (Bombay). The association of the U.S. Government with this Institute, nay with the entire training programme launched by the Directorate General of Employment and Training, Government of India, which the U.S.A.I.D. Director, Mr. C. Tyler Wood, recalled at the function for distribution of prizes to winners of the All India Skills Competition, has been a very happy one. It is not only indicative of the enthusiasm shown by America in the training

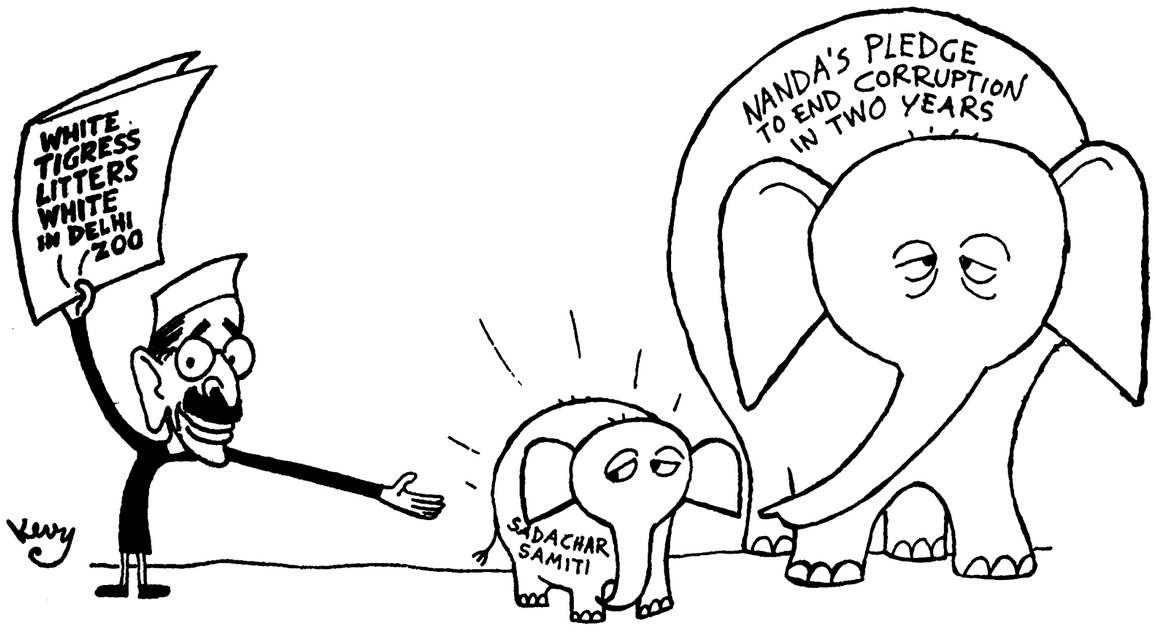
of Indian craftsmen but alsc of the positive participation of that country in the programme. Mr. D. Sanjivayya, Union Minister for Labour and Employment, appropriately reminded his hearers that the phenomenal development of American industry was really possible because of the skill of the people of that country in the industrial field.

In their natural anxiety to achieve spectacular results, all developing countries, including India, are apt to concentrate, in the initial stages, on the training of engineers, scientists and managers. However indispensable they are, they cannot by themselves produce results. They may design and guide, but the actual implementation, the translation in practical terms of their designs and ideas, lies with craftsmen of all types — carpenters, plumbers, electricians, smiths, fitters and so on. If there is some dearth of engineers and managers, there is a very great dearth of craftsmen and possibly an utter absence of the highly skilled type, particularly of those that could work on the more sophisticated machines. It is of the utmost value, also urgency, to this country, therefore, to remove this lacuna, to be able to keep in step even with the scant industrial advance that we have made. One could go further and say that this plinth and foundation of craftsmen is far more important today than even monumental projects. With some luck and sufficient foreign aid and collaboration, we might create Bokaros and Bhilais, but to keep them running, we must have a whole army of skilled craftsmen. All praise must go accordingly to those who have not only made a beginning possible but have also been farsighted enough to give it a splendid start by providing books, equipment and even professors to train instructors.

We do not know whether all the 51 instructor trainees from 17 States who participated in the All India Skills Competition have had the benefit of instruction from the team of American professors from the William Hood Dunwoody Industrial Institute of Minneapolis. Nor are we aware whether even the three successful trainees who have been selected to go to the States for a 12-week study-cum-training trip have had that privilege. If they have already had some training at the hands of U.S. professors, they would be in a position more readily and easily to absorb all that their brief stay of 12 weeks in the States might permit. To some extent, the provision for in-plant training of these prize-winners for a period of six months before they leave India should take care of preparing them for the purpose. Any such in-plant training should, as far as possible, be in factories where American machinery and also American technicians are working. This would serve to provide the Indian trainees with at least some measure of the atmosphere and the type of people with whom they will be called upon to work.

Imbibe Discipline

It would be too much to expect these trainees to imbibe in just 12 weeks all that there is to learn in the American industrial set-up. Nor is that necessary. What they need to observe and learn and, what is more, speak of their confreres, on their return to this country, is the discipline and the conscientiousness of the American worker. While there are trade unions to take care of proper conditions of work and wages and all that for him, the American worker takes pride in his work — such as modern mechanised factories can offer — and is extremely mindful of the time he gives to his employer. There is no disposition here to rob the employer of his legitimate time. He comes to the factory at the appointed time, does the work assigned to him dutifully and diligently and for such time as it is stipulated and is off thereafter. Because of this there is maximum productivity and meagre idle capacity in U.S. industries generally. It is to these aspects, more than to a tour of the ultra-automatised plant or complex, that we hope the three Indian trainees will address themselves during their stay in the States.



DELHI'S BABY WHITE ELEPHANT

OUR POPULATION PROBLEM—IX

Control Plan: Targets and Performance

R. CHOPRA

THE PLAN is to be launched on a country-wide scale along with the fourth five-year Plan, i.e., on April 1, 1966 and will end with the fifth five-year Plan, i.e., on March 31, 1976. This does not mean that before launching and after the end of the Plan, family planning will not be advocated. It only means that the targets set herein must be achieved within the ten-year span i.e., 1966-1976. The entire population must be brought under the purview of the scheme at the start of the fourth Plan so that the actual increase in population can be reduced from the present rate of 2.4 per cent to 0.3 - 0.4 per cent. In short, birth-rate should more or less match death-rate by 1976 so that the population becomes stable afterwards.

I have deliberately mentioned the rate of increase and actual increase of population and not the birth-rate. As an example of the limitations of the term birth-rate, consider the target of the Director, Family Planning, for bringing the birth-rate down from the present figure of 40 per 1000 to 25 per 1000 by 1973. By that time it is expected that the death-rate would also drop. The net increase in population will thus continue although at a reduced rate than at present. The reduction of the birth-rate, therefore, has a limited meaning. **The PCP, however, aims at minimising the actual increase of the total population.**

It is estimated that the excess of births over deaths at the start of the programme, if the present trends continue, will be of the order of about 1.2 crores. Taking 1.2 crores as the basis, the programme aims at reducing the excess of births over deaths to as near to 0.2 crores or less as possible by 1976. Actually it would even be possible to reduce the total population after a certain stage if the programme succeeds.

Required Reduction

To achieve the targeted figure of 0.2 crores or less annual increase in ten years it will be essential that in each year the number of births should reduce by **10-15 lakhs compared to the preceding year.** Considering the jurisdiction of each Village/Field Level Worker, it is apparent that the number of births which is nearly 100-112 for a population of 2500-2800 (at the rate of 40 per 1,000 people) at present gives a net surplus of 60 births over deaths, should be cut down to a surplus of 10 or less births over deaths by 1976. In other words, the target for reducing the yearly increase of population per Village Level Worker should be **5 to 6 compared to the preceding year.**

On the basis of 43.8 crores population in 1961 and annual increase at the rate of 2.4 per cent it can be calculated that the population will be 49 crores in 1966. Assuming a reduction in the surplus births over deaths of 10 lakhs per year for ten years as mentioned above, the population, in 1976, can be estimated and compared with the population if unchecked growth is allowed. The table opposite gives the population estimates for every year.

Hence, in 1976, i.e., at the end of the PCP the population will be 55.5 crores instead of 62.10 crores i.e., 6.6 crores less. The rate of increase after 1976 will be 0.3 to 0.4 per cent instead of 2.4 per cent. In other words, after 1976 the population would be practically stable and any increase in the gross national income would proportionally show an increase in per capita income and consequently the standard of living. At present, and if the present trend continues, most of the increase in the gross national income is neutralised by the enormous growth in population. More details of the financial implications are given later on.

The other targets are —

(1) On an average 10 lakh men/women should be sterilised every year. Considering that there are 2 lakh Village/Field Level Workers, each Village/Field Level Worker will have a target of 5-6 sterilisations per year.

(2) As marriage is the first step towards producing children obviously any reduction in the total number of marriages taking place each year has a direct bearing on the number of births. It would, therefore, be worthwhile to find out the number of marriages which take place on the average every year in the country or in each Village/Field Level Worker's jurisdiction and set targets for a reduction in this number. It may be possible, with the right approach, to make life-long bachelorhood more desirable or at least postpone marriage for a few years.

Financial Implications

The Population Control Programme as detailed in earlier chapters is extremely ambitious. It is perhaps the largest and most expensive single peace-time project ever planned anywhere in the world.

The cost of the organisation, contraceptives, sterilisation, publicity and other miscellaneous matters both recurring and non-recurring would run into hundreds of crores during the 10 years the programme will last. But the alternative, i.e. unchecked growth during this period and providing the targeted per capita income to the millions in excess of the estimated population at the end of the fifth five-year Plan, would be at least 3 times as costly.

This is not all. The PCP aims at not only a reduced population by 1976, it will stabilise the population after 1976 for

(Figures in crores)

Year	Population with P.C.P.	Population without P.C.P.
1966	49.0	49.0
1967	50.1	50.2
1968	51.1	51.4
1969	52.0	52.65
1970	52.8	53.95
1971	53.5	55.30
1972	54.1	56.35
1973	54.6	57.75
1974	55.0	59.15
1975	55.3	60.60
1976	55.5	62.10

all times to come. This will ensure that every penny invested in the sixth and subsequent Plans will go to improve the living standard of the population. On the other hand, if left unchecked the growing population would require a large slice of the investment in the sixth and subsequent Plans just to provide the extra millions with a living.

Let us estimate the cost of the P.C.P. as envisaged over the ten years from 1966-76:-

A) RECURRING

1)	The average annual wage bill for the P.C.P. organisation	Rs. 110 crores
2)	Contraceptives	Rs. 50 crores
3)	Sterilisation	Rs. 20 crores
4)	Training	Rs. 5 crores
5)	Distribution of contraceptives	Rs. 5 crores
6)	Administrative and office expenses, repair and maintenance of machinery and plant	Rs. 20 crores
7)	Sterilisation camps, seminars, tours, lectures etc.	Rs. 15 crores
8)	Miscellaneous expenditure	Rs. 20 crores
	Annual expenditure	Rs. 245 crores

For the period 1966-1976: Rs. 2,450 crores.

B) PREPARATORY AND NON-RECURRING

1)	Television and radio stations	Rs. 15 crores
2)	Television sets	Rs. 50 crores
3)	Radio sets	Rs. 10 crores
4)	Cycles to all up to Village Level Workers @ Rs. 120	Rs. 2.40 crores
5)	Scooters/Motor cycles up to Block Level @ Rs. 2,000	Rs. 6 60 crores
6)	Jeeps, cars etc. @ Rs. 12,000	Rs. 12 crores
7)	Residential accommodation etc.	Rs. 40 crores
8)	Office accommodation etc.	Rs. 10 crores
9)	Clinics (jointly with Welfare Organisations)	Rs. 10 crores
10)	Training schools, research, scholarships etc. for Family Planning Organisation	Rs. 20 crores
11)	Factories for contraceptives	Rs. 50 crores
12)	Miscellaneous expenditure	Rs. 24 crores
	Total	Rs. 250.00 crores

C) MISCELLANEOUS AND OTHER EXPENSES

1)	Bonus to P.C.P. Organisation staff at the rate of half the salary over 10 years	Rs. 600 crores
2)	Miscellaneous expenditure	Rs. 100 crores
	Total	Rs. 700 crores

Therefore Grand Total of A+B+C = Rs. 2,450+250+700
= Rs. 3,400 crores

The population estimates with or without the P.C.P. are given in an earlier article. It is estimated that while the population with P.C.P. will practically stabilise at Rs. 55.5 crores in 1976, without P.C.P. it will 62.1 crores and still growing.

Mr. V. T. Krishnamachari in his book, "Planning in India", while discussing the rate of development for the period 1951-76 has estimated that the planned per capita income in 1976 is Rs. 520 for a population of 56.8 crores. The new estimate of population after the 1961 census is 62.5 crores in 1976. Even if we assume the figure of 62.1 crores as estimated in an earlier article, the planners still have to provide enough extra capital investment to promise Rs. 520 per capita to the 5.3 crores surplus population. Assuring capital to output ratio of 3:1 the net extra investment required is 5.3x520x3 i.e., Rs. 8,268.00 crores. If, however, with P.C.P. the population is only 55.5 crores, the net estimated investment to provide Rs. 520 per capita income to 56.8 crores can be reduced by 1.3 x 520 x 3 i.e. Rs. 2,028.00 crores. In other words, total reduction in investment is 8,268+2,028.0 i.e. Rs. 10,296.0 crores.

Net Saving

Subtracting the cost of the P.C.P. from the saving in investment it can be seen that there is a net saving of Rs. 10,296.0 — Rs. 3,400.0 i.e. Rs. 6,896.0 crores. Remember even if the P.C.P. costs twice or even thrice as much as estimated **it will still be worthwhile.**

This is not all. The P.C.P. will stabilise the population by 1976. In fact, at the annual rate of increase of 20 lakhs the population will increase from 55.5 crores to 64.5 crores in 40 years. That is, assuming the population is stationary at 60 crores over the period 1976 to 2016, every penny invested will go towards improving the standard of living of the people. The year 1976 will then mark the "take-off" stage (which is proving so elusive at present). At the annual rate of increase in per capita income of 3-10 per cent, which is not at all difficult to achieve in a self-generating economy, our progress towards the goal of "prosperity within our life-time" will be really spectacular.

The increase in per capita income at 8 per cent as well as at 10 per cent rate of annual increase will be as follows:

Year	Per capita income in rupees @ 8%	10%
1976	520.0	520.0
1980	707.00	759.00
1990	1,529.00	1,976.00
2000	3,297.00	5,122.00
2010	7,124.00	13,260.00
2016	11,284.00	21,400.00

On the other hand a real increase in per capita income after 1976, without the P.C.P., is debatable.

[Concluded]

Shipbuilding in Poland

ZDZISLAW NOWAKOWSKI

IN 1962 POLAND produced 47 sea-going vessels totalling 290,000 DWT for foreign and domestic shipowners. In terms of tonnage completed this puts Poland in tenth place in the world. Its share of world production climbed from 0.9 per cent in 1952 to 1.7 per cent in 1957, and in 1962 topped 2.7 per cent. To reach the "top ten" out of the thirty-odd ship building countries is a substantial achievement considering the virtually total destruction of the shipyards during the war.

The shipbuilding industry, which did not exist before the war, is now the fourth largest branch of engineering in terms of the value of market production and its share of the total production of the engineering industry has risen from 3.1 per cent in 1952 to 7.7 per cent in 1962. This "shipbuilding miracle", as the Lloyd's Register of Shipping called it, has been made possible by investments and also by the large orders placed by the Soviet Union when the industry was finding its feet.

Technical Standards

Up to 1957 the bulk of production consisted of tramps, with a small balance of general cargo ships and simple fishing vessels. Since then a much larger share has fallen to general cargo ships, more complicated types of fishing boats, specialized ships for dry bulk cargoes, and tankers. The following table illustrates the structure of production:

(In percentages)

Kind of Vessel	1950	1953	1955	1959	1962
Tramps	100	70.5	81.0	28.5	3.7
Special ships for bulk cargoes	—	—	—	—	16.0
General cargo ships	—	16.8	9.7	51.0	52.2
Tankers	—	—	—	—	14.0
Fishing vessels	—	12.7	9.3	20.55	14.1

It is worth emphasising the place occupied by Poland in world production of fishing vessels, a category which accounts for a larger proportion of output than in other countries. The technical and operational qualities of Polish fishing vessels have been highly rated by experts here and abroad. In 1959 Poland was the world's leading producer in this class, and runner-up to Japan in 1960-62. Demand for fishing boats is rising, the most sought after being long-range vessels which can exploit distant fishing grounds. It is boats of this kind which are being built in Poland. They include motor trawlers of 150 and 550 DWT, factory and refrigerating trawlers with a deadweight of 1,250 tons and cruising range of 70 days, adapted for stern-fishing and capable of processing fish on the spot into fillets, frozen blocks, oil and meal, and depot ships with a deadweight of 10,000 tons which can service a whole fleet of smaller ships fishing far from their home ports. There have been also considerable changes in the size and speed of the tonnage built. The largest vessels now being built have a tonnage of 20,000 DWT and maximum speeds reach 18 knots.

Technical standards are as high as any in the world; indeed, some types like the depot ships, the factory trawlers and the 6,000 ton timber freighters may be called ships of the future. Keeping up with the latest advances in technology is, of course, essential to any country's reputation as a producer of high quality shipping. This concern with improving the quality of production in Poland in reflected in the degree of electrification of new vessels: on the trawlers, for example, it comes to 660 watts per DWT; also, most of the ships now being built have largely automated power plants, auxiliary boilers, navigational aids, loading installations, etc. Of the 33 types of vessels which are currently in production as many as 20 are prototypes whose design and equipment will make them some of the most attractive ships on the market. Some of their technical features are in fact ahead of world standards.

Exports

The expansion of production and the achievement of high standards created an opportunity for developing exports of ships. Today the Polish industry is the seventh largest exporter in the world: in 1962 137,000 BRT were launched for foreign companies, 4 per cent of world exports in this field. Polish-built ships now sail under the flags of the Soviet Union, China, Albania, Brazil, Indonesia, France, Switzerland, Britain, the United Arab Republic and Cuba. The competitiveness of the Polish industry is best evidenced by the continually upward trend in exports of ships and full order books five years in advance. They play an important part in Poland's balance of payments; their share of the total value of exports has risen from 3.3 to 5.3 per cent in the last ten years. Many measures have been taken to sustain and stimulate this growth. For this reason there are agencies in Poland of Lloyd's Register of Shipping, the USSR Sea Register of Shipping, Norske Veritas and other classification companies whose regulations and advice are followed in building ships according to customers' requirements.

Technical Progress and Investments

The steady growth of production in quantity and quality is the result of a bold harnessing of technical progress and considerable investments. The shipyards are organized on the most modern lines and employ the latest technology. Only welding constructions are used and the welds are strictly checked with the help of defectoscopes and X-rays. The cleaning of plates for processing is done mechanically with special machines. Tracing has been completely eliminated and the traditional mouldlofts which take up so much space and labour have been abolished. In their place optical lotung has been introduced together with a further innovation: plate cutting by special remote-controlled machines.

The most important of the investments which have been made in the shipyards is the construction, now nearing completion, of a dry dock in the Gdynia Shipyard. Here it will be possible to build vessels with a deadweight of up to 65,000 tons. The equipment of the hull construction plant in this dock is far ahead of the world average while the modern methods of production will have few equals anywhere. This

plant has been laid out in a single technological line running from plate yard, processing, prefabrication, section assembly, to assembly of blocks weighing up to 500 tons. In this dock the production cycle will be shortened to less than 2 months. With the present tendency all over the world to increase the size of both tankers and freighters the building of a dock with a capacity of 55,000 tons is of great importance for the future of the Polish shipbuilding industry. The ability to offer ships of this size and the lowering of cost with dry dock contruction will further increase the competitiveness of the industry and open up wider possibilities of sales.

In the eighteen years since the war a large body of skilled workers, engineers, technicians and economists have been trained by the Gdansk Institute of Technology and vocational schools. The total number of engineers employed is about 1,000, some 300 of whom work in design offices. The ratio of engineers to workers in production is fairly high, amounting to 44 per 1,000. There are 3 technicians to every engineer.

Plans envisage the production of 400,000 DWT in 1965 rising to 600,000 in 1970. This increase in capacity has been dictated by the growing demand for fishing and carriage tonnage on the foreign markets already secured by Poland, particularly the Soviet Union, and by the needs of the home fleet The large and continually rising demand for foodstuffs, particularly for fish, will mean a correspondingly growing demand in the world for fishing vessels for many years to come. The shipbuilding industry is very much concerned with keeping abreast of technological advances in the world and also conducts its own research into ship engineering, propulsion, equipment, new materials, etc. For these purposes two research establishments were set up in 1962-63 — the Shipbuilding Institute in the Gdansk Institute of Technology and the Research Centre of the Shipbuilding Industry, staffed by scientists and engineers from various specialities.

How to Step Up Agricultural Production?

VIRENDRA AGARWALA

THE PRESENT rising trend in prices is explained by the inadequate rate of growth in agriculture. Although in the past agricultural production increased, on an average, at about 3.5 per cent per year, in the last two years there has been a considerable setback. In 1961-62 production increased by 1.2 per cent while in 1962-63 there was a decline of 3.3 per cent; the index of agricultural production stood at 136.8 as against the peak level of 141.4 attained in 1961-62. The shortfall in production was particularly marked in the case of rice, wheat, groundnuts and sugarcane. Among the commercial crops, production of jute increased by about 9 per cent while that of cotton was satisfactory. The overall production of foodgrains declined from 81.0 million tonnes in 1961-62 to 78.7 million tonnes in 1962-63. The Planning Commission argued that three weeks long cold spell in Uttar Pradesh was largely responsible for damaging the crop to the extent of 50 per cent. It is true that unfavourable weather conditions are largely responsible for the slow pace in raising agricultural production, but it does not appear to be reasonable to believe that we could have crossed 85 million tonnes this year. It is equally unrealistic to assume that a rise of 35 per cent in agricultural production, on an average of 5 per cent a year, can be attained by 1970-71. The Government has claimed that the production in 1963-64 is far better than that of the record crop year of 1961-62. It would, therefore, be logical to expect the current prices to be lower than those of 1961-62. But, it is difficult to understand why in a bumper year with an overall increase in foodgrains production as well as a steady flow of imports under the PL 480 programme, rice and wheat should still continue to sell at relatively high prices.

Population Vs Production

The shortage of foodgrains was partly made good by larger releases from Government stocks. The total quantity of foodgrains imported into India in 1963 increased to 4.56 million tonnes valued at Rs. 183.6 crores as against 3.64 million tonnes valued at Rs. 141.4 crores in 1962 and 3.5 million tonnes valued at Rs. 129.6 crores in 1961. Thus, total consumption in 1962-63 was 83.2 million tonnes. It is widely recognised that the population is increasing at the rate of 2.3 per cent per annum while production has hardly crossed 2 per cent a year.

It is often complained that under the present set-up some statisticians sitting at a table in New Delhi set the target for agriculture without the farmer being brought into the picture. The Planning Commission explains that the target is neither arbitrary nor unrealistic in the sense that it is determined on the basis of our needs as well as the capacity to produce. It may be interesting to point out that the target of 100 million tonnes included 12½ per cent margin kept for waste etc. which necessarily implies that the Planning Commission considered that 88½ million tonnes of foodgrains would be found enough to provide nutritional diet of 18 oz. per head per day to the growing population which is likely to reach 492 million by 1965-66. The arithmetic of food demand shows that we need at least 98 million tonnes — and if we include 12½ per cent for wastage etc. then, of course, the target should have been 110 million tonnes. We have been planning to be self-sufficient since we attained independence in 1947, but our pious hopes remained slogans as we never succeeded in translating them into action. No amount of planning will ever be successful unless we make the farmer the focal point of our thinking and endeavour.

Agricultural Base

It is widely recognised that a strong agricultural base is the first requisite of national defence. Increase in agricultural production is also essential in supporting, sustaining and increasing the tempo of progress in other sectors of the economy. But unfortunately, the patchy implementation of policies and false priorities are largely responsible for the unsatisfactory state of affairs. The experience of intensive agricultural production in certain selected areas through what are known as 'Package programmes' has shown that in the interest of securing a rapid increase in production instead of dispersing efforts all over the country, attention must be concentrated in the most promising and productive areas. The Government has recently decided to devote its attention to about 80 selected districts covering approximately 1,500 development blocks, which hold out a promise of quick results. It is hoped that their impact will be felt on the next kharif crops. At the level of the State an integrated programme of action is being developed under an officer known as the Secretary-cum-Commissioner for Agricultural Production and Rural Development who has been made responsible for co-ordinating the functions of various departments including Agriculture, Animal Husbandry, Fisheries, Community Development, Panchayati Raj and Co-operation. Gram Sevaks will now be required to be fully devoted to the task of agricultural production under the extension officer in the Agricultural Department. If our workers at the village level are in a position to inspire the rural community and are effective enough to improve their functioning, there is no reason why we should not be able to show exciting results by the end of the third Plan.

The unsatisfactory state of affairs is largely due to a number of factors including the non-availability of fertilizers in adequate quantity and at the right time. Secondly, local funds for matching grants have not been forthcoming. Thirdly, the emphasis on Panchayati Raj has displaced attention from development to administration. Finally, the zeal with which at least some of the land reforms like co-operative farming and land ceiling are being carried out has created a sense of uncertainty in the countryside and diverted attention from the more fundamental issue of raising agricultural production. The proposed Seventeenth Amendment to the Constitution, 'inter alia' enlarging the definition of the word 'estate' so as to include lands held under ryotwari settlement has aggravated the situation.

There is also a big gap between irrigation potential and its utilisation. At present, as much as 20 per cent of the irrigation potential remains to be covered. One of the reasons for the under-utilisation is the lack of field channel and village water courses. To a certain extent, this is due to the lapse on the part of the beneficiaries to construct the field channels. It would be appropriate to undertake more active steps to encourage greater effort on the part of the beneficiaries. If the beneficiaries fail to carry out the obligations in spite of this, the work should be undertaken by the Government. At the same time there should be close co-ordination between agricultural extension staff and the irrigation staff with a view to assuring suitable cropping patterns and adequate supply of water at the appropriate time.

Surprising Conclusion

In total, we have 320 million acres of cropped area. It is surprising to note that the Planning Commission feels convinced that not more than 140 million acres of land can ever be provided with irrigation facilities and the rest, of course, will have to depend on the vagaries of the monsoons. Scientific utilisation of water involves an intensive network of channels to prevent seepage of water to avoid water logging, maximum use of available water resources by avoiding waste and economical and purposeful distribution according to the needs of the crop, the soil and the season. The total additional area brought under minor irrigation schemes in the first two years of the third Plan is estimated to be about 4 million acres. If the programme for bringing 3 million acres under minor irrigation in 1963-64 is fulfilled, it is hoped that 54 per cent of the target of the Plan period will be realised. Special allocations of Rs. 10, 15, 19 and 20 crores have already been made in the first, second, third and fourth year of the Plan respectively for minor irrigation schemes and soil conservation. The States have also been directed not to divert funds from agricultural to non-agricultural programmes, otherwise it is likely to be deducted out of the allocations by the Centre to the States. Major and medium irrigation schemes had to cover 29.5 acres by 1965-66 but they are not likely to irrigate more than 23 million acres.

The Planning Commission explains that 43 per cent increases in foodgrains production was expected due to chemical fertilizers, urban and rural composting and green manuring. The Ministry for Steel and Heavy Engineering had calculated to procure 800,000 tonnes of nitrogenous fertilizers; it is now realised that there will be shortfalls in respect of fertilizers and areas benefited by major and medium irrigation schemes. Consumption of nitrogenous fertilizers was to increase from 230,000 tonnes in 1960-61 to a million tonnes in 1965-66, but it amounted to 193,000 tonnes in 1960-61 (being 370,000 tonnes less than the Plan assumed) and increased to 280,000 tonnes in 1961-62 and to 350,000 tonnes in 1962-63. In 1963-64, it is expected to rise to 450,000 tonnes. It is now reckoned that the total internal production at the end of the Plan may be of the order of 500,000 tonnes compared to 800,000 tonnes initially assumed. For the first three years of the Plan, quantities imported have been 156,000, 204,000 and 225,000 tonnes of nitrogenous fertilizers. For the fourth year, imports are being increased to about 350,000 tonnes. For 1964-65, the Plan has already provided Rs. 30 crores with the assumption that another Rs. 5 crores may be allotted if it is found necessary. The benefit of the chemical fertilisers is, therefore, restricted to not more than a small fraction of the millions of cultivators whose hunger for fertilizers is bound to be aroused by our propaganda for their use.

What incentives have we provided to the farmer so that he may produce more? There are a series of limitations imposed on him in regard to the supply of improved seeds, improved agricultural implements, cement and steel, water-supply, fertilizers coupled with poor marketing conditions. If for agricultural improvement, on an average the investment has to be, say, Rs. 60 to Rs. 100 per acre, what is required is an annual investment of at least Rs. 2,100 to 3,500 crores in agriculture. But the creditworthiness of the present is severely limited by the size and quality of his holding and the standards prescribed for loans, whether advanced by Government or co-operative societies. The Reserve Bank has so far advanced short-term loans to co-operative institutions to the tune of Rs. 150 crores during 1962 and its outstanding medium and long-term loans to them at the end of March, 1962 were Rs. 67 crores. It is a matter of gratification that the Reserve Bank has recently been persuaded to advance loans through co-operative societies to the extent of Rs. 300 crores in 1963-64. It is likely to reach Rs. 450 crores by the end of the third Plan. The sale of fertilizers, seeds and pesticides to farmers through co-operatives has come for a good deal of criticism. The cultivators are suspicious of co-operative societies; they somehow feel that they are merely a device to take away their land from them. One feels acutely the absence of trusted leadership in our rural areas.

Farm Productivity

Slogan mongering is the essence of democratic socialism. But still, if we are keen to achieve a national economy with respect to the basic needs by the end of the fifth Plan, then, all possible efforts must be made not only to bring co-ordination at various levels but also to raise agricultural productivity. It is interesting to point out that whatever increase in farm production has taken place during the last decade has been largely due to an extension of the area under cultivation. The increase in productivity is stated to have played a limited part. Between 1949-50 to 1960-61, agricultural production had increased only by 3.8 per cent per annum while the annual rate of increase in area had been 2.08 per cent. Thus, the increase in productivity was a mere 1.54 per cent. The various measures which have so far been taken to increase agricultural productivity and to educate the cultivator with the latest techniques of crop cultivation have not met with complete success because the staff at the village level does not possess the requisite qualifications. It lacks in proper leadership and initiative and also the responsibility and authority to carry out the tasks allotted to it. Until the level of village level worker and other extension staff is raised the chances of quicker implementation of the schemes to increase agricultural production will remain poor. The human factor at the village level particularly has become the weakest link in the administrative set-up dealing with the agricultural production and it is this link which needs to be strengthened.

WINDOW ON THE WORLD

U.S. Big Business in Europe

From Our Special Correspondent

PARIS :

CASES OF RESISTANCE to American take-overs of Common Market firms have several times been reported from France; the latest (and the affair is not yet settled) concerned an officially inspired bid to foil General Electric's entry into the computer firm, Machines Bull. It is less commonly known that more discreet efforts in the same sense (more discreet because not overtly backed by the authorities) are being made in West Germany, where the massive dollar invasion has at last aroused misgiving. Dr. Abs, the Federal Republic's leading banker, certainly had in mind the Americans when he deplored lately that foreign investments in that country were eight times as great as West German investments abroad and suggested that a "more healthy" balance should be sought. The business community is of a like opinion, and Bernd Huffschmid reports in 'Documents', a review of German affairs, several instances of its resistance to some forms of American investment. The most notable case relates to the Socony Mobil Oil Company's attempt to secure control of the Gelsenkircher Bergwerks, AG, which produces 16 million tons of coal and refines 5 million tons of oil annually, and is thus West Germany's biggest enterprise in both fields.

The German firm had just taken over the chain of Aral petrol pumps, again the country's biggest, when Socony started buying stock with the objective of gaining a majority. Economic nationalism has been less touchy in West Germany in recent years than in Gaullist France, but even there no one was enthusiastic about the prospect of the giant American cartel getting control of so large a share of the country's power industries. A counter-offensive was launched (one cannot say with what backing exactly) and Socony's takeover appears to have been checkmated. Huffschmid cites other instances, concerning less substantial German enterprises, where an identical reaction in the face of American investment prevented controlling interests passing into foreign (i.e. US) hands. If the Government in Bonn still maintains in theory its open-door policy on American investment, business men have become more skeptical about the consequences of this liberalism.

Inferiority Complex

These measures of self-defence against the dollar invasion may seem to reflect an inferiority complex among European firms vis-a-vis their American competitors. One can only say that such a complex would be perfectly justified. The CNPF, the French employers' association, is preparing a study of the relative strength of Big Business in the two sides of the Atlantic which will amply prove the point. It shows that the financial resources, productivity, installed capacity and technological ability of the big American corporations are so immensely greater than those of even the biggest Common Market firms that the certain upshot of John Kennedy's "grand design" for an abolition of tariff barriers would be the economic colonisation of West Europe.

For example, there are 49 American firms whose sales volume (in 1962) exceeds $1,000 million, whereas there are only 14 firms in the rest of the world that achieve that turnover (six of them in West Germany, three in the UK, and two are the Anglo-Dutch combines, Unilever and Royal Du'ch). The biggest firm in West Germany is smaller than the top 28 firms in the USA, while the biggest French company would be number 50 in the US hierarchy. General Motors' sales equal those of the top 13 West German companies rolled together, and are a tenth greater than the gross national product of Holland; its profits alone exceed Renault's sales. Yet, in terms of labour employed, there are more big firms in West Europe than in America: 48 companies here employ over 50,000 people, against 34 in the USA. In other words, the productivity of American industry is notably superior.

Moreover, American Big Business is getting bigger year by year, despite the anti-trust legislation, whereas the concentration of Common Market enterprise is just beginning timidly. In the past 15 years, the top 200 firms in the USA have increased their share of industry's total sales volume from 30 to 40 per cent. When European firms show signs of nervousness about competing with this race of giants, they are simply being realistic. Apart from the sheer size of the American corporations, with all it implies in human and financial resources, there is the fact that most of them are more diversified than European firms, so that they can well afford to spread their risks and conquer markets by suffering temporary losses in one field that are amply compensated in others. For instance, some one has calculated that if General Motors gave away for free all the automobiles its subsidiaries manufacture in Europe, it would still show an impressive profit.

Research Programme

Securely based on the world's biggest and oldest "common market", the USA itself, endowed with solid protection both overt and indirect, and regarding export business as a mere sideline (exports are 5.2 per cent of American GNP, against over 20 per cent for West Germany or Britain), these mammoths could eat European industry without bothering to spit out the bones, if, as the Kennedy Plan innocently suggests, the Common Market were disarmed by a halving of its already low tariffs. They are investing 3 per cent of the USA's national income in research, against 1 per cent of this side of the water; their Government finances 25 times as much research as does a big European country like France; the firms themselves spend 20 times as much on developing new products as do comparable European companies; and their ownership of the bulk of patents required by modern industry reflects their large technological advance.

Naturally, none of this is regarded as sinful by the European firms who insist on those facts; they are not drawing up an indictment of Big Business, and want nothing so much as to imitate the gigantic American corporations. That is indeed one of the objects of the Common Market, which by creating a community of business interests should hasten the concentration of European industry. But that is where the dangers of the dollar invasion come into the picture. The fusion of European firms is extremely difficult, because it entails the surrender of national traditions and family interests; and the gradual abolition of tariff frontiers does not, all at once, wipe out historical boundaries and archaic mentalities. That such fusion will occur is sure, but it will take a decade or two before it produces units of a size comparable with the American corporations. Now, in those circumstances, the American corporation that offers to manage the process of fusion under its aegis has considerable advantages. One knows of literally a score of cases where small and old-established Continental firms could not agree on the terms of a merger, but willingly signed away their independence when

THE AUTOMOBILE INDUSTRY . . . .

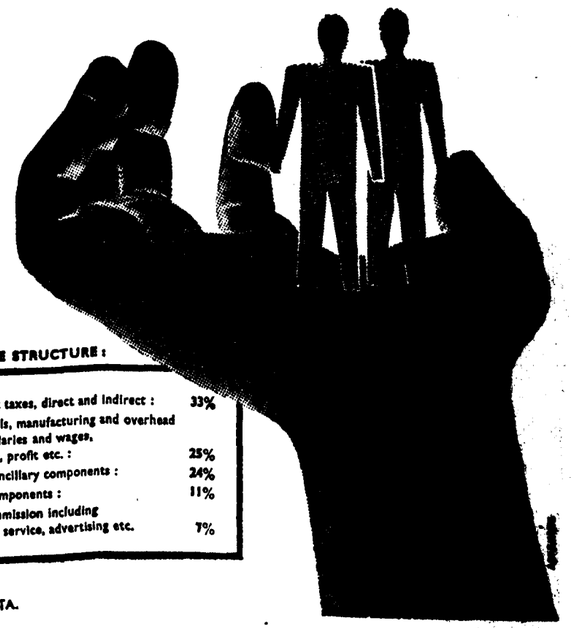
Each vehicle produced offers opportunities for employment of twelve to thirteen persons in the manufacturing, servicing and operational functions of the automobile and road transport industry. In the U. S. A. where the automobile industry is highly developed, one out of every seven wage earners is connected with the automobile industry.

As the automobile industry develops in India, more ancillary industries spring up. As the road transport system takes root, a more intensive movement of men and material takes place. As the communication net-work expands, the country's planned programme of agriculture and community development, irrigation and power, small scale and large scale industries proceeds apace. All these help vastly increase the employment potential in the country.

The automobile industry thus not only opens up opportunities for greater employment, but the income of those employed becomes a source of revenue to the Government. Apart from this, a considerable portion of the price of a motor vehicle goes to the Government in the form of direct and indirect taxes. In the case of the Hindusthan Ambassador car, for instance, this amounts to 5140 rupees or one-third of the "on the road" price of the car in Calcutta. The revenue thus realised helps public works projects to develop and expand the employment potential.

Besides boosting its direct employment, the automobile industry creates increasing opportunities for employment in the ancillary as well as other basic industries.

a boost to employment in India



THE AUTOMOBILE INDUSTRY IS A KEY INDUSTRY

CAR PRICE STRUCTURE :

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

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Investment of that sort deserves to be put in a class apart. What it brings with it is not so much capital and know-how (these were available in adequate amount in the scattered European firms, taken jointly) as a purely psychological factor: the Americans treat the Common Market as a unit and provide the leadership that the dispersed Europeans have not yet managed to evolve for themselves. The desired concentration occurs — but it is no longer a pooling of European resources that could compete with American industry, but an incorporation of European industry into the empire of an American company.

Stimulus to Investment

It has been argued that the stimulus to American direct investment in Europe is the Common Market's external tariff: US firms wished to invest behind it to ensure that their exports were not disadvantaged. It was then deduced that if that tariff were lowered, in the Kennedy Round, the incentive to such investment would diminish and US firms would prefer to manufacture at home and export to Europe. This would mean that the Europeans had a choice of being dominated in either of two ways: either by an invasion of dollar capital, or, if they reduced their tariffs, by an invasion of goods made in the USA. But the type of investment just referred to, where the American corporation provides nothing but the catalyst for a merger of European firms under its wing, suggests that no such choice might exist: there is the danger of both forms of domination coinciding. Even when European tariffs were so low that it was profitable to export from the USA, there would still be profits for American corporations in managing the concentration of outclassed Continental firms.

It is against this background that one must consider growing European disquiet about the volume, and the direction, of the dollar invasion, and European reluctance to swap "equivalent" tariff concessions at the Geneva negotiations. Given the vast disproportion between the dimensions of American and Continental business, the free movement of capital and freer trade in manufactures both lead to a very unequal struggle. If the Common Market succeeds in generating the desired growth and concentration of European industry, the latter would be ready and able to meet the American challenge in a decade or so. But at this stage it definitely is not. Hence of course the American urgency to establish an "Atlantic partnership", before the European "partner" really exists as an entity. The fact has long been obvious in certain industries such as automobiles (where General Motors and Ford subsidiaries are the biggest gainers from European unification), but it is now clear that the whole Common Market could turn out to be of more benefit to US corporations than for local enterprise.

The Kennedy Round

ASHOK V. DESAI

OXFORD:

AFTER SIX WEEKS of preliminary speech making, the ministerial meetings began in Geneva on May 4. This may be taken as the beginning of business. The Kennedy round, which will be the main item on the agenda, has been discussed publicly as well as in the GATT for many months. The ministers will now have to decide whether they can reach an accord on it, or work out how they can evade an agreement without appearing saboteurs.

The positions around which discussions will take place are well known. The American proposal, which has the support of the EFTA, is for a straight 50 per cent cut in tariffs on industrial products. The EEC Commission wishes to make an exception of the products on which its tariff is less than half that of the US or UK: it would reduce its tariffs on such products by not more than 25 per cent against a 50 per cent cut by them. This treatment of disparities has to be reciprocal, and this has put the EEC in some difficulty, for the more disparities it can claim under a formula, the more disparities other countries can claim against it. Just before Christmas the EEC statisticians had hurriedly worked out a new formula which would permit EEC to claim disparities for some 1000 out of the 2300-odd items on its list of industrial imports. But they failed to notice that it would also permit the United States to claim disparities for about a third of its imports. This formula appears to have been dropped since; under the present one the EEC claims the right to invoke disparities for some 750 items covering a fifth of its dutiable industrial imports.

Obviously, any disparities formula would raise difficulties where the tariffs of non-EEC countries differ greatly among themselves. How the EEC would like to deal with them is o'l cure, perhaps even to the EEC. The general intention seems that where the EEC has invoked a disparity, it would concede a low-tariff third country the right to reduce its tariff by less than a half after bilateral negotiations.

The American tariffs are particularly higher than European ones on chemicals and some capital goods: it is an historical accident that the EEC tariffs on these items fall mostly in the 40-80 per cent range while the American tariffs exceed 80 per cent. Both give substantial and reliable protection to home industries. The EEC wants the USA to reduce the protection to these industries without much of a 'quid pro quo' from other countries. The tariffs concerned are so high that it is doubtful whether their halving would have much effect, and the Americans probably do not stand to lose much. They are, however, very much against the bilateral negotiations which the disparities formula would engender, for the EEC is a powerful bloc and can browbeat individual third countries in negotiations; it can also, by dragging out negotiations, escape having to reduce its tariff altogether. For the same reasons, the EEC is fond of bilateral negotiations, and most countries outside the EEC are against them.

Bilateral Negotiations

The United States have offered to accept the disparities formula on the condition that it would not apply against the US and the UK (a) where a third country is major supplier to the Community, or (b) where the EEC tariff is under 10 per cent. The EEC stands against such automatic criteria and insists on bilateral negotiations to deal with third-country problems. This is the crux of the disagreement, and at present there is no prospect of accord.

This does not worry the EEC much; what does worry it is that nearly everyone else is against it, so that it is likely to be blamed for an eventual failure. The public relations of the EEC are none too good at the moment, and unlike de Gaulle, the EEC Commission does worry about its image. Hence feelers have been sent out of Brussels in the last few weeks suggesting favourable compromises with third countries. A special envoy was sent to London in the last week of April; apparently, however, these moves have had no results hitherto.

On agricultural products, the American and EEC positions are even more at variance. Broadly speaking, the EEC prefers stabilisation at high support prices which will enable it to

produce much of its agricultural requirements, and quotas to be negotiated every three years so that it can control its imports and keep them marginal. The USA wishes to be the main supplier of agricultural products to the EEC, and is therefore against both high support prices and discretionary quotas.

National interest, which is reflected so clearly in the positions taken up by the USA and the EEC on agricultural products, is also implicit in the case of industrial products. For many years since the war, the United States had a chronic payments surplus with Western Europe which led to much grumbling against American tariffs and to the coining of the slogan "Trade, not aid". As it happened, this surplus vanished just before the foundation of the Common Market, and there has since been an equally persistent payments deficit. Since 1960, the EEC countries have been reducing tariffs between themselves, and this has probably directed some of their demand for American exports to sources within the Community, worsening the American balance of payments still further. This has exercised the Americans significantly, and inclined them towards a reduction of tariffs between the EEC and the USA to neutralise the effect of the intra-EEC tariff reductions. This idea was put forward by President Kennedy as a part of a plan for an Atlantic partnership. It was, therefore, anathema to those who wished to forge an exclusive association out of the EEC, and there is inevitably much opposition in the latter to its dilution through lower external tariffs. Thus the American and EEC positions are grounded on their views of national interests as well as their wider political aims.

It is clear, therefore, that a compromise between them will be very difficult, and that a stalemate is the most likely outcome of the Geneva Conference. In any case, the outcome is not imminent: the last day for the submission to the GATT of offers and exceptions — lists of items on which countries are willing to cut tariffs and on which they are not — is 10th September, and a month will be given for studying these lists. Hence negotiations will not begin in earnest until October, and could well go on until next year. Tariff cuts, for what they are, will wait until 1966. The Geneva Conference almost threatens to rival the Panmunjom Conference, the Warsaw meetings between the Chinese and the Americans and the concurrent conference in Geneva on disarmament.

Automatic Limitation

It can, however, be rescued from death through boredom if the EEC can be brought to accept some automatic limitation to its treatment of disparities. Such acceptance is not quite outside the realm of possibility, seeing the strength of opinion against the EEC. This opposition has hitherto been ineffective because it has only resulted in moral pressure; it would stand a much better chance if it reflected itself in the negotiations. One form it could take would be anti-preferential duties to be levied against preferential blocs. A threat of collective tariff discrimination, especially if it were accompanied by the dismantling of Commonwealth Preference, would fix a price to the EEC for the maintenance of its present tariff levels, and give it a material incentive to reduce them. Whether such a proposal makes headway in Geneva remains to be seen.

U.K. Profits Are "Reasonable"

JOSSLEYN HENNESSY

LONDON:

THE LABOUR PARTY has been criticising the increase in dividends paid out by UK companies since 1950 and the decrease in the percentage of their profits taken in taxation. The party urges that not only should profits be taxed more heavily but that indirect taxes should be lowered rather than increased. At first sight, the facts seem to support Labour's assertions. The following table is based on Board of Trade statistics, analysing the results obtained by companies quoted on the stock exchange. The number of these companies varies from year to year, so that, e.g., the gross income of £1,728 million in 1954 was earned by 2,892 companies, whereas the gross income of £2,405 million in 1962 was earned by 1,981 companies, but the trends shown by the percentages in brackets are unaffected.

WHAT THE ACCOUNTS SHOW

£m. (Percentage of Total in Brackets)

	Gross Income	Ord. & Pref. Divds.	Interest on long-term loans	Taxation	Depreciation & other provs.	Retained in reserves
1950	1,316	307(23.3)	18(1.4)	443(33.7)	192(14.6)	356(27.1)
1954	1,728	435(25.2)	32(1.9)	531(30.7)	281(16.3)	448(25.9)
1958	2,075	529(25.5)	61(2.9)	517(24.9)	463(22.3)	505(24.3)
1961	2,478	754(30.4)	76(3.1)	546(22.0)	594(24.0)	508(20.5)
1962	2,405	758(31.5)	87(3.6)	498(20.7)	625(26.0)	438(18.2)

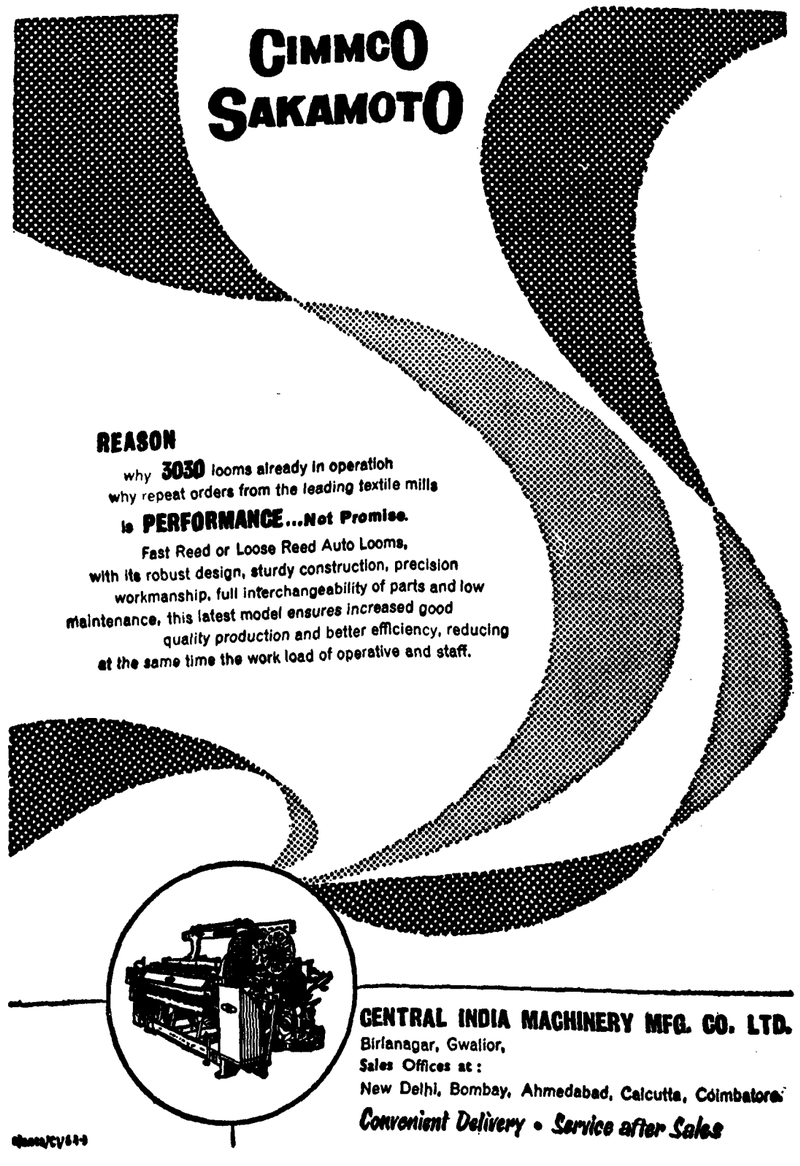
The decline in percentage of gross income taken in taxation undoubtedly reflects the Conservative government's deliberate decision to give industry incentives to increase its investment. Note that the percentage of income devoted to "depreciation and other provisions" rises as the percentage taken in taxation falls.

While the table shows that gross profits have risen by 83 per cent between 1950 and 1962, what it does not show is the relation between profits and the assets employed in earning them. As Mr. Harold Wincott, the well-known financial commentator, pointed out in the London "Financial Times" recently, whereas gross income represented 20 per cent of gross assets in 1950, by 1961 gross income had fallen to 14.2 per cent of assets, and whereas net income was 21.4 per cent of net assets in 1950, it had fallen to 13.8 per cent in 1961. In 1962, the gross return fell to 13.3 per cent and the net to 12.7 per cent.

Average Reward

While the table shows that sums paid out in dividends and interest between 1960 and 1962 rose by 160 per cent, when these sums are related to the real capital employed it emerges that the investor's average reward for financing a very substantial increase in assets amounted in 1962 to 4.7 per cent gross and 5.9 per cent net, compared with 4.9 per cent and 6.1 per cent in 1950. The average company in 1950 employed gross assets of £2,379,000 to earn £476,000 and to pay out £117,500 in dividends and interest. In 1962, the average company employed gross assets of no less than £9,140,000 to earn a gross income of £1,214,000 and pay out £426,000.

The average company's extra £6,761,000 were found by its shareholders, either by direct additional investment, or by allowing profits to be ploughed back. I presume that the Labour party agrees that the investor is entitled to a return on his investment since the party plans to raise savings by means of a State Unit Trust, but the trouble is that Socialists are always irritated by the apparent impossibility of making



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the UK prosperous without allowing investors in ordinary shares to participate in that prosperity. I said "apparently" because twelve years of Conservative government seems, in fact, to have achieved the impossible! The extra dividends and interest — £308,500 — that the average company paid out in 1962 represented a gross return of only 4.5 per cent on the extra £6,761,000 assets employed. To a Socialist, this may seem a "reasonable" profit, but I suggest that it is because the Conservatives have kept profits so "reasonable" that the UK's growth rate lags behind that of Germany and other European countries. Growth comes from changing — not from existing — products and technologies. But no one is going to take the risk of investing in the new, the untried, and the unknown in hopes of a "reasonable" profit; he can get that from an old established company. The investor will only take risks if he sees a chance for highly "unreasonable" profits.

Bright Future Foreseen for U.S. Economy

GUY SIMS FITCH

WASHINGTON :

CONFIDENCE is the word that best describes the nation's economic thinking today. There is hardly a dissent from the proposition that the present expansion is sound and will continue for some time to come. This does not mean that all slow-downs, dips or recessions have been exorcised. But it does underscore the widely held view that US economic prospects, both near-term and long-term, are bright. The latest authoritative voice to be heard on this subject is that of the Twentieth Century Fund, a non-profit organization highly regarded for the soundness of its socio-economic analyses. In a report just issued, titled fittingly enough "The USA and its Economic Future", the Fund sees the nation approaching the milestone of a $1,000,000 million economy by 1975 — only eleven years from now.

Gross National Product

The Fund's study puts the gross national product (GNP) — the total output of goods and services — at $955,000 million in 1975. This would be an increase of more than 50 per cent over the present annual rate of $609,000 million. Using 1962 as a base of comparison, the study envisages gains of 100 per cent or more in such components as personal savings, industrial production and private investment in plant and equipment. It foresees increases of more than 50 per cent in such elements as exports, personal income and consumption and college enrolment, and of more than one-third in average family income. Employment would rise markedly, unemployment would decline steadily from the present 5.4 per cent to 4 per cent of the labour force, and the work week would drop from the present average of 40 hours to an average of 37 hours. Making these projected gains even more impressive is the fact that they have been calculated, where appropriate, on the basis of fixed dollars, taking into account moderate price rises that may occur in the years ahead. Thus, they promise to be real and not illusory. Can the already large and vibrant US economy grow another 50 per cent, in real terms, in the next 12 years or less? To do so would require an annual growth rate of 4.5 per cent a year, which is somewhat higher than the average for the entire post-war period. On the other hand, the economy maintained a 4.5 per cent annual growth rate in the early post-war years, and it has surpassed that rate during the current sustained expansion that began more than three years ago. This rate, moreover, has been accepted by both the Kennedy and the Johnson Administrations as a feasible long-term goal.

The Fund's projections thus appear to be well within the capability of the US economy. This capability is reinforced by recent economic developments. Over the past several years economists have become increasingly aware of changes in the US economy that can easily make for a sustained and rapid growth. These include a faster than usual rise in productivity, or output per man-hour of work; a sharp upswing in the growth of the labour force; and an increasing business interest in expanding and modernizing productive facilities. These changes are already evident. Productivity, which often tails off after an initial spurt during economic upturns, has continued to rise. It is expected to maintain an average increase of better than three per cent a year, abetted by a small but significant shift from consumption to investment in new and improved facilities and equipment. The labour force, which had been growing by about 800,000 a year has now begun to rise by more than one million a year and is expected to be increasing by 1.4 million a year by 1975. Up to now, population growth has tended to act as a drag on the economy, as the large proportion of school-age youngsters, who normally consume without producing, has held back the growth in per capita output. Now, as more youths complete school, and at generally higher levels than in the past, they will become productive workers.

As for the expected investment rise, recent surveys indicate that it may already have begun, with American business men planning to spend 12 per cent more on new plant and equipment this year than last year. Since 1957, business investment remained virtually unchanged at about eight per cent of GNP. Merely getting it up to a 10 per cent ratio would bring the investment total to the study's anticipated $100,000 million by 1965. There is another important point to be made. On the basis of past performance, the Fund's projections could well turn out to be on the modest side. Back in 1955, during an earlier period of strong economic advance, the Fund published a similar analysis entitled "America's Needs and Resources". Its assumption of a 2.5 per cent annual growth rate for the economy proved to be conservative. Its most reasonable estimate was for a 1960 GNP of $473,000 million. The actual figure, despite an intervening recession and an acknowledged lag in economic activity, was $503,000 million.

YOUR ATTENTION PLEASE

To ensure prompt action, kindly address all your correspondence to :—

The Manager,

EASTERN ECONOMIST,

UCO Bank Bldg., Parliament St.,

P.O. Box 34,

New Delhi-1.

LISTENING POSTS

Non-Ferrous Metals in Fourth Plan

By Our Special Correspondent

NEW DELHI:

THE PLANNING GROUP set up for formulating the fourth Plan development programmes for the non-ferrous metals industry, in its interim report, is understood to have endorsed the Perspective Planning Division's view that the requirements of aluminium, zinc and lead by 1970-71 will grow to as much as 2,60,000 tonnes (including 25,000 tonnes for export), 2,25,000 tonnes and 1,45,000 tonnes, respectively. It has, however, estimated the fourth Plan-end requirements of copper at 2,50,000 tonnes, as against 2,35,500 tonnes estimated by the Perspective Planning Division.

The Group has suggested that with a view to making the country self-sufficient in aluminium, a total capacity of 2,60,000 to 3,00,000 tonnes should be established by the end of the fourth Plan period. Assuming that all the schemes already licensed, including the 25,000 tonnes capacity Madhya Pradesh Korba project, would have been implemented by the middle of the fourth Plan, yielding a total capacity of about 1,88,000 tonnes, it has recommended that a further capacity of 1,00,000 to 1,25,000 tonnes should be licensed at an early date.

The Group feels that the minimum economic unit of an aluminium smelter, to start with, should be of the order of 25,000 tonnes per annum, capable of further expansion to about 50,000 tonnes. This implies that the Group favours expansion of the already licensed units during the fourth Plan period, depending on the availability of essential raw materials. In view of the importance of power in the aluminium industry, the Group has expressed doubts that unless the middlings from the coal washeries in Bengal, Bihar and Madhya Pradesh are supplied to thermal plants at practically no cost, power intensive industries, such as aluminium, may not be attracted to these areas. It, however, has recommended a further expert investigation into this matter before reaching a definite conclusion.

Zinc Projects

In regard to zinc manufacture, the Group has suggested three projects: (1) increase in the capacity of the Metal Corporation of India's zinc smelter, currently under erection at Udaipur, from 18,000 tonnes to 50,000 tonnes per annum, provided, of course, sufficient zinc ore reserves are available in the Zawar mining area; (2) expansion of the capacity of the Cominco-Binani zinc smelter, based on imported zinc concentrates, from the present licensed capacity of 12,000 tonnes per annum to 50,000 tonnes, if continued supply of imported concentrates can be ensured; and (3) setting up of another zinc smelter based on imported concentrates with capacity of 50,000 tonnes per annum. The new zinc smelter, the Group suggests, should preferably be located at a port with a fertilizer plant to utilise sulphur which will be available from the concentrates.

A similar strategy has been suggested by the Group for stepping up lead output during the fourth Plan period. The Group thinks that the combined capacity of the present 6,000-tonne Tundoo lead smelter of the Metal Corporation of India (the capacity of this unit is to be raised to 11,000 tonnes in the near future in terms of a licence granted to it some time ago) and the 12,000-tonne Binani smelter can be expanded to 50,000 tonnes by 1970-71 either with the increased availability of indigenous ore or through importing concentrates from abroad in larger quantities.

As regards copper, the Group is of the view that it should be possible to set up copper manufacturing capacity to the tune of 70,000 tonnes based primarily on indigenous ore and partly on imported concentrates. It has called for expeditious exploitation of Rajasthan's Khetri and Daribo, Sikkim's Bhotang and Dikchu, and Bihar's Rekha and Boamsideshwar copper deposits. If this is done, it feels that the following capacities can be brought into operation by 1970:

	Tonnes
1. Indian Copper Corporation (including 8,400 tonnes based on imported copper)	21,000
2. Khetri	21,000
3. Koliham (near Khetri)	10,000
4. Daribo	1,500
5. Dikchu	1,000
6. Bhotang	800
7. Rekha mines and Boamsideshwar	15,000

The Group has further recommended that the possibility of importing copper concentrates should be vigorously investigated and, if necessary, long-term arrangements may be entered into for this purpose in view of the growing requirements of copper in the country.

The Group has also made a fervent plea for substituting copper, zinc and lead by cheaper metals.

In view of the expanding requirements of magnesium and silicon, the Group has suggested that the manufacture of these two metals to a capacity of 2,000/3,000 tonnes per annum should be undertaken during the fourth Plan period.

★★

In view of the easy availability of coal and the comfortable position in regard to its transportation, the Union Government has decided to remove with effect from July 1, 1964, the distribution controls on soft coke and Grades II and III non-coking coal. From that date no distinction between Grade II and Grade III non-coking coal will be observed for purposes of supply to consumers. The relaxation shall be applicable to the entire coal production in the Singareni fields and the Grades II and III non-coking coal output elsewhere in the country, excepting Assam. Announcing this decision at a press conference here on May 19, the Union Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, disclosed that if the experiment of de-controlling distribution of Grades II and III non-coking coal proved a success, he would consider a similar step in regard to Grade I non-coking coal as well. Distribution controls on coking coal, however, are not envisaged to be removed for the simple reason that this superior grade coal is being supplied only to the steel plants and its output is pegged to the requirements of the steel industry.

With the removal of the distribution controls on Grade II and III non-coking coal, the entitlement of any consumer to draw his supplies of these categories of coal from various coalfields will be determined by the zonal scheme applicable to each field and the principle of transport rationalisation currently in force. The consumers will be free to enter into agreements with the producers of their choice in their respective authorised coalfields either direct or through middlemen supplying their requirements. They shall not be required to route their applications through the Coal Controller or any other Central and State Government agency. They shall also be free to secure supplies without any quantitative ceiling.

The consumers and producers of soft coke and Grades II and III non-coking coal are being advised to finalise their agreements at an early date so that the railways can make arrangements for moving their coal in the desired manner.

Mr. Subramaniam also disclosed at this press conference that a four-member Expert Committee had been set up for deciding whether the proposed west coast steel plant should be located at Goa or at Hospet. The Committee is expected to report its choice by the beginning of July. This project has gained a slight edge over the one proposed for the Visakhapatnam-Bailadila area and, therefore, may be included in the fourth Plan as a steel manufacturing unit. The Visakhapatnam-Bailadila plant may be put up during the next Plan only up to the pig iron-making stage. The French, Japanese and American steel companies, which had evinced interest in supplying equipment for the Bokaro plant have now shifted their interest to the Goa-Hospet project as supplies for the Bokaro unit are to be made available by the Soviet Union which has promised financial and technical assistance for it. The Union Ministry for Steel, according to Mr. C. Subramaniam, will entertain the supply offers from the French, Japanese and American companies not only for the Goa-Hospet project but also for the other steel plants that are being planned, including the Visakhapatnam-Bailadila and the Salem units.

So far as the Bokaro project is concerned. Mr. Subramaniam said that a technical team from Moscow was expected here next month for detailed discussions with the Government of India. It had asked for some copies of the Dasturco report on the project and these had been despatched. The Russians have promised the use of L.D. process at the Bokaro plant. The development of the foundry/forge plant at Ranchi is likely to be stepped up as this Russian-aided heavy engineering unit will be required to make available some equipment for the Bokaro plant.

Hurdles Overcome

The detailed project report on the half-a-million tonne pig iron capacity Salem project, Mr. Subramaniam said, was expected to be ready in June. The initial hurdles in the way of establishing this third Plan project, thus, have been overcome. This unit will use lignite instead of coal as fuel. When converted into a full-fledged steel-making unit, it will be possible to manufacture some lower categories of special steels.

Mr. Subramaniam also indicated that the talks held here this week with the TISCO and IISCO representatives on the repayment of the Rs. 10 crores Government loan to TISCO and Rs. 8 crores credit to IISCO had yielded fruitful results. Although he declined to give any details of the settlement reached between the Steel Ministry and the two companies on the ground that Finance Ministry's, or even Cabinet's, approval will have to be obtained before ratifying it, he made no secret of his sense of relief that a solution to this ticklish problem had been found. The settlement, it is understood, rules out conversion of the Government loans into the equity capitals of the two companies. Interest on these loans (the loans were granted interest-free in 1956, but were made subject to an interest of 5.5 per cent in 1958) may also be waived. The repayment of the principal may be spread over a fairly long period so as to make the instalments easy. This understanding should pave the way for an early grant of World Bank assistance for the expansion of TISCO to 3 million tonnes and of IISCO to 2 million tonnes during the fourth Plan.

Mr Subramaniam is leaving in the second week of June on a four-week tour of Poland, Czechoslovakia, France and the United Kingdom. In Poland and France, he will discuss the problems of coal mining. In Czechoslovakia, he will hold discussions in respect of the projects proposed to be financed through the second Rs. 40 crore credit extended by that country for our economic development. No specific programme has yet been drawn up for Mr. Subramaniam's visit to the United Kingdom.

★★

The Planning Commission, it is understood, has cleared two projects for manufacturing briquetts from low grade coal in Bengal/Bihar and Madhya Pradesh coalfields. The two schemes are likely to be undertaken during the current Plan itself. Besides producing smokeless fuel for domestic consumption, the two coal briquetting plants will yield many valuable by-products which can be made use of for producing various chemicals.

★★

The Union Government, it is learnt, has decided to allow minority participation by foreign capital in the private sector pig iron manufacturing plants. This slight deviation from the current policy is understood to have been made with a view to stepping up pig iron production so that the installed capacity in the foundry industry can be better utilised.

★★

The Union Government has decided to enter cement manufacture in a big way. A wholly Government-owned public limited company, to be known as the Cement Corporation of India, is proposed to be floated for this purpose in the near future.

The decision has been taken in view of the fact that if acute shortages of cement have to be obviated during the fourth Plan period, an additional capacity to the tune of at least 10 million tonnes may have to be established by 1970-71.

The Corporation will be supplementing and not supplanting the activities of the private sector in the cement industry. Besides going in for cement production, it will undertake survey and prospecting of cement-grade limestone in the country, inadequate knowledge about which is thought to be one of the main factors retarding the development of this vital industry. The Perspective Planning Division, in its paper on the fourth Plan, is said to have provided an investment of Rs. 20 crores for the public sector in the cement industry.

★★

The U.S. industrial and business magnates, who visited New Delhi last month, are understood to have emphasised in their report to the Union Government that if India desired to increase the inflow of foreign investments from the present level of about $60 million per annum to over $300 million a year during the fourth Plan period, the investment climate would have to be improved considerably and made comparable to that prevalent in the other foreign countries which are competing for U.S. capital. The team has suggested a 10-point programme for promoting confidence amongst foreign investors. The ten points are:

(1) Acceptable return on capital employed as compared to competitive opportunities outside India;

(2) Acceptable level of foreign participation in equity and management control, commensurate with contribution of foreign exchange and "know-how";

(3) Reasonable amortisation and dividend policy with greater freedom to reinvest locally for expansion, technological and quality improvement;

(4) Minimum import duty and other controls to assure minimum unit investment and operating costs;

(5) Need for investment in both manufacturing and distribution in relation to regional demand;

(6) Freedom to select raw material sources consistent

with commercially competitive pricing and impact on foreign exchange;

(7) Flexible product pricing policy consistent with acceptable return on investment;

(8) Stable, simple and equitable tax and depreciation policy, avoidance of retroactive tax;

(9) Adequate staffing by foreign technical experts and managerial talent; and

(10) Expeditious approval procedures, based on well co-ordinated planning with equitable allocation of capacity to the foreign private investor.

★★

At its meeting held here on April 18, the Export Inspection Council of India decided that exports of vegetable oils, turmeric, onions, garlic, ginger, potatoes and mushrooms should be brought under the compulsory pre-shipment inspection scheme during the next few months. It also resolved that the voluntary pre-shipment inspection scheme currently in operation for frozen fish, shrimps and sea food should be made compulsory with effect from August 1, 1964. In the case of jute goods exports, the Council decided that the compulsory pre-shipment inspection scheme should be introduced with effect from December 1, 1964. It suggested that the Jute Commissioner should make necessary arrangements in this regard in co-operation with the jute industry.

Testing Facilities

The Council urged that some technically qualified personnel should be engaged to help in setting up a chain of laboratories and test houses throughout the country so that any manufacturer or exporter who wanted to get his products tested could get these facilities at hand. The establishment of laboratories and test houses throughout the country, the Council opined, should be considered as an integral part of the quality control and inspection activity. It approved a four-tier system of laboratories, namely, Central Laboratories, Regional Laboratories, Technical Universities and Research Institutions, and private specialised test houses and agencies for quality control and export pre-shipment inspection.

The Council also emphasised the role of packaging in boosting exports and expressed the view that pre-shipment inspection for exports should also include checking of packaging. The Institute of Packaging, which the Union Ministry of International Trade proposes to establish at Madras, the Council suggested, should co-ordinate its activities with those of the Council.

The Minister for International Trade, Mr. Manubhai Shah, who inaugurated the meeting, emphasised the need for quality control and stated that one of the most important requisites for stepping up exports was the maintenance of quality. He called for a pragmatic approach for introducing pre-inspection in the case of all important export commodities. The particularly sensitive export items, he opined, should be brought under the compulsory pre-shipment inspection scheme at the earliest.

★★

Czechoslovakia has extended another credit of about Rs. 40 crores for India's economic development. An agreement to this effect was signed in Prague last week.

A sum of Rs. 26 crores out of this new credit is to be utilised for financing (i) the expansion of boiler plant at Tiruchirapalli and the Heavy Electrical Plant at Hyderabad, (ii) the setting up of additional foundry and forge facilities at the existing foundries, and (iii) the establishment of two new machine tools plants, one tractor and power tiller factory and one 220 mW power unit. The remaining Rs. 14 crores are to be used for financing imports of components required by the ventures having Czech equipment.

The credit will be repayable in rupees which will be utilised by Czechoslovakia for importing Indian goods. The repayment period for the Rs. 26 crores credit tied to projects has been put at 12 years. The Rs. 14 crores loan for financing imports of components is to be repaid in 8 years. The entire credit carries interest at the rate of 2½ per cent per annum.

★★

The Delhi Study Group has instituted an essay competition with the object of encouraging research on current economic and political problems. Three prizes of Rs. 500, Rs. 300 and Rs. 200 will be awarded to the best writers. The first subject chosen for the competition is the "Role of Incentives in a Developing Economy". The essay is required to be of 2,000 to 5,000 words. The entries are to be addressed to the Convenor, Delhi Study Group, Baird Road Flat No. 4, Lady Hardinge Road, New Delhi, by July 15, 1964. A three-member panel, consisting of Prof. M. Mujeeb, Vice-Chancellor, Jamia Millia Islamia, New Delhi, Mr. G. Rajagopalan, General Secretary, All-India Congress Committee, and Mr. V. Balasubramanian, Editor, "Eastern Economist", has been constituted to act as judges.

Campaign to Produce More

From our Correspondent

BOMBAY:

AS A PART of the plan for increasing agricultural productivity, the Maharashtra Government has launched a massive kharif campaign. Announcing the details supplied to the press, Mr. P. K. Sawant, the Agriculture Minister, said that credit facilities would be provided to all cultivators, irrespective of whether they were members of co-operatives or not, as the Government was anxious that every cultivator should participate in the campaign. Coming within the purview of the campaign will be 50,000 acres of paddy-growing area, 62,47,000 acres under jowar, 40,56,000 acres under bajra, and 50,000 acres under **nachni**. The total area under paddy cultivation in the State is 22,43,000 acres. The area in respect of other crops is as follows: 62,47,000 acres under jowar, 40,55,000 acres under bajra, and about 5,00,000 acres under **nachni**. The average yield per acre is 760 lbs. of paddy, 525 lbs. of jowar, 299 lbs. of bajra and 631 lbs. of **nachni**. The campaign will be devoted to raising paddy seedlings on raised beds, treating the jowar seed, free supply of fertilizers for **nachni** crop and controlling menace of 'aphids' on jowar.

★★

The inadequacy of the road transport system to cope up with the development of the State has been brought to the attention of the Maharashtra Government by the Bombay branch of the Indian Roads and Transport Development Association, in a studied memorandum. A review of the existing road facilities in the State shows insufficiency in road milage and disproportions in road densities in various regions of the State. Road development in the State has lagged considerably behind even the modest 1943 Plan. In 1961, the State had only 23,876 miles of roads, as against the Nagpur Plan target of 44,700 miles by 1963 — the shortfall being particularly high in divisions like Aurangabad. For every 100 square miles of area, Maharashtra has just 27 miles of road (1961), as against the all-India average of 36 miles. The State lags far behind West Bengal, Kerala, Bihar and Madras. The Association has stated that in view of the magnitude of the shortfall in

road milage, road construction targets in the State will have to be considerably stepped up if the Chief Engineers' 1961-81 Road Plan of 34,800 miles is to be achieved on schedule. The proposed phasing of 20-year Road Plan for the State is an addition of 6,700 miles during 1961-66 and 7,700 miles during 1966-71, on construction or improvement of the road system.

To overcome the inadequacy of roads in the State, the National Council of Applied Economic Research recommended a revision of the phasing of the Chief Engineers' Plan — to 8,700 miles during the current Plan, and 10,500 miles during the fourth Plan and an expenditure of Rs. 129.5 crores on roads and bridges during the 10-year period from 1961-71. The Association has also observed that, if roads are widened and modernised to permit the operation of heavy vehicles and truck-trailer combination, the cost of road transport can be reduced by about 40 per cent. It has recommended that the intensity of traffic, which the roads will have to carry in the next 20 years, should be studied and an assessment made of the following factors: (1) How far the improvements now proposed are inadequate for the present traffic needs; (2) what additional strengthening and modernising as also bifurcation into separate stretches for incoming and outgoing traffic in the ghats or other portions will be necessary in order to serve the traffic envisaged; and (3) the total cost involved in carrying out such recommendations.

★★

There are hilly areas in Maharashtra which have so far remained untouched by the three five-year Plans. At the Mawal (hilly) Development Conference opened by the Home Minister, Mr. D. S. Desai, the need for the all-round development of the Mawal (hilly) region in the State was emphasised. The Mawal region was spread over seven districts of the State with a population of three to four millions. In fact the problems are the same as of **Adivasis** in other States and apart from the balanced development of the region, the characteristics of the population, their needs, and adaptability to specific programmes may have to be examined separately. Whatever development had taken place in the area in the form of river valley projects had brought hardships, rather than benefits, to the people of the area. The reason was that not only cultivable land but even forest areas, which constituted an important source of livelihood of the people, had been submerged under the lakes created by such projects. The Minister, however, assured the people that attempts would be made to provide them with gainful employment in small industries. In its resolutions, the conference demanded: (1) top priority in the fourth Plan for the laying of roads and development of other means of communications in the area; (2) the undertaking of contour bunding, **nullah** bunding and small irrigation projects in the area; (3) development of village industries in the region; (4) provision of alternative lands to the people displaced by the construction of dams; (5) provision of facilities for drinking water in the villages; (6) a long-term plan for afforestation of the barren hills in the region.

★★

The housing shortage, despite the fast pace of construction, has become acute in the State, particularly in the Bombay area. The Union Government's Study Group, which discussed this problem with the Minister for Housing, focussed thought on three important and major requirements, viz., a larger allocation for housing in the fourth five-year Plan; a cheaper cost of construction to provide for more tenements and higher subsidies for schemes to house industrial workers, slum dwellers and economically weaker sections so as to reduce rents. The question of expediting the land and cement availability was also examined. The housing programme of the State Government has recorded significant progress and the Study Group, after visiting some of the colonies constructed by the Housing Board, complimented the State Government on the satisfactory results of their effort. The Housing Minister intimated the Group that he would even accept centrally sponsored housing schemes, if there were sufficient safeguards in the event of a national or State Emergency. The advantage of a Central Scheme was that the amounts allocated for housing which remained unspent by some States could be diverted to other States which were capable of spending more on the projects.

The Minister disclosed at another occasion that the Centre had responded to his appeals for more cement to the State in the pre-monsoon months when the demand was at its peak. The State required 500,000 tons of cement every quarter. Maharashtra will now get an additional **ad hoc** increase of 25,000 tons, for the quarter ending June 1964, bringing the total allocation for the quarter to 181,000 tons.

★★

Mr. Satya Narain Sinha, Union Minister for Information and Broadcasting, revealed at a reception given to him by the All-India Radio Merchants' Association that television might come to India sooner than most people expected. A Scottish firm and Philips Radio manufacturers had offered to collaborate in the introduction of television in India. Both offers were attractive, chiefly because they involved very little expenditure of foreign exchange, which had so far been the main hurdle in the introduction of television in India. Should these offers materialise the projects would be undertaken in the private sector. It had been made clear that the price of television sets should be well within the reach of the middle classes. According to the report of a study team, a large number of the existing radio sets, particularly in villages, were lying idle for want of facilities for repairs. He suggested that the trade should find some way to provide these facilities to villagers, which would ultimately benefit the trade.

★★

Mr. O. V. Alagesan, Minister of State for Petroleum and Chemicals, emphasised the need for cost consciousness in the utilisation of plant and machinery and employment of men in the major projects. This was particularly so in projects like fertilisers, which are basic to agricultural progress in the country. Addressing the employees of the Fertilizer Corpo-



"Now, who will get the chance to head the next committee on the same subject?"

ANNOUNCEMENT OF PUBLIC ISSUE.

(This is not a Prospectus but only an announcement of the proposed issue of Equity Capital. Interested persons may obtain copies of the Prospectus from the Company's Registered Office, Underwriters, Brokers and Bankers.)

HINDUSTAN POLYMERS LIMITED

(Incorporated under the Companies Act 1 of 1956 on 29th November, 19[illegible] as a public company *limited by shares*)
(Registered Office : C/o. Shree Ram Mills Limited, Fergusson Road, Lower Parel, Bombay-13)

EXISTING AND PROPOSED ACTIVITIES

The Company proposes to establish at Visakhapatnam in the State of Andhra Pradesh, a plant (i) for the manufacture of 1.5 million gallons per annum of Power Alcohol (ii) with the technical collaboration of Universal Oil Products Company Inc., Des Plaines, Illinois, U.S.A. for the manufacture of 10,000 tons of Styrene Monomer per annum, and (iii) with the technical collaboration of B. X. Plastics Limited, Higham's Park, London, E. 4, England, for the manufacture of 7,500 tons per annum of Polystyrene and its Co-polymers including high impact by a continuous mass polymerisation process.

LOCATION OF INDUSTRY

The location of the proposed plant, well-served by National Highways, Railway Transport and other essential facilities will be on a site [illegible] 30 acres at Visakhapatnam Andhra Pradesh).

SHARE CAPITAL :

AUTHORISED CAPITAL :		
3,00,000 Equity Shares of Rs. 100/- each.	Rs.	3,00,00,000
2,00,000 Unclassified Shares of Rs. 100/- each.	Rs.	2,00,00,000
Total	Rs.	5,00,00,000
ISSUED CAPITAL :		
3,00,000 Equity Shares of Rs. 100/- each.	Rs.	3,00,00,000
SUBSCRIBED CAPITAL :		
(i) 610 Equity Shares of Rs. 100/- each subscribed by Subscribers to the Memorandum of Association, Directors, their relatives, friends and associates on which Rs. 50/- per share have been paid up.	Rs.	61,000
(ii) 30,000 Equity Shares of Rs. 100/- each subscribed by Shree Ram Mills Limited, Bombay, a promoter of the company on which Rs. 50/- per share have been paid up.	Rs.	30,00,000
Total Subscribed Capital	Rs.	30,61,000
PAID-UP CAPITAL :		
(i) 610 Equity Shares of Rs. 100/- each subscribed by and allotted to the Subscribers to the Memorandum of Association, Directors, their relatives, friends and associates which Rs. 50/- per share have been paid up.	Rs.	30,500
(ii) 30,000 Equity Shares of Rs. 100/- each subscribed by and allotted to Shree Ram Mills Limited, Bombay, a promoter of the company on which Rs. 50/- per share have been paid up.	Rs.	15,00,000
Total Paid-up Capital	Rs.	15,30,500
OUT OF THE ISSUED CAPITAL :		
(i) 30,000 Equity Shares of Rs. 100/- each have been subscribed by Shree Ram Mills, Limited, a promoter of the company, (on which they have paid up Rs. 25/- per share) and the same will be allotted to them.	Rs.	30,00,000
(ii) 51,990 Equity Shares of Rs. 100/- each have been subscribed by the Promoters, Subscribers to the Memorandum of Association, Directors their relatives, friends and associates (on which they have paid up Rs. 25/- per share) and the same will be allotted to them.	Rs.	51,99,000
AND 60,000 Equity Shares are RESERVED FOR SUBSCRIPTION as follows :—		
(iii) 20,000 Equity Shares of Rs. 100/- each are reserved for subscription in cash at par by The Industrial Credit & Investment Corporation of India, Limited, Bombay (hereinafter referred to as ICICI).	Rs.	20,00,000
(iv) 20,000 Equity Shares of Rs. 100/- each are reserved for subscription in cash at par by Commonwealth Development Finance Company Limited, London, England (hereinafter referred to as "CDFC") subject to the conditions of the Head of Terms (contract No. 3 below).	Rs.	20,00,000
(v) 20,000 Equity Shares of Rs. 100/- each are reserved for subscription in cash at par by Bakelite Xylonite Limited, London, England.	Rs.	20,00,000
Total	Rs.	1,41,99,000

It is a condition of the Consent of the Controller of Capital Issues that shares privately allotted to the Directors, Promoters, their friends, etc. shall be retained as a long-term investment and shall not be disposed of within a period of one year from the date of allotment.

NOW OFFERED AT PAR FOR CASH FOR PUBLIC SUBSCRIPTION :

1,22,400 Equity Shares of Rs. 100/- each.

NOTE : The total Issued Capital of 3,00,000 Equity Shares of Rs. 100/- each is made up as follows :—

Subscribed Capital.	Rs.	30,61,000
Reserved for Subscription.	Rs.	1,41,99,000
Offer for Public Subscription.	Rs.	1,27,40,000
Total	Rs.	3,00,00,000

BOARD OF DIRECTORS :

1. Shri Kasturbhai Lalbhai, (Chairman), Business & Industry, S/o. Lalbhai Dalpatbhai, Shahibang, Ahmedabad.	Director of : 1. The Atul Products Ltd. (Chairman). 2. The National Rayon Corp. Ltd. (Chairman). 3. The Hindustan Motors Ltd. 4. The Industrial Credit & Investment Corporation of India Ltd. 5. The New India Assurance Co. Ltd. 6. The Ahmedabad Electricity Co. Ltd. 7. The Arvind Mills Ltd. etc. etc.
2. Shri Pratap Bhogilal, (Vice Chairman), Business & Industry, S/o. Shri Bhogilal Leherchand, 26, Ridge Road, Bombay-6.	Director of : 1. Rockwell India Ltd. (Chairman). 2. Shree Ram Mills Ltd. 3. The Bank of India Ltd. 4. National Machinery Manaufacturers Ltd. 5. South India Insurance Company Ltd. 6. Scindia Steam Navigation Co. Ltd. etc. etc.
3. Shri Bhogilal Leherchand, Business, S/o. Leherchand Uttamchand, 134-36, Zaveri Bazar, Bombay-2.	Director of : 1. Shree Ram Mills Ltd. (Chairman). 2. Batliboi & Co. Pvt. Ltd. (Chairman) etc. etc.
4. Shri Ramanlal G. Saraiya, Business, S/o. Gokaldas Vithaldas Saraiya, 85, Napean Sea Road, Bombay-6.	Director of : 1. New Standard Engg. Co. Ltd. 2. Narandas Rajaram & Co. Private Ltd., (Cfhairman). 3. Reserve Bank of India. 4. Tata Chemicals Ltd. 5. Tata Hydro-Electric Agencies Ltd. 6. Life Insurance Corporation of India, etc. etc.
5. Shri R. V. G. K. Ranga Rao, Business, S/o. Shri R. S. R. K. Ranga Rao, The Palace, Bobbili, Srikakulam Dist. (A.P.)	Director of : 1. Sri Rama Sugars & Industries Ltd. 2. Rayala Corpn. Pvt. Ltd. 3. Telangana Spg. & Wvg. Miills Ltd. 4. India Radiators Limited, etc. etc.
6. Shri Jehangir Pestonji Patel, Business, S/o. Pestonji D. Patel, Volkart Building, 19, Graham Road, Ballard Estate, Bombay-1.	Director of : 1. The Khatau Makanji Spg. & Wvg. Co. Ltd. 2. The Scindia Steam Navigation Co. Ltd. 3. The Ahmedabad Electricity Co. Ltd. 4. The State Bank of India. 5. Hindustan Shipyard Ltd. 6. Volkart (Bombay) Pvt. Ltd., etc. etc.
7. Shri Noshirwan Kavasji Petigara, Solicitor, S/o. Kavasji J. Petigara, 21, Pali Hill, Bombay-50.	Director of : 1. The India United Mills Ltd. (Chairman). 2. The Bank of India Ltd. 3. The Bombay Dyeing & Mfg Co. Ltd. 4. The New India Assurance Co. Ltd. 5. Oriental Fire & Gen. Insurance Co. Ltd., etc. etc.
8. Shri Ramnik K. Parikh, Business Executive, S/o. Keshavlal M. Parikh, "Mazda Manor", Alexandra Road, Gamdevi, Bombay-7.	Director of : 1. The Vidarbha Mills Berar Ltd., etc. etc.

EXECUTIVE DIRECTOR :

Shri Ramnik K. Parikh,

(Subject to Government Approval under the provisions of the Companies Act, 1956)

UNDERWRITERS :

1. Andhra Pradesh Industrial Development Corpn. Ltd., 6-3-674, Fateh Maidan Road, Post Box No. 13, Hyderabad-4 (Dn.)
2. The Insurance Corporation of India, "Jeevan Kendra", Jamshedji Tata Road, Bombay-1.
3. Industrial Finance Corporation of India, Reserve Bank Building, Parliament Street, New Delhi.
4. The Industrial Credit & Investment Corpn. of India Limited, 163, Backbay Reclamation, Bombay-1.
5. The Bank of India Limited, 70-80, Mahatma Gandhi Road, Fort, Bombay-1.
6. The Bank of Baroda Limited, 16A, *Apollo Street, Bombay-1.*
7. The United Commercial Bank Limited, Petit Bldg., *Dr. Dadabhai Naoroji Road, Fort, Bombay-1.*
8. Canara Bank Limited, Warden House, Sir Phirozshah Mehta Road, Fort, Bombay-1.
9. The New India Assurance Co. Ltd., New India Assurance Building, 51, Mahatma Gandhi Road, Fort, Bombay-1.
10. South India Insurance Co. Ltd., "Moti Mahal", Jamshedji Tata Road, Bombay-1.
11. The New Great Insurance Co. of India Ltd., 51-A, Apollo Street, Fort, Bombay-1.
12. Shri Chinubhai Sheth, Stock Exchange New Bldg., Apollo Street, Fort, Bombay-1.
13. Shri B. Javeri, Stock Exchange New Bldg., Apollo Street, Fort, Bombay-1.
14. M/s. Lallubhai Ranchhoddas, Agarwan Building, 9, Dalal Street, Fort, Bombay-1.
15. M. Nanjappaiah Jahgirdar, 1881, Cavalry Road, Post Box No. 71, Bangalore-1.

BROKERS :

BOMBAY :

Lewis & Jones, Bank of Baroda Bldg., Apollo Street, Bombay-1.
Chimanlal J. Dalal & Co., 107, Stock Exchange New Bldg., Dalal Street, Fort, Bombay-1.
Merwanjee Bomanjee Dalal, Allahabad Bank Bldg., Apollo Street, Fort, Bombay-1.
Rajnikant Chinubhai Sheth, 47, Stock Exchange New Bldg., Apollo Street, Bombay-1.
Shri B. Javeri, Stock Exchange New Bldg., Apollo Street, Fort, Bombay-1.
M/s. Lallubhai Ranchhoddas, Agarwan Bldg., Dalal Street, Bombay-1.
Radhaswa & Karani, Union Bank Building, Dalal Street, Fort, Bombay-1.
Rasiklal Maneklal & Co., Stock Exchange Old Bldg., Dalal Street, Bombay-1.
Girdharlal Tricamlal & Co., 'Girikunj', 71, Marine Drive, Bombay.
M/s. Kantilal Chandulal, 37, Stock Exchange New Bldg. Apollo Street, Bombay-1. Ltd., etc. etc.
Dhirajlal Maganlal Purshottamdas, Stock Exchange Bldg., Apollo Street, Bombay-1.
Harkisondass Lukhmidass, Stock Exchange Bldg., Apollo Street, Bombay-1.
M/s. Kantilal Purtapshi, 97, Stock Exchange Bldg., Bombay-1.
R. R. Nabar & Co., 31, Dalal Street, Fort, Bombay-1.

HYDERABAD :

Kapurchand Shrimal, Sultan Bazar, Hyderabad (Dn.)

AHMEDABAD :

M/s. Chinubhai Chimanlal Dalal, Fatchbhai's Haveli, Ratanpole, Ahmedabad.
Kantilal Chandulal & Co., Shahibag, near Bombay Garage, Ahmedabad.
Trivamlal Dahyabhai, Opp. Share Bazar, Maneckchowk, Ahmedabad.

DELHI :

Harbans Singh Mehta & Company, 13, Regal Building, Parliament Street, New Delhi 1.
Raj Paul Chadha & Co., Delite Cinema Building, Asaf Ali Road, New Delhi.

CALCUTTA :

G. M. Pyne, Allahabad Bank Building, 14, India Exchange Place, Calcutta-1.
Place Siddons & Gough (Pvt.) Ltd., 6, Lyons Range, Calcutta-1.

MADRAS :

1. Chitra & Co., 322-323, Linghi Chetty Street, Madras-1.
2. Kothari & Sons, Post Box No. 267, "Oriental Bldgs.", Armenian Street, Madras-1.
3. Patterson & Co., 32/33, Linghi Chetty Street, Madras-1.

BANGALORE :

1. M. Nanjappaiah Jahgirdar, 181, Cavalry Road, Post Box No. 71, Bangalore-1.

BANKERS:

1. State Bank of India, Apollo Street, Fort-Bombay-1.	Madras, Aurangabad, Bangalore, Hubli, Hyderabad (Dn.), Secunderabad, Tiruchirapalli, Tirupati, Trivandrum, Tuticorin, Vellore, Vijayawada, *Visakhapatnam*, Cochin, Coimbatore, *Coonoor, Cuddalore*, Bombay, *Calcutta*, New Delhi, Ahmedabad, Ajmer, *Akola, Allahabad*, Ambala, Amritsar, Bareilly, Baroda, Belgaum, Bijapur, *Calicut*, Chandigarh, Cuttack, Dehra Dun, Firozpur, Jammu, Jalgaon, Jaipur, Itarsi, Indore, Kanpur, Khandwa, Lucknow, Ludhiana, Madurai, Miraj, Nadiad, Nagpur, Nasik, Patna, Poona, Quilon, Rajkot, Salem, Ratlam, Sangli, Shillong, Sholapur, Simla and Srinagar.
2. The Bank of India Limited, 70-80, Mahatma Gandhi Road, Fort, Bombay-1.	Bombay, Ahmedabad, Calcutta, Delhi, New Delhi, Hyderabad (Dn.), Secunderabad, Indore, Madras, Visakhapatnam, Baroda, Bangalore, *Surat*, Amritsar, Coimbatore, Jamnagar, Jamshedpur, *Kanpur, Poona and Nagpur*.
3. The Mercantile Bank Limited, Mahatma Gandhi Road, Fort, Bombay-1.	Bombay, Calcutta, Delhi, New Delhi and Madras.
4. The Bank of Baroda Limited, Apollo Street, Fort, Bombay-1.	Bombay, *Ahmedabad*, Baroda, Hyderabad (Dn.), Secunderabad, Vijayawada, *Delhi*, New Delhi, Indore, Madras, Bangalore, Calcutta, Amritsar, Lucknow, Kanpur, Coimbatore, Jaipur, Jamnagar, Poona and Nagpur.
5. State Bank of Hyderabad, New India Assurance Bldg., Mahatma Gandhi Road, Fort, Bombay-1.	Hyderabad (Dn.), Secunderabad, Bombay and Madras.
6. The Central Bank of India Limited, Mahatma Gandhi Road, Fort, Bombay-1.	Bombay, Ahmedabad, Baroda, Hyderabad (Dn.), Secunderabad, Vijayawada, Calcutta, Delhi, New Delhi, Madras, Indore, Bangalore, Jamnagar, Kanpur, Lucknow, Poona, Jamshedpur, Coimbatore, Agra, *Nagpur and Amritsar*.
7. The United Commercial Bank Limited, Petit Building, Dr. Dadabhai Naoroji Road, Bombay-1.	Bombay, Calcutta, Delhi, New Delhi, Madras, *Ahmedabad, Coimbatore*, Hyderabad (Dn.), Bangalore, *Jaipur*, Jamnagar, *Nagpur*, Poona, Rajkot, Surat and Visakhapatnam.
8. Canara Bank Limited, Warden House, Sir Phirozshah Mehta Road, Fort, Bombay-1.	Bombay, Calcutta, Delhi, New Delhi, Madras, *Ahmedabad*, Bangalore, Cochin, Coimbatore, Panjim, Goa, (Vasco-Da-Gama) Goa, Hyderabad (Dn.), Secunderabad, Kolhapur, Mangalore, Mysore, Nagpur, Poona, Sholapur, Trichur and Visakhapatnam.

APPLICATION FORMS for application for shares along with copies of the Prospectus can be had from the Registered Office of the Company or from the Underwriters, Bankers and Brokers whose names and addresses are given above.

DATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 26th MAY 1964 AND WILL CLOSE AT THE CLOSE OF THE BANKING HOURS ON 4th JUNE 1964 OR EARLIER AT THE DISCRETION OF THE DIRECTORS BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON 28th MAY 1964.

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ration of India at Trombay, he observed that the public sector projects should think of millions of consumers whom they serve and for whose benefit they exist. He was happy that the biggest nitrophosphate plant in the world, which is being erected at Trombay, would go into full production early next year. He expressed the hope that the Fertiliser Corporation would be able to sell nitrophosphate at competitive prices to cultivators vis-a-vis the imported nitrophosphate. The Trombay unit of the Fertiliser Corporation of India would be producing 90,000 tonnes of nitrogen in the form of urea and nitrophosphate. The trial production is expected to start by October and the project would go into full production by January next year. The Trombay unit is proposing to employ only operators and technicians and not helpers to assist this category of men as is done elsewhere in the country in both the public and the private sectors. He wished the experiment every success and felt that it would blaze a new trail in the history of Indian industry.

What Price Food!

From Our Correspondent

CALCUTTA:

A SUDDEN SPURT in food prices in West Bengal and Bihar at this time of the year when they are normally low, has upset all calculations about maintaining reasonable stability in the foodgrains market in these two States. In West Bengal particularly, this has caused panic among consumers and uneasiness to the Government. Early this year, the West Bengal Government had been busy publicising the figures about a bumper rice harvest in the State and the arrangements it had made to import a substantial quantity from the neighbouring State of Orissa. Simultaneously, it had fixed prices for various grades of rice — at the wholesale and retail level — in the fond hope that the market would stick to the prescribed rates throughout the year. The abrupt rise in food prices at so unseasonally early a period in the year has caught the Government on the wrong foot. For the Government finds that apart from sending its police officials to raid wholesalers' godowns and rich farmers' stocks in the countryside, there is very little else it has the resources to do. Rice dealers here and there have been arrested and in some cases fined by a court of law for exceeding the prescribed margins, but the prices in the retail market remain high, much above the rates fixed by the Government.

Laughing Stock

At one time, the Government was threatening to take over the entire wholesale trade in rice. The rice traders laugh at this threat. At the very least, it will involve at least Rs. 250 crores to take over the entire rice trade in the State, and money apart, the State Government simply has not the machinery to undertake a work of this kind. It has not even succeeded in procuring much rice from the surplus districts because it does not have enough staff to check the land records of the rich farmers to determine as to what should be the surplus stock with them after meeting their norml requirements. At the moment the Government feels baffled by the problem. The Central Government which has been giving much moral support should come to West Bengal's help by rushing in more supplies of food. For in the ultimate analysis, it is a lack of balance between supply and demand which is responsible for the present crisis. Some cornering of stocks may have taken place, but the Government cannot fight them only by police action. If it can build up sufficient stocks and the machinery to run an efficient channel of distribution in competition with private trade, particularly in times like the present, then the elements whom the Government blames for the price spurt will have little scope for their activities. The Government of Bihar is reported to be pressing the Centre to increase food supplies to the State rather than trying to fix prices and enforce them through police action. The latter course only tends to drive stocks underground, as in West Bengal's case it has, and the consumer suffers more.

On grounds of population and the lack of sufficient cultivable land within the State, West Bengal is entitled to a greater measure of assistance from the Centre in such matters as food and finance. A panoramic study of the State's current problems made by the Indian Chamber of Commerce and published in booklet form with due reference to the historical background, shows in clear detail how unmanageable they have been growing day by day. First of all, the population problem. This is also the problem of India as a whole, but this is being felt in this State particularly acutely. As is well-known, West Bengal has the second highest density of population in India (second only to Kerala) — 1,032 per square mile, which is about three times the all-India average. The density however varies widely, depending on the state of development — it is only 539 in Darjeeling district which is relatively inaccessible and where the soil is comparatively infertile, but the figure moves up sharply to 9,000 in the industrial belt of the Bhagirathi-Hooghly area, and then to as high as 73,000 per square mile in Calcutta district. The problem is aggravated by a comparatively high birth rate, which was 18.6 per thousand in 1961. (Over the first sixty years of the current century, the population of the State has sharply moved up to 34.9 million in 1961 from only 16.9 in 1901 and only 26.3 million a decade ago).

West Bengal is most highly developed from the industrial point of view. Yet 53.8 per cent of the population is dependent on agriculture and allied activities as against the all-India average of 69.5. On manufacturing, household industries and construction depend 21.9 per cent of the population of the State; on trade, transport and commerce 10.9 per cent and on other services 13.4 per cent. The all India averages for these occupations are 14.5 per cent, 5.7 per cent and 10.3 per cent respectively. But if Calcutta and Darjeeling areas are taken separately for studying the distribution of the population according to their occupation, it would be found that more people are engaged in commerce than in industry; the bulk of the population depending on non-agricultural pursuits are concentrated in these areas. Quite significantly then, food prices in these areas come under severe pressure when supply tends to run short.

Another serious problem is that of educated unemployment. With independence, education has expanded everywhere, but particularly so in West Bengal, The following comparative figures are instructive. In 1947-48, there were 1,903 high and middle schools in the State with 5.22 lakh students in them; in 1961-62 the numbers almost doubled in each case. The number of colleges has increased from 55 in 1947-48 to 138 in 1962-63 and four new universities have been established. This process of expansion of education, which also means democratisation, would normally be a healthy thing, but the economic system unfortunately has not expanded correspondingly, with the result that a considerable proportion of the newly educated men coming out every year from schools and colleges find it hard to earn a living in the way they would like to. Yet the craze for higher education is noticeably on the increase. This is because the middle classes see little hope in anything else. The late Dr. B. C. Roy tried to find a solution through further industrialisation of

the State, but in spite of the external economies and natural advantages which this State offers for new industries, there is clearly a limit to what more can be done. In the first place, the State is still short of power and secondly, the raw materials which such industries as can be started in the State require are already so short that the new ventures will find it hard to obtain their requirements. However, the industrial complex which is being planned in Haldia around the oil refinery to be built in this auxiliary port area may provide some relief to the educated unemployment problem, but it would be rash to assume that almost the entire problem will vanish with that.

The educated unemployment problem apart, the refugees, particularly the fresh influx from East Pakistan since the communal disturbances last January, have created serious difficulties for the State. The total number now present could well approach a couple of millions, but the economy of the State cannot absorb them. They have greatly added to the urban congestion as the pressure of population on land in West Bengal is already so acute that there is little scope of rehabilitating any significant proportion of the refugees in agriculture, although a majority of them come from farming classes. They create a law and order problem out of sheer frustration, and have definitely made the State's food problem worse than it might have been.

★★

The foundation stone of what is described as India's biggest coal washery was laid near Hazaribagh at Kathara by Bihar's Chief Minister, Mr. Krishna Ballabh Sahay last week. This is a National Coal Development Corporation project which is financed with the 112.5 million rouble credit given by Russians for the third five-year Plan. The cost of the project is Rs. 8.5 crores, and its output capacity will be 1.5 million tons of clean coal, which will be used by the Bokaro, Bhilai and Rourkela steel works. The 1.5 million tons of middlings with ash and moisture content of 50 per cent which will be produced by this washery will be fed into the Pathratu and Chandrapura power stations. (The former of these two power stations, is also being set up with Russian collaboration). The Kathara washery is one of the three which the National Coal Development Corporation is setting up under the third Plan — the other two are to be located at Giridih and Sawang (also in Hazaribagh district). The Giridih washery will be set up with Polish collaboration. Messrs CEKOP of Poland have secured the contract for the erection of the coal preparation plant as also for machinery and equipment. The technical know-how will be provided by CEKOP also. It is expected that this washery will go into production by the end of the third Plan along with the one at Kathara. The Sawang washery may take a little longer, but not very much longer. The tenders for the supply of the plant and equipment are now being scrutinised. The National Coal Development Corporation has at present only one washery in production at Kargali. Under the third Plan programme of development, this washery too is being expanded to a total capacity of 1.5 million tons a year. Orders for the expansion scheme have been placed with the West German firm of S.K.B. The expanded washery is expected to start giving an annual production of 1.5 million tonnes of clean coal from May next year

Apart from the N.C.D.C. plants, the country has a number of other washeries in the country as part of the plan to wash inferior grades of coal for metallurgical purposes in order to get over the country's deficiency in metallurgical coal resources. The coal washery programme as a whole did not start well and many of the early projects were delayed, often unconscionably so, although the Government gave its own justification for it. The Hindustan Steel Ltd. has four coal washeries in Durgapur, Dugda, Bhojudih and Patherdih, while the private sector of the steel industry has two of its own — at West Bokaro and Lodna. All the coal washeries belonging to Hindustan Steel are now in operation excepting the one at Patherdih, which however is expected to be commissioned shortly.

★★

Bihar is about to implement the Union Government's cane development scheme which visualises intensive cultivation of this cash crop around each sugar factory. The cost per factory, it is estimated, will come to about Rs. 1.44 lakhs each year, which will be shared equally between the Central Government, the State, the factory concerned and the other beneficiaries, the growers. Punjab and Uttar Pradesh are also likely to take up the scheme soon. Bihar is a major sugarcane growing State, although in terms of installed crushing capacity and the quantity actually crushed, Bihar now comes after Uttar Pradesh and Maharashtra. Sugar is one of the major industries of Bihar and the State could do much to develop this industry further if it can make the proposed intensive cultivation scheme a success.

Why Waste Water?

From Our Correspondent

MADRAS:

THE MEETING of the Southern Zonal Council held at Trivandrum recently under the presidentship of Mr. G. L. Nanda might prove to be significant in many respects. There is a keen desire among the four States to co-operate closely at the economic level and utilise effectively available material resources. A Committee under the Chairmanship of Dr. K. L. Rao and consisting of the Chief Ministers of Kerala, Mysore and Madras, has been formed to explore ways and means of utilising the waters of west-flowing rivers for purposes of power generation and irrigation. Both Mysore and Kerala have a large number of rivers whose waters are mostly wasted as during their short stretch, before reaching the sea, no large territory could be successfully irrigated. On the other hand, it has been clearly proved that the diversion of waters of some of the rivers could result in the generation of larger quantities of power besides irrigating large areas. The Periyar Power House is an outstanding instance of how the harnessing of the waters in the catchment areas of Periyar in Madras territory could be helpful in generating large blocks of power besides providing valuable irrigation facilities. And the construction of the dam on the Vaigai River for regulating the tail race waters of Periyar Power House has resulted in the stabilisation of agriculture over a large acreage. Likewise, the Parambikulam-Aliyar project has started benefitting the arid tracts in the Coimbatore district besides making available power to the extent of 180 mW. With the co-operation of the Kerala Government a number of hill streams have been connected through a series of tunnels and weirs. If other rivers could be similarly controlled and the surplus waters diverted to Madras, the Madurai, Ramanathapuram and Coimbatore Districts could benefit to a greater extent than now. It is only to be expected that the new Committee will be able to arrive at a satisfactory arrangement.

Good progress is also being made with the interlinking of the grid systems of the four States and it is claimed that, when large blocks of power could be interchanged, the same installed capacity could be made to go a longer way. Meanwhile, the Madras Government has agreed to provide as a special case to the Kerala Government 25 mW of power during

the next summer.

While Madras will be concentrating on the installation of additional thermal capacity in the next few years, Mysore and Kerala will be busy implementing huge hydro electric schemes. Besides the successful completion of the Sharavathi Sabarigiri and Idikki projects, it is expected that other large projects would also be taken up at an early date. It is most encouraging to know that an agreement has been reached between Mysore and Madras regarding the construction of the Hogenekal Project which can yield as much as 600 mW of energy at a capital cost which would be considered very low. The expenditure and benefit are expected to be shared equally between the two States and it is confidently felt that the Madras State Electricity Board can make a substantial contribution in terms of technical personnel. It can even undertake the construction of the project wherever the dam might be located.

★★

Industrialisation in this part of the country is making rapid progress in both the public and private sectors. A few weeks back, the Defence Minister inaugurated the solventless cordite project and also presided over the Diamond Jubilee celebrations of the Cordite Factory at Aravankadu in the Nilgris which is making a very valuable contribution to the manufacture of ammunition material for the Defence Services. Only a few days back, the Defence Minister again took delivery of HF 24 aircraft produced by the Hindustan Aircraft Limited at Bangalore. While this huge factory will manufacture a large number of aircraft and helicopters of different types in the coming years, in collaboration with foreign interests, another mammoth factory is coming up at Avadi, Madras. This installation, which will cost Rs. 15 crores, is being constructed with the help of Vickers of U.K. who are well-known in the line. The first tank is expected to roll out of the assembly by the end of the next year and the prototype of the tank has already arrived and tests are being conducted at the factory. The armament for the tank is being produced by another factory and it is expected that a good part of the components for tanks would be manufactured in the Avadi factory. The bulk of the machinery has already arrived at site and is being erected. The required personnel are also being trained in the U.K. When completed, this factory would be able to produce not only various types of armoured fighting vehicles but also other items of heavy engineering required by the Defence Services. Medium tanks will be of 20-45 tons and light tanks of 13-20 tons, while heavy tanks of more than 45 tons can also be produced. While this huge factory will no doubt be a notable addition to the defence industries, there is also a proposal to start a rifle factory at Tiruchirapalli. For a time, there were doubts about the construction work being undertaken immediately in the near future as the necessary foreign exchange had not been arranged. It was also being argued whether there was any immediate need for establishing a second rifle unit. It is now stated that the construction of this factory will be proceeded with though that on the third unit may not be taken up immediately.

★★

The undertakings in the public sector in other fields are also making rapid progress. In the private sector, too, big units will be coming up in the next few years. During the past week, Coromandel Fertilizers Limited came on the market for raising its capital in equity shares of Rs. 4 crores. But even though the company has been successful in enlisting the co-operation of well-known American interests and there will be no difficulty in implementing this project, which will cost over Rs. 32 crores, the response from the public has not been enthusiastic and the list has had to be kept open for the whole of the stipulated period. Hindustan Polymers also would be raising its capital shortly and it is another institution which will be starting under influential auspices.

★★

Industrial development in Andhra Pradesh has been given a further push by the decision of the State Government to handover the management of Andra Paper Mills to the industrialists who are now looking after the affairs of West Coast Paper Mills which has its huge factory at Dundeli in Mysore State. The Andhra Pradesh Government had been discussing for sometime past the advisability of handing over and getting the expansion plan of the paper mill in Rajahmundry implemented by reliable industrialists who had already good experience in managing paper mills. It has now been decided that the Bangur group should look after the implementation of this mill. A new company, by name Andhra Pradesh Paper Mills Limited, is to be formed with an issued capital of Rs. 2 crores in equity shares and Rs. 1 crore in preference shares. The State Government and the West Coast Paper Mills will be taking up shares to the extent of 1/3 of the issued capital in each case, while the balance will be offered for public subscription. The expansion scheme, which will result in an increase in the installed capacity to 100 metric tons daily, is expected to cost Rs. 7 crores. The required additional resources will be found through loans and bank finance and it has been agreed by the State Government that they would keep pending the loans already advanced to Andhra Paper Mills, under certain conditions. Most of the plant and machinery required for expansion and modernisation have already arrived at site and it is the intention to commission within a year one paper machine while the remaining sections are expected to be ready within 18 months. The mill on the banks of Godavari, which has had a chequered career until now, can expect to do better henceforth, as all the facilities required for the manufacture of paper of different kinds are available in plenty at or near the factory site.

In Kerala, the area around Alwaye is growing in importance. Cominco Binani Zinc Limited, which has also come on the market for raising its requirements of capital, will be erecting its large zinc smelter and by-product plants at Alwaye at a cost of Rs. 5 crores. The company has been fortunate enough in securing the collaboration of Consolidated Mining and Smelter Company of Canada Limited which is one of the largest producers of zinc and lead in the world. It has made zinc by the electrolytic process and by-product sulphuric acid on a large scale for a number of decades. With the introduction of many other processes, the recovery of by-products has been made even more lucrative. The company has been licensed to produce initially 12,000 metric tons of zinc and proportionate quantities of sulphuric acid and cadmium, based on imported concentrates. The quantities of sulphuric acid recovered will be very valuable as it would be possible to dispense to that extent with imports of elemental sulphur. The Canadian interests will be participating to the extent of 40 per cent in the issued equity capital while Metal Distributors Limited, an associate Indian company, will also be taking up shares of Rs. 42 lakhs in equity shares. The share-holders of Metal Distributors will be given preferential allotment in respect of 80,000 shares. The issue to the public of Rs. 84 lakhs is completely underwritten. The foreign exchange required for importing plant and machinery will be secured with the subscription to the equity capital by Cominco and the grant of a loan for over Rs. 70 lakhs by the Exports Credit Insurance Corporation of Kerala. It is expected that, within a short period, the installed capacity will be increased to 20,000 metric tons.

★★

The declaration of a lower dividend of 12½ per cent, taxable, for 1963 against 15 per cent, taxable, for the previous year by Travancore Rayons Limited has come as a disappointment to the stock market. It had been hoped that the dividend would be maintained as there were earlier indications to the

effect that sales had risen by Rs. 30 lakhs in spite of the strike for a prolonged period. The sales actually amounted to Rs. 3.43 crores against the adjusted figure of Rs. 3.36 crores in the previous year. As there was an increase also in the amount of excise duty paid to the Central Government, no net increase could be recorded. But it is gratifying to note that an undue decline in earnings has been prevented. With the likelihood of additional spinning capacity being available in the latter half of this year and an increase in the output of rayon-grade pulp, the prospects for 1964 are regarded as more encouraging.

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The heavy indirect taxes levied by Mr. Morarji Desai and Mr. T. T. Krishnamachari are having their serious impact on costs and prices. The crippling levy on diesel oil has upset the calculation of fleet operators especially as the tax on motor vehicles has also been raised sharply in several States. The new schedule of tax rates adopted by the Madras Government has been so drastic in its incidence that even the Madras State Transport system, which is being run on departmental basis and which does not pay any direct taxes, has been obliged to suffer a heavy loss in the last financial year. The amount paid by way of tax on motor vehicles alone is as much Rs. 76 lakhs annually while the losses, excluding non-recurrent receipts and the profit earned by the workshop, is well over Rs. 40 lakhs. The increase in bus fares will no doubt enable the State Transport System to wipe out the losses. But apart from the fact that the daily traveller in the cities particularly would be obliged to pay additional Rs. 10 to Rs. 15 every month by way of transport charges and would as a result suffer considerable hardship, the operators in the private sector may not find it profitable to continue their activities. Only the big fleet operators may be able to run their services with an adjustment in fares and freights and be content with a smaller margin of profits. There will, however, be no disposition to expand their activities which has been a feature of the past few years. Indeed, it is reported that one of the leading operators has surrendered permits for a number of routes as the profits left over, after payment of taxes, even with an adjustment in fares, have been considered grossly inadequate. If the development of the transport industry is arrested significantly on account of penal Central and State taxes, it would be found that even State Transport systems, conducted on a departmental basis, cannot be operated without loss. If fares and freight rates were raised further, there will be considerable increase in discontent.

Another instance of high taxation and increasing use of indigenous components resulting in an inflation of costs is provided by the tyre industry. Reliable reports suggest that there will be a further increase in the basic ceiling price by two per cent, on top of the two increases in recent months amounting to nine per cent of the basic selling prices. As the Central excise duty is levied on an 'ad valorem' basis, the actual increase to the consumer would be over 16 per cent from the level prevailing before September last year. The 'ad valorem' basis has been adopted to discourage an indiscriminate increase in selling prices. It has, however, been complained by the tyre producers that the Government is largely responsible for the increase in production costs as synthetic rubber produced indigenously is costing twice the price of the imported product, while rayon fabric produced from indigenous tyre cord yarn costs very much more. The excise duties on these products alone constitute a large proportion of the selling price. As large expenditure is incurred also on purchases of indigenous carbon black and bead wires, the working expenses have risen considerably. While the consumer is thus obliged to pay very much more, the manufacturer is actually complaining that even the increased prices do not offset fully the increase in production costs. The new tyre prices are expected to become effective from June 1.

JAY SHREE TEA AND INDUSTRIES LTD.

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Shareholders of this Company will be held on Thursday, the 18th June, 1964 at 3.30 P.M. at 15, India Exchange Place, Calcutta-1, to transact the following business:-

1) To receive and consider the Directors' Report and to adopt the audited accounts for the year ended 31st December, 1963.

2) To declare dividends on Preference and Equity Shares.

3) To appoint a Director in place of Shri D. N. Bhattacharjee, who retires by rotation, but being eligible offers himself for re-election.

4) To appoint a Director in place of Shri M. L. Shah, who retires by rotation and to consider, and if thought fit, to pass the following resolution, a special notice of which as required by Section 281 of the Companies Act 1956 has been received and is also hereby given by the Company to the shareholders :
"RESOLVED that Shri M. L. Shah, who has crossed the age limit of 65 years and who retires by rotation, be and is hereby re-appointed a Director of the Company and it is hereby specifically declared that the age limit prescribed in Section 280 of the Companies Act 1956 shall not apply to him".

5) To appoint Auditors for the current year and fix their remuneration.

6) To transact any other business which may be transacted at such meeting.

By Order of the Board
B. C. BIYANI
Secretary Company Law.

Registered Office:
"INDIA EXCHANGE",
CALCUTTA-1.
The 29th April, 1964.

N.B. : 1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

2) The Share Transfer Register will remain closed from 26th May, 1964 to 18th June, 1964 both days inclusive.

3) The dividend warrants for Preference and Equity Shares as sanctioned at the meeting, will be posted to the Registered Shareholders of the Company as on 18th June, 1964, in due course.

EXPLANATORY STATEMENT

Item No. 4 :

Shri M. L. Shah, a Director of the Company, retires by rotation. Since he has crossed the age limit of 65 years, his re-appointment as a Director of the Company requires the resolution of Shareholders specifically declaring that the age limit prescribed in Section 280 of the Companies Act 1956 shall not apply to him. The Company has received special notice from a Member notifying his intention to move the resolution set out in the item. In view of his long association with the Company as a Member of the Board and his experience in business, it is in the best interest of the Company that he should continue to be a Director of the Company.

ANNOUNCEMENT

ALUMINIUM EXTRUSIONS, ALLOY INGOTS, SHEETS, COILS, PLATES, CIRCLES & SLUGS.

Hindustan Aluminium Corporation, Ltd., has pleasure to announce that its Extrusion Press and Alloying Furnaces will shortly go into production, and the company will soon be in a position to supply Aluminium Extruded Shapes and Sections and Alloy Ingots of the LM series (and others, in case of sizable orders). The Rolling Mills are also expected to be installed sometime later, perhaps by the end of 1964, and Plain and Corrugated Sheets, Coils, Plates, Circles, Slugs, etc. would also be available in due course.

Interested parties which have not already indicated their requirements, in full detail, are requested to do so immediately, so that our production may be planned in advance. It would benefit all concerned if parties would please communicate with our RENUKOOT Sales Office, under advice to our CALCUTTA Sales Office. (Parties located in Maharashtra, Madhya Pradesh and Gujarat may also please keep our BOMBAY Sales Office informed of their requirements, and those located in Punjab, Delhi, Rajasthan, Himachal Pradesh, Jammu & Kashmir may also please keep our DELHI Sales Office informed of their requirements.)

Enquiries should indicate the product specifications in detail, the annual consumption of each item in Tonnes, the size of order and delivery schedule likely to suit their requirements, the purpose or end-use for which the material is required, etc.

"Hindalco" is already producing Aluminium Ingots of Commercial, E.C., Properzi and High Grades (upto about 99.8% purity) ; E.C. Wire Bars, Billets, and Re-draw Wire Rods.

HINDUSTAN ALUMINIUM CORPN., LTD.

WORKS : P.O. RENUKOOT, DT. MIRZAPUR, U.P (PHONE : PIPRI 79. GRAM : HINDALCO)
CALCUTTA SALES OFFICE : 5 CLIVE ROW, CALCUTTA-1. (PHONES : 22-8616, 8617, 8618 GRAM : HINDALCORP.)
REGD. & BOMBAY SALES OFFICE : INDUSTRY HOUSE, 159, CHURCHGATE RECLAMATION, BOMBAY-1 (PHONE : 24-5181. GRAM : HINDULCOR)
DELHI SALES OFFICE : UNITED COMMERCIAL BANK BUILDING, PARLIAMENT STREET, NEW DELHI-1. (PHONES : 43641-3. GRAM : TEXMACO)

Trade Winds

FOREIGN EXCHANGE FACILITIES

ACCORDING TO a scheme approved by the Government of India, more foreign exchange facilities will be extended to manufacturer-exporters for the import of raw materials, components and spares required by them for the production of goods for export. The scheme, which follows the recommendations of the Mudaliar and Mathrani Committees, will be operated by the Export Credit and Guarantee Corporation of India.

Under the proposed scheme, commercial banks dealing in foreign exchange will obtain lines of credit from their principals, branches or correspondents abroad on the strength of assurance from the Reserve Bank of India that necessary foreign exchange will be released to repay the credits by the due date. Against these lines of credit, exporters of proved export performance and recommended by the bank concerned will, on approval by a committee to be appointed for this purpose by the Union Government, be granted import licences for raw materials, components and spares. The exporter will be required to execute a bond undertaking to effect specified exports within a stipulated period. The import licences will be issued only for the value of raw materials/components permissible under the appropriate export scheme and required for the production of the goods to be exported. In the event of any failure on the part of the exporter to fulfil his obligation to effect additional exports, the equivalent amount of foreign exchange will be debited to his entitlement as an actual user, in addition to other penalties under the scheme.

The facilities under the new scheme will be available only to manufacturer-exporters in specified industries. To start with, applications from manufacturer-exporters of only the non-traditional export items such as covered by the Engineering and Chemicals Export Promotion Councils etc. will be considered. The applications will be scrutinised by the inter-ministerial committee consisting of Secretary, Ministry of International Trade; Secretary, Ministry of Industry; Additional Secretary, Ministry of Finance (EAD); and Director-General Technical Development.

ECONOMIC DEVELOPMENT COURSE

Under the auspices of the World Bank a new course in the evaluation of economic development projects will be held in Jaipur, from October 19 to December 11, 1964. Participation in the course will be open to eight South and South-East Asian countries which will include India, Afghanistan, Burma, Ceylon, Malaysia, Nepal, Pakistan and Thailand. The course will be conducted by the Economic Development Institute (EDI) of the World Bank in co-operation with the Indian Institute of Management, Calcutta (IIMC) which is an autonomous organisation operating under the auspices of the Government of India. This is the first course of its kind to be conducted by the EDI outside the bank's headquarters in Washington. It will cover the selection and appraisal of investment projects, financial policy, financial analysis and the measurement of performance of projects in various sectors of the economy. The participants will be provided with an opportunity to become familiar with the methods used by engineers, economists, accountants and others in preparing and evaluating development projects. A substantial part of the curriculum will be devoted to case studies of projects in different sectors, such as power, transport, industry and agriculture.

The course will be conducted jointly by Mr. Ashok Mitra of the Indian Institute of Management and Mr. George Baldwin and Mr. Jack L. Upper of the EDI. The administrative arrangements will be handled by the Indian institute. The EDI was organised by the World Bank in 1955 as a staff college for senior officials from developing countries whose work involved the taking of decisions on economic policy and the formulation and administration of development programmes or projects. In 1963, the activities of the institute were expanded to include a three-month course in project evaluation to meet the need for specialized training in this field. Three project evaluation courses will be conducted at the institute in 1964, one of them in Spanish. Their purpose will be to contribute to the building of a large qualified cadre of persons engaged in the identification, preparation and selection of projects in the developing countries.

INDO-BRITISH TRADE

According to the Trade and Navigation Accounts of the U.K., during the year 1963, India's exports to the U.K. exceeded her imports by £4.2 million. But, the comparative figures for the first quarters (January-March) of 1963 and 64, showed that India's exports to the U.K. had declined while imports had increased with the unfavourable gap of £1.9 million.

Exports to the U.K. totalled £140.8 million in 1963 and mainly consisted of tea (£62 million), textile yarn, fabrics and made-up articles (£23.2 million), oil-cake and other residues of vegetable oils (£13.9 million) leather, leather manufactures and dressed fur skins (£9.5 million), tobacco and manufactures (£9.1 million), crude animal and vegetable materials (£4.2 million), textile fibres and their waste (£3.2 million) and metalliferrous ores and metal scrap (£1.5 million). On the other hand, imports during the same period totalled £136.6 million and mainly comprised non-electrical machinery (£47.6 million), electrical machinery, apparatus and appliances (£19 million), transport equipment (£16.4 million), iron and steel (£9.5 million), textile fibres and their waste (£5.5 million), chemical elements and compounds (£3.7 million), manufactures of metals (£3.7 million) professional, scientific and controlling instruments, and photographic and optical goods, etc. (£2.9 million) and non-ferrous metals (£2.6 million).

India's imports of machinery from the U.K. in 1963 totalled £66.6 million and included machine tools (£6.6 million), textile machinery (£6.3 million), generators, motors, converters, etc. (£3.9 million), aircraft engines (£3.9 million), insulated electric wires, cables, bars, strips, etc. (£3.7 million), electrical apparatus for making and breaking electrical circuits, etc. (£3.7 million), internal combustion engines (£3.6 million), construction and mining machinery (£3.2 million), heating and cooling equipment (£3 million), mechanical handling equipment (£2.6 million) and steam and other vapour generating boilers and plants (£1.7 million).

SUGAR EXPORTS

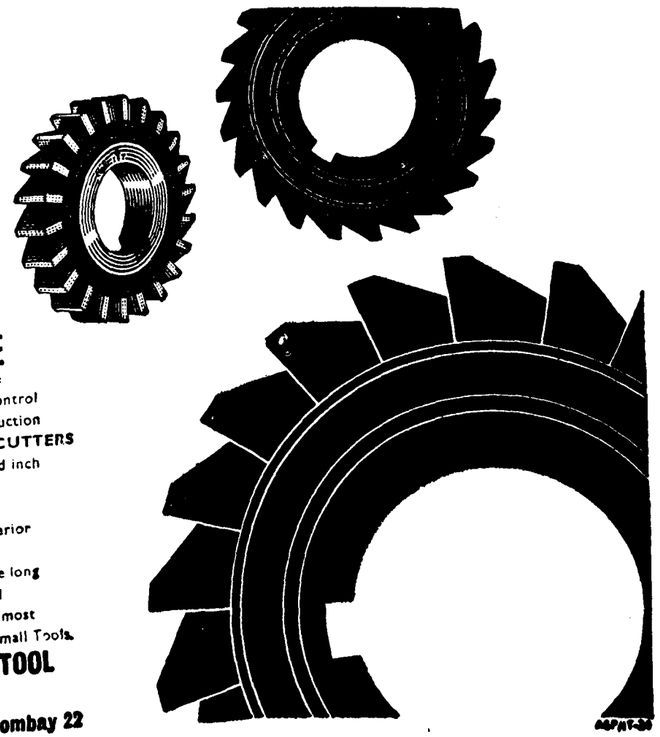
India's exports of sugar during 1963-64 (April-February) amounted to 4,10,000 tonnes valued at Rs. 23.7 crores as compared to 3,60,000 tonnes valued at Rs. 14.5 crores during the same period in 1962-63. The proportionately higher export earnings were due to the increase in the export price of sugar from nearly Rs. 400 to over Rs. 575 per tonne. Larger offtake by the USA and Japan, amounting to Rs. 4 crores each, was mainly responsible for the increase in 1963-64 sugar exports. The exports to Syria and South Vietnam were also higher during the year. Exports to the UK were maintained at the last year's level of 10,000 tonnes valued at Rs. 42 lakhs while

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BACKED BY 25 YEARS OF TRADITION and rigid control at every stage of production DAGGER BRAND CUTTERS (available in metric and inch sizes) assure precision performance. They are made of superior quality steel, specially heat-treated to ensure long life, and manufactured in India's biggest and most modern factory for Small Tools.

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those to Canada were lower both in terms of quantity and value.

ZAGREB FAIR

The Government of India will organize participation in the forthcoming Zagreb International Autumn Fair, scheduled to be held in Zagreb (Yugoslavia) from September 5 to 20, 1964. Yugoslavia negotiates a large percentage of its annual purchases at the Fair and the adjacent State-trading countries also take advantage of the Fair to negotiate considerable 'on-the-spot' business. The Indian exporters and manufacturers that participate in the Fair can avail of the trading opportunities offered by India's Trade Agreement with Yugoslavia and of the liberalised import regulations which have been in operation in that country for the last two years. The Government of India will emphasise the display of light and heavy engineering goods and other non-traditional items of export from India. The intending participants are required to forward a list of exhibits (with necessary details) which they wish to display at the Fair, to the Director of Exhibitions, Ministry of International Trade, by June 16, 1964.

EXPORTS OF FOREIGN PRODUCTS

According to the United Nations' Food and Agriculture Organisation the potential market for exports of forest products from the developing countries might increase by as much as $1 billion annually by 1975. In a paper prepared jointly by FAO and the various United Nations regional economic commissions, it has been pointed out that the prospects of the developing countries being able to expand their exports to meet this demand are good. The developed countries can do much to aid such development particularly through bilateral trade and/or development projects.

During the period between 1953-55 and 1959-61 the value of exports of forest products from the developing to the developed countries almost doubled. This was largely limited to the trade flows from Asia to Japan and from Africa to Europe, mainly in unprocessed roundwood. During the same period export earnings from Latin America showed no improvement. Europe is still the main market for forest products exported by the developing countries. Western Europe, according to the FAO paper, is destined to remain the principal market for the developing countries and the additional trade with Europe may amount to at least $300 million annually by 1975. Japan may be the next most important and rapidly growing market where also additional trade may amount to as much as $300 million annually by 1975. Other prospective areas for expanded trade, the paper points out, may be North America, the "centrally-planned economies" and other developed countries which may well provide additional outlets for a further $300 million or more worth of forest products. The paper further points out that, in addition to new export markets, a great potential is offered by the developing countries' own rapidly-rising requirements for forest products and that by 1975, the developing regions will require annually about $3 billion worth of forest products over and above their current needs.

SWEDISH SUBSIDIARIES

According to a survey conducted by the Uppsala University's institute of business administration, the Swedish industry has heavily increased its investments abroad in the post-war era, particularly in the metal and engineering industries. The register of Swedish-owned companies abroad lists 1,084 subsidiaries in 62 countries owned by 256 parent companies in Sweden. Among the subsidiaries abroad, sales companies predominate. About 70 per cent of all subsidiaries are located in Europe, 44 per cent of these in EEC and 46 per cent in EFTA. In Western Germany, Sweden's largest trade partner, there are 135 Swedish subsidiaries. Outside Europe, Latin America accounts for the largest number of Swedish subsidiaries. In North America, there are 108, including 73 in the United States. In the developing countries of Asia and Africa 54 subsidiaries are operating. Of these, 15 are in India, five in Morocco and four in the Congo.

IRON ORE OUTPUT

According to the Indian Bureau of Mines, the production of iron ore in India during 1963 touched the record figure of 20 million tonnes. This means an increase of more than one million tonnes over the previous year's output. Orissa was leading in production, accounting for about 6 million tonnes. Goa produced over five million tonnes, Bihar 3.5 million tonnes, Mysore 2.4 million tonnes and Madhya Pradesh 2.3 million tonnes.

CZECH MACHINERY FOR RANCHI

The Indian Heavy Engineering Corporation has placed an order with the Czechoslovak foreign trade corporation 'Techno-export' for machinery to expand the 'metal engineering works at Ranchi. This machinery will include furnaces of various types and a hydraulic forging press of a pressure of 6,000 tons. The press has been produced by the Lenin (Skoda Works) in Plzen.

TEXTILE MACHINERY IMPORTS

With a view to encouraging the speedy modernisation of the textile industry the Government of India has decided to import textile machinery worth Rs. eight crores during the course of the next 18 months. In the face of keen competition from Japan, Hong Kong and China, the modernisation of the Indian textile industry has become an imperative necessity. Some of the British banks have come forward with a credit scheme under which India will be able to pay for the imports over a period of eight to 10 years. The arrangement made by the Ministry of International Trade in this connection is likely to be followed in the case of a few other industries which are at present starved of machinery for replacement and expansion.

SOVIET TRADE WITH DEVELOPING COUNTRIES

In a paper submitted at the world trade conference at Geneva, the Soviet Union has disclosed that within the next 20 years it may increase its imports from developing countries by as much as 12 times the present figures. The following commodities along with possible import targets are included in the paper:—

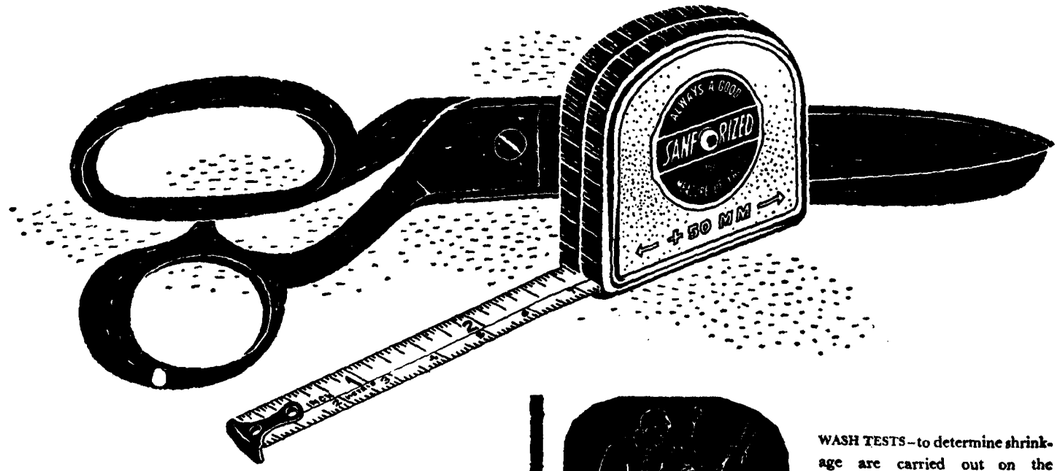
Cocoa beans: 54,000 tons in 1963, 1,20,000 tons in 1970 and 3,50,000 tons in 1980. Coffee: 29,100 tons in 1963, 60,000 tons in 1970 and 1,20,000 tons in 1980. Citrus fruits: 60,200 tons in 1963, 1,80,000 tons in 1970 and 7,50,000 tons in 1980. Oilseeds and vegetable oils: 2,12,000 tons in 1963, 3,00,000 tons in 1970, and 10,00,000 tons in 1980.

The paper also says that the Soviet Union may considerably expand its exports to developing countries, including such items as machinery and equipment, rolled steel products, raw materials, and chemicals products.

INTEREST PAYMENTS ON U.S. LOANS

India's interest liability for the loans received from the U.S.A. is estimated at Rs. 29.64 crores in 1964-65 and Rs. 31.85 crores in 1965-66. Loans received total Rs. 1,501.79 crores comprising dollar loans of Rs. 983.74 crores and PL-480 rupee loans of Rs. 518.05 crores. The interest liability is of two types — one, in respect of dollar payments, and the other, in respect of rupee payments. Some of the dollar loans given by the Development Loan Fund (U.S. AID) are repayable in rupees. Interest on these loans is also payable in rupees.

The trademark 'Sanforized'—a reliable yardstick for measuring clothes that will not shrink out of fit



'Sanforized'—known to millions of consumers everywhere—signifies a standard of shrinkage control that is identical the world over. To maintain this uniform standard on cloth labelled 'Sanforized'...to assure that fabrics bearing this label will not shrink out of fit in washing...'Sanforized' technical representatives are constantly on the job...visiting mills...checking fabric...helping the textile industry keep quality at a high level.



WASH TESTS—to determine shrinkage are carried out on the catalogued, measured samples of fabric, in each mill as well as in the U.S.A., in fully equipped technical laboratories.



TEST RECORDS—are made after the catalogued samples are re-examined and re-measured. Every mill keeps its own dossier of the results of the findings made by the technical experts.



REPORTS & SAMPLES SENT TO—the Standards Testing Laboratory of 'Sanforized' in the United States. This procedure ensures the world-wide uniformity of shrinkage control and recognition of cloth labelled 'Sanforized'.



REGULAR, ALSO SURPRISE VISITS—are paid by 'Sanforized' representatives, every month throughout the year, to licensees, to examine each mill's records of wash tests and samples of fabrics to be labelled 'Sanforized'.



RANDOM SAMPLES — of fabric labelled 'Sanforized' are selected from the mills' warehouses for testing, to ensure that no out-of-tolerance material has been inadvertently marked with the trademark 'Sanforized'.

Make sure YOU get the full measure of value of the cotton you buy — look for the label 'SANFORIZED' REGD TO ME *and your clothes will never shrink out of fit!*

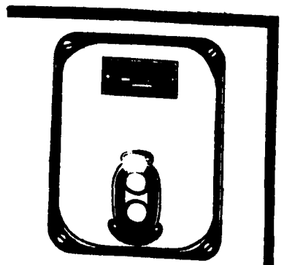
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For information: 'Sanforized' Service, 95 Marine Drive, Bombay 2.

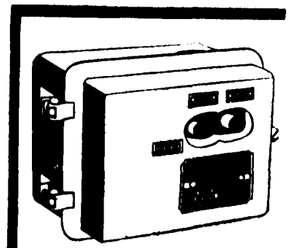
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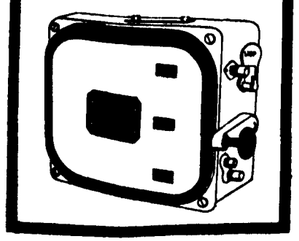
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ABV25

Company Affairs

GRAPHITE INDIA

GRAPHITE INDIA LTD. a new company formed to manufacture graphite, will shortly enter the capital market with a public issue of 500,000 equity shares of Rs. 10 each and 25,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each. The authorised capital of the company is Rs. three crores devided into 2,500,000 equity shares and 50,000 cumulative redeemable preference shares. The issued capital of the company will be Rs. 1.25 crores out of which 100,000 equity shares of Rs. 10 each have already been subscribed. The promotors (Bangur Brothers Limited) and their friends have agreed to subscribe for 150,000 equity shares and their foreign collaborators, Great Lakes Carbon Corporation of USA, have agreed to subscribe 25,000 equity shares. The balance is being offered for public subscription. The plant is to be set up at Durgapur and the foreign collaborators will design and supervise its construction. It will have an annual capacity of 6,000 tonnes of electrodes, mold stock and paste capable of being enlarged substantially. The foreign collaborators will also supply the technical know-how and assist in the training of Indian personnel. The total capital outlay of the project will be nearly Rs. 346 lakhs and it is proposed to obtain Rs. 185 lakhs by way of dollar and rupee loans from IFC and AID Cooley funds.

GALILEO INSTRUMENTS

A new company known as Galileo Instrument Ltd., has been formed for the manufacture of electric meters, water meters, gas meters and other allied instruments. It will enter the capital market shortly with a public issue of Rs. 13.5 lakhs. The authorised capital of the company is Rs. one crores divided into 100,000 equity shares of Rs. 100 each. The issued capital will be Rs. 35 lakhs. It has already received a consent of the Controller of Capital Issues. The directors, promotors and their friends will subscribe for Rs. 13.5 lakhs, foreign collaborators will take up Rs. 8 lakhs and the balance will be offered to the public. The company has secured the technical collaboration of the Italian company, Officine Galileo, S.P.A. Florence, for the manufacture of electric meters. It is also trying to obtain collaborators for the manufacture of other instruments for which negotiations are in progress. The plant is to be located at Vishwamitri near Baroda. The State Government has assured power for the factory. It has also been granted licence to import machinery worth Rs. 6.51 lakhs, orders for a major portion of which have already been placed.

DEEPAK INSULATED CABLE

Deepak Insulated Cable Corporation Ltd. has an offshot of a triangular consortium comprising Kirloskar Electric Co. Ltd., Jyoti Ltd., and Bombay Metal Syndicate, will shortly enter the capital market with a public issue of Rs. 17 lakhs in equity shares of Rs. 100 each. The subscription list will open on May 26 and close on June 4 or earlier but not before June 1. The entire public issue has been under-written. The plant is to be located at Bangalore and will manufacture wide range winding wires, conductors and strips. The annual capacity of the plant initially will be 650 tons which will be doubled later on. It has secured the technical collaboration of the Furukawa Electric Co. Ltd., of Japan. The ICICI has agreed to provide a loan of Rs. 15 lakhs by way of foreign exchange to meet a part of the capital cost of the plant and equipment. The capital outlay for the project is estimated at Rs. 60 lakhs. The authorised capital is Rs. 50 lakhs, the issued capital Rs. 30 lakhs, the subscribed capital Rs. 10 lakhs and the paid up capital Rs. 5.15 lakhs. A sum of Rs. three lakhs is reserved for the Government of Mysore. The plant is expected to go into production in the later half of 1965.

GUJARAT MACHINERY

Gujarat Machinery Manufacturers Ltd., proposes to enter the capital market shortly with a public issue. Mr. H. M. Patel, Chairman of the company, announced recently that the issue has been fully under-written except for the amount to be taken up by the promotors, directors and their friends. The company has also approached the Industrial Finance Corporation for a loan of Rs. 35 lakhs. It has entered into a technical collboration agreement with Nikex, the Hungerian trading company for the products of heavy industry, Budapest, for the manufacture of glass lined vessels. Another collaboration agreement has been made with Cekop, Poland for the manufacture of unit heads and other special purpose machine tools. The directors are also examining the possibility of adding one or two other projects to the company's production programme. The Government has approved the collaboration agreements and the company expects to receive shortly an import licence of the value of Rs. 28 lakhs. The production of glass-lined vessels is to begin in the first quarter of 1965.

KUMARDHUBI ENGINEERING

The Kumardhubi Engineering Works Ltd. proposes to issue debentures of Rs. 40 lakhs later this year. Negotiations are under progress with the Commonwealth Development Finance Co. Ltd., London and the LIC. The Government has accepted the company's proposal to expand the output of steel casting to 1,000 tonnes a month and that of the structural shop to 950 tonnes per month. The modernisation and expansion schemes are expected to be completed by 1966. During the year ended November 30, 1963 the company recorded a rise in sales at Rs. 225.22 lakhs as against Rs. 172.64 lakhs a year before. The net profit was also higher at Rs. 17.19 lakhs against Rs. 8.84 lakhs. The directors have proposed to raise the ordinary dividend from 45 nP. to 50 nP. per share, less tax.

ESCORTS ISSUE

The directors of Escorts Ltd., have recommended the issue of equity capital as bonus shares in the ratio of one share for five held by capitalizing Rs. 22.40 lakhs out of the share premium account, at present standing at Rs. 30.95 lakhs. Consent of the Controller of Capital Issues has already been received. The company has shown a pre-tax profit of Rs. 37.99 lakhs for 1963 against Rs. 37.29 lakhs last year. A sum of Rs. 18 lakhs has been provided for taxation. Sales during the year were also higher at Rs. 451 lakhs against Rs. 345 lakhs. A sum of Rs. 20 lakhs has been transferred to general reserve which brings the total reserve to Rs. 78.08 lakhs. This will be reduced by Rs. 22.40 lakhs after the issue of the bonus shares leaving a balance of Rs. 55.68 lakhs. The company has added new industrial unit for the additional products such as automobile shock absorbers, automatic centre buffer couplers, railway pneumatic air and vacuum breaks.

WEST COAST PAPER

The directors of the West Coast Paper Mills have decided to subscribe to the equity capital of the Andhra Pradesh Mills. The unit which is at present working as an undertaking of the State Government will be incorporated as a joint stock company shortly with an equity capital of Rs. two crores and preference capital of Rs. one crore. While the company will subscribe one-third of the equity capital and give technical

co-operation to the new unit, subject to the approval of the Government and shareholders, one-third of the capital will be offered to the public. The balance will be met by borrowing. The plant and machinery have already arrived and one paper machine is expected to go into production within a year; the rest is to be completed within 18 months. The project will involve a capital outlay of nearly Rs. seven crores and when completed it will have an installed capacity of nearly 100 tons per day.

BRITISH INDIA CORPORATION

After providing Rs. 9.37 lakhs for depreciation, Rs. 1.75 lakhs for development rebate reserve and Rs. 23.32 lakhs for interest, the British India Corporation Ltd., has shown a profit of Rs. 2.20 crores for the year 1963 against Rs. 1.35 crores in the previous year. Sales have increased to Rs. 12.82 crores from Rs. 9.28 crores in 1962. Following the rise in profits the directors have recommended a higher dividend of 75 nP. per share against 45 nP. per share in the previous year. The directors, in their report, pointed out that the Corporation received during 1963 valuable import licences and consignments of machinery for the modernisation of its woollen branches. One of the subsidiaries — The Elgin Mills — showed a lower profit at Rs. 18.89 lakhs for the year ended September 30, 1963 against Rs. 32.41 lakhs last year. Cawnpore Textiles, another subsidiary, also shows a reduction in the net profit from Rs. 5.98 lakhs to Rs. 4.65 lakhs in 1963. Brushware Ltd., however, recorded some increase in profits.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the week ending May 2, 1964. The list contains the names and addresses of the licensees, location, the items of manufacture and annual installed capacity.

IRON AND STEEL PRODUCTS

Prakash Engineering Co. & Rolling Mills, Freeganj Street, Agra (Uttar Pradesh) — Coil and leaf springs for Railways 3,600 tons per annum.

COAL, LIGNITE, COKE AND THEIR DERIVATIVES

Porascole Coal Co. Ltd., 18, Netaji Subhas Road, Calcutta-1 (P.O. Kajoragram, Distt. Burdwan West Bengal) — Coal: 1st year 2,40,000 tonnes; 2nd year 3,46,000 tonnes; 3rd year 4,86,000 tonnes; 4th year 6,00,000 tonnes; 5th year 6,00,000 tonnes per annum.

INTERNAL COMBUSTION ENGINES

ACME Manufacturing Co. Ltd., Construction House, Ballard Estate, Bombay-1 (Maharashtra) — Engine Valves 2,00,000 Nos. per annum.

MINING MACHINERY

New Standard Engineering Co. Ltd., Carroll Road, Bombay-13. (Maharashtra) — Disc Fitters for Washery - Capacity to be fixed later.

ORGANIC HEAVY CHEMICALS

Andhra Sugars Ltd. (Chemical Division) Venkatarayapuram, P.B. No. 2 Tanuku (Andhra Pradesh) — Ethyl Acetate, 1363 tonnes per annum.

MISCELLANEOUS CHEMICALS

Sandvik Asia Limited, Bombay - Poona Road, Poona-12 (Maharashtra) — Hydrogen Gas 2,40,000 Cu. Metres (N.A.) per annum.

DRUGS AND PHARMACEUTICALS

Rallis India Ltd., Ralli House, 21, Ravelin Street, Bombay-1 (Maharashtra) — A.P.C. with Vitamin C Tablets 1,20,00,000 (S.E.) per annum.

COTTON YARN HOSIERY AND ROPE

G. Basu, 6, Hastings Street, Calcutta-1 (Memari, Burdwan Distt. (West Bengal) — Cotton yarn 12,500 spindles; Shankara Textile Mills Ltd., Davangere (Mysore) — Cotton cloth 90 automatic looms; The Mettur Spinning Mills, 498, Mint Street, Madras-3 (Mettur Dam, Salem Distt. Madras) — Cotton yarn and cloth 18,000 spindles, 100 Automatic Looms; Sundaram Spinning Mills, Post Box No. 25, Komerapalayam P.O. Via Erode (Madras) — Cotton yarn 12,630 spindles; The Gujarat Hosiery Factory, Opp. Krishnan Society, Ellis Bridge, Ahmedabad-6 (Gujarat) — Cotton yarn 1,000 spindles; Silver Cotton Mills Co. Ltd., Near Jagnath Mahdev, Amraiwadi Road, Ahmedabad (Gujarat) — Cotton yarn 1,800 spindles; Kopargaon Taluka Sahakari Kapus Ginning & Pressing Society Ltd., Kopargaon Distt. Ahmednagar (Kopargaon Maharashtra) — Cotton yarn 25,000 spindles; The Ahmedabad Kaiser I-Hind Mills Co. Ltd., Outside Raipur Gate, Ahmedabad-17 (Gujarat) — Cotton yarn 1,300 spindles; V.R. Textiles Private Ltd., Peelamedu, P.O. Coimbatore-4 (Madras) — Cotton yarn 13,000 spindles; Varadhalakshmi Mills Ltd., Hillcrest, Madurai-4 — Cotton yarn 12,904 spindles; Cochin Lakshmi Mills, Mulakunnathukavu, Trichur (Kerala State) (Kerala) — Cotton yarn 12,880 spindles; The Hemalatha Textiles Ltd., Ralli House, 320 Linghi Chetty Street, Madras (Guntur Distt.) (Andhra Pradesh) — Cotton yarn 7,000 spindles. The Aruna Mills Ltd., Naroda Road, Ahmedabad-2 (Gujarat) — Cotton yarn 5,600 spindles; Nataraj Spinning & Weaving Mills Ltd., Indian Chamber Buildings, Esplanade, Madras-1 (Adilakad Distt.) (Andhra Pradesh) — Cotton yarn 12,000 spindles; Indra Cotton Mills Private Ltd., Jagampet Gardens, Chromepet, Chingleput Distt. (Madras) — Cotton yarn 6,780 spindles; Amin Chand Payare Lal Jeevan Vihar Buildings, Parliament Street, New Delhi (Punjab) — Cotton yarn 13,000 spindles; Dunbar Mills Ltd., Nos. 1 & 3, 21-Strand Road, Calcutta-1 (West Bengal) — Cotton cloth 65 automatic looms; Mohd. Umar Maheboob Sardar, Chief Promotor, M/s. The West Khandesh District Industrial Co-op. Asso. Ltd. Dhulia, District Dhulia (Dhulia Maharashtra) — Cotton yarn 12,000 spindles; Ajanta Textiles Ltd., 4, Babar Lane, New Delhi (Uttar Pradesh) — Cotton yarn 12,820 spindles; Hasimara Industries Ltd., 5 and 7, Netaji Subhas Road, Calcutta-1 (West Bengal) — Cotton yarn 13,000 spindles.

SYNTHETIC, ARTIFICIAL FIBRES

Mehra Silk Mills, North Chowk, Varanasi (Uttar Pradesh) — Art Silk power loom 5 Nos.

CHANGE IN NAMES (Owners or Undertakings)

(During the week ending May 2, 1964)

(Information pertains to particular licences)

From M/s. Gandhi Electric Industries Private Ltd., Bommay to M/s. Emco Elecktra Private Ltd., Bombay; From M/s. Jay Shree Textiles Ltd., P.O. Rishra, District Hogghly to M/s. Jay Shree Textiles and Industries Ltd. P.O. Rishra, District Hooghly; From M/s. Adaikappa Mills, Madras to M/s. Thiruvepathi Mills Private Limited, Madras; (Registration Certificate, From M/s. Madura Sugars and Allied Products Ltd., Pandiara Japuram P.O. Madurai District to M/s. Madura Sugars Ltd., Pandiara Japuram P.O. Madurai District.

LICENCES REVOKED OR SURRENDERED

(During the week ending May 2, 1964)

(Information pertains to particular licences)

M/s. P.S.N.S. Ambalavama Chettiar & Co. Private, Ltd., Madras — Steel Buildings for factories, garages, etc., and galvanised transmission towers; M/s. Bharat Electric Company Limited, Trivandrum — G.L.S. Lamps; M/s. Brady Engineering Company Limited, Bombay — Ship, Railway & Industrial Jacks; (i) Name of the Licensee Shri Deokinandan Poddar; (ii) Name of the undertaking M/s. Baidyanath Spinning Mills Ltd., Deoghar — Cotton Yarn; M/s. Ghakimal Hukum Chand, Ludhiana — Cotton Yarn.

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* Gunmetals
* Leaded Bronzes
* Phosphor Bronzes
* Brazing Solders
* Type Metals
* Tin Solders
* Fine Zinc Die Casting Alloys–'ISMAK-3'
* Cupro Manganese
* Aluminium Base Die Casting Alloys
* Brass & Bronze Rods–Solid & Cored
* Finished Castings–rough & machined.

2. HOT ROLLING DIVISION
* Commercial Quality Brass Sheets
* Commercial Quality Copper Sheets
* Brass & Copper Heavy Base Plates
* Copper Anodes

3. COLD ROLLING DIVISION
* Cold Rolled Industrial Quality Brass Sheathings, strips & Coils from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.
* Cold Rolled Industrial Quality Copper Sheathings, strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.

(ESTD. 1919)

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BOOKS BRIEFLY

Planning the Growth of Developing Economies

Economic Development: Objectives and Methods: By Paul Alpert; Macmillan, New York; $6.95.

Reviewed by JOSSLEYN HENNESSY

THE PAST DECADE has seen a profusion of books on the problems of the developing countries. Theories of growth have become two a penny. One school insists that as agricultural surpluses preceded the Industrial Revolution in the U.K. and in Japan, developing countries should modernise their agriculture before industrialising, in order to produce a surplus to feed the workers to be transferred from the land to industry. Another rejects gradual development in favour of an immediate "big push", urging that an isolated investment project risks not finding a market for its products, whereas a complex of complementary investments provide markets for each other. Others argue that to plan "balanced" growth with equal emphasis on agriculture and industry (1) overlooks that a gradual transfer of man-power from low-productivity farming to high-productivity industry is essential to growth, and (2) implies massive simultaneous investment in all major activities above the resources likely to be available in an under-developed country. By contrast, the "unbalanced" school argues that investment should not be spread evenly like butter, but laid on in chunks, which create an "imbalance"; this calls for subsequent changed emphasis in investment, just as in the U.K. the growth of, first, the cotton industry and, later, the railways, by their demands for capital goods, raw materials, and intermediary products, and by their multiplication of purchasing power, stimulated the development of other capital and consumption industries.

Parallel Questions

The problems of growth have inevitably prompted studies of parallel questions: (1) How can the advanced countries best help the developing — by private investment, by state loans or grants, by technical assistance? (2) What have been the actual achievements and limitations of aid? Which of the score of alternative channels are preferable? (3) How justified are the fears of some industrialised countries that they are cutting their own throats by promoting competition from cheap labour, and that as the developers develop they will themselves use up the raw materials and primary products that the already industrialised need?

Mr. Alpert has rendered all those concerned with planning and growth, whether in advanced or developing countries, three great services. First, he objectively summarises the current theories of growth, techniques of overseas investment and aid, the problems of low-wage competition and the stabilisation of commodity prices. But this is not a work of mere compilation, and Mr. Alpert's second service is that he has, in each case, checked the various theories and solutions cited against the facts of economic history in the U.K., Europe, the U.S.A., Japan, South America, and elsewhere. Thirdly, Mr. Alpert evaluates the various strategies — communal, regional, national, international — under which development programmes are at present initiated, and offers reasoned arguments for concluding that the relations between advanced and developing countries should not be discussed in terms of conferring and accepting favours, but as part of a drive for economic growth throughout the world from which all countries will gain.

It is extraordinary what resistance persists among many Western industrialists and trade unionists to the elementary point that although, since the Industrial Revolution, the pattern of international trade has continuously changed, the total industrial imports of industrialising countries have steadily risen. As they develop, they begin to manufacture and cease to import the more labour-intensive products. Provided that advanced economies are dynamic and flexible, the loss of markets for such products is more than compensated by rising outlets for more complex and costly consumer and capital goods, in which productivity is higher, which can therefore pay the highest wages, and whose expansion is most profitable for the economy. Conversely, in labour-intensive industries, like textiles, the comparative advantage lies with countries where labour is ample and capital scarce. Why do some advanced countries persist in protecting their comparatively low paid, high cost textile industries, instead of releasing textile workers for employment in high wage, capital goods industries, whose expansion swells the national income?

MODERNISATION OF INDIAN RAILWAYS

Indian Railways: Annual Number, 1964; Edited by Krishan Ghulati.

WELL LAID-OUT, neatly printed and competently handled, this voluminous publication, containing contributions from a galaxy of railway officials, not only throws light on the past achievements of the Indian railways, but also provides a peep into the problems confronting this premier public sector undertaking in the country. In the opening article, the Railway Board Chief, Mr. D. C. Baijal, presents a picture of the steady growth of our railways towards acquiring a personality of their own and points out how as a sequel to their improved financial and physical performance over the past few years, they are now looking forward to serving the nation better in the years to come. Mr. R. Srinivasan, in another article, argues the need for planning the development of railways with a sufficient breadth of vision so that the growing requirements of an expanding economy are adequately met, both in the near future and over the next 10 or 15 crucial years. One will readily agree with him that the development of railways in an economy like ours has to be constantly kept ahead of the requirements. The lesson of the trying experiences of 1960-61 and 1961-62, it appears, has been well learnt.

If the Indian railways have to shoulder increasing burdens of both passenger and goods traffic, it is obvious that they have to be modernised expeditiously. This aspect of the problem has been dealt with in various articles in this issue. Mr. G.P. Shahani dwells upon the question of modernising signalling and tele-communications services of the railways. Mr. S. Chakravarti, Mr. P. N. Murti, Mr. M. M. Suri, and Mr. G. S. Kang talk about the electrification and dieselisation programmes. One important point that emerges from these articles is that the foreign exchange shortage is acting as a drag on the efforts to modernise our railway system. The administration is making commendable efforts to attain self-sufficiency at the earliest, but if these efforts are to be crowned with success, their foreign exchange needs require to be met squarely.

While the modernisation of railways should improve their operational efficiency, concerted efforts need to be made for raising the productivity of railway employees. This question assumes heightened significance in view of the fact that after successive general increases in passenger fares and freight rates in the last few years, further moves in this direction in the near future are bound to encounter opposition. Three articles in this publication by Mr. T. C. Pant, Mr. B. Basu and Mr. I. C. Bahree deal with this issue on quite a comprehensive scale and reiterate the need for extending technical training programmes and provision of incentives.

The publication also contains an interesting piece by Mr. V. K. Sthanunathan on the railways' rating policy wherein he points out that the railways being a nationalised public utility undertaking, their rating policy cannot be strictly governed by commercial considerations.

RECORDS AND STATISTICS

Direct Taxes: Pattern of Yields

Wealth Tax

NET WEALTH ASSESSED AND WEALTH TAX LEVY DURING 1961-62 & 1962-63

(According to classes of assessees)

(Rs. lakhs)

Classes of assessees	1962-63 No. of assessments	1962-63 Value of Wealth: In respect of assets in India	1962-63 Value of Wealth: In respect of assets outside India	1962-63 Value of Wealth: Total	1962-63 Wealth tax Levy	1961-62 No. of assessments	1961-62 Value of Wealth: In respect of assets in India	1961-62 Value of Wealth: In respect of assets outside India	1961-62 Value of Wealth: Total	1961-62 Wealth tax Levy
Individuals	26645	138492	2173	140665	974	23815	120764	1644	122408	751
Hindu Undivided Families	2580	22084	231	22315	149	2345	19178	249	19427	115
Companies	102	11435	..	11435	21	278	13904	86	13990	60
TOTAL	29327	172011	2404	174415	1144	26438	153846	1979	155825	926
(According to different ranges of net wealth)										
0 — 5	20382	63463	510	63973	203	18335	56823	554	57377	178
5 — 15	7643	57830	864	58694	371	6876	52479	724	53203	328
15 — 25	759	14051	197	14248	145	704	13110	156	13266	120
25 — 50	367	11781	385	12166	165	348	11386	203	11589	121
50 — 100	103	6648	414	7062	108	107	7340	167	7507	77
Over 100	73	18238	34	18272	152	68	12708	175	12883	102
TOTAL	29327	172011	2404	174415	1144	26438	153846	1979	155825	926

WEALTH TAX ASSESSMENTS COMPLETED DURING 1962-63

(According to range of net wealth and classes of assessees)

INDIVIDUALS

Range of net Wealth (Rs. Lakhs)	No. of assessments	Total Value of Wealth: In respect of assets in India	Total Value of Wealth: In respect of assets outside India	Total Value of Wealth: Total	Wealth tax Levy
		(Rs. crores)	(Rs. crores)	(Rs. crores)	(Rs. crores)
2 — 3	10530	257.6	1.6	259.2	0.5
3 — 4	5810	198.6	1.9	200.5	0.8
4 — 5	3212	142.1	1.0	143.1	0.7
5 — 12	5534	391.9	5.9	397.8	2.6
12 — 13	199	24.6	0.3	24.9	0.2
13 — 14	170	22.2	0.7	22.9	0.2
14 — 15	174	24.8	0.4	25.2	0.2
15 — 22	505	89.1	1.0	90.1	0.9
22 — 23	39	8.8	Neg.	8.8	0.09
23 — 24	26	6.1	..	6.1	0.1
24 — 25	28	6.1	0.7	6.8	0.08
25 — 50	399	95.1	3.8	98.9	1.4
50 — 75	48	26.6	2.0	28.5	0.5
75 — 100	26	19.6	2.2	21.7	0.3
Over 100	45	71.3	0.3	72.1	1.1
TOTAL	26645	1384.9	21.7	1406.7	9.7
Increase in wealth tax*	..	..	..	..	0.08
Decrease in wealth tax*	..	..	..	..	0.7

*As a result of revisionary actions, rectifications, etc.

HINDU UNDIVIDED FAMILIES

Range of net Wealth (Rs. Lakhs)	No. of assessments	Total Value of Wealth: In respect of assets in India	Total Value of Wealth: In respect of assets outside India	Total Value of Wealth: Total	Wealth tax Levy
		(Rs. crores)	(Rs. crores)	(Rs. crores)	(Rs. crores)
4 — 5	339	36.3	0.7	37.0	0.04
5 — 12	1455	102.0	1.2	103.2	0.4
12 — 13	30	3.8	0.003	3.8	0.02
13 — 14	18	2.5	0.003	2.5	0.02
14 — 15	22	3.2	0.02	3.2	0.02
15 — 22	116	20.3	1.8	20.4	0.2
22 — 23	11	2.5	..	2.5	0.02
23 — 24	9	2.1	0.01	2.1	0.02
24 — 25	11	2.6	0.08	2.7	0.03
25 — 50	50	16.2	0.08	16.3	0.2
50 — 75	13	8.1	Neg.	8.1	0.1
75 — 100	4	3.5	..	3.5	0.06
Over 100	11	17.9	0.05	17.9	0.3
TOTAL	2580	220.8	2.3	223.1	1.5
Increase in wealth tax*	..	..	..	..	0.01
Decrease in wealth tax*	..	..	..	..	0.08

*As a result of revisionary actions, rectifications, etc.

WEALTH TAX ASSESSMENTS COMPLETED DURING 1962-63 (Contd.)

COMPANIES

Range of net Wealth (Rs. Lakhs)	No. of assessments	Total Value of Wealth: In respect of assets in India	Total Value of Wealth: In respect of assets outside India	Total Value of Wealth: Total	Wealth tax Levy
		(Rs. crores)	(Rs. crores)	(Rs. crores)	(Rs. crores)
5 — 12	36	2.8	..	2.8	0.006
12 — 13	1	0.1	..	0.1	0.0003
13 — 14	3	0.4	..	0.4	0.002
14 — 15	1	0.1	..	0.1	0.0005
15 — 22	3	1.5	0.001	1.5	0.006
22 — 23	2	0.4	..	0.4	0.002
23 — 24	1	0.2	..	0.2	0.0009
24 — 25	3	0.7	..	0.7	0.003
25 — 50	18	6.5	..	6.5	0.03
50 — 75	7	4.6	..	4.6	0.02
75 — 100	5	4.2	..	4.2	0.02
Over 100	17	92.7	..	92.7	0.1
TOTAL	102	114.4	0.001	114.4	0.2
Increase in wealth tax*	..	..	..	..	0.04
Decrease in wealth tax*	..	..	..	..	0.1

*As a result of revisionery actions, rectifications, etc.

ALL CLASSES OF ASSESSEES

Range of net Wealth (Rs. Lakhs)	No. of assessments	Total Value of Wealth: In respect of assets in India	Total Value of Wealth: In respect of assets outside India	Total Value of Wealth: Total	Wealth tax Levy
		(Rs. crores)	(Rs. crores)	(Rs. crores)	(Rs. crores)
2 — 3	10530	257.6	1.6	259.2	0.5
3 — 4	5810	198.6	1.9	200.5	0.8
4 — 5	4042	178.4	1.6	180.0	0.8
5 — 12	7025	496.6	7.1	503.8	3.0
12 — 13	230	28.5	0.3	28.8	0.2
13 — 14	191	25.1	0.7	25.8	0.2
14 — 15	197	28.1	0.5	28.6	0.2
15 — 22	629	110.9	1.2	112.0	1.1
22 — 23	52	11.7	Neg.	11.7	0.1
23 — 24	36	8.4	0.01	8.5	0.1
24 — 25	42	9.5	0.8	10.3	0.1
25 — 50	367	117.8	3.9	121.7	1.7
50 — 75	68	39.2	2.0	41.2	0.7
75 — 100	35	27.2	2.2	29.4	0.4
Over 100	73	182.4	0.3	182.7	1.5
TOTAL	29327	1720.1	24.0	1744.2	11.4
Increase in wealth tax*	..	..	..	..	0.1
Decrease in wealth tax*	..	..	..	..	0.9

*As a result of revisionery actions, rectifications, etc.

Gift Tax: 1962-63

(Rs. lakhs)

Classification	No. of Assessees	Value of Gifts
A. Property Situated in Taxable Territories:		
(a) Immovable property	3,646	1,218.6
(b) Movable property	4,002	1,660.5
B. Property Situated Outside Taxable Territories:		
Movable property	156	79.9
C. Total of A and B	7,804	2,959.0
D. Details of Gifts Exempted Under Section 5(1)		
(a) Of saving Certificates	2	0.07
(b) To Government or Local Authority	7	0.4
(c) To Institutions or funds to which Section 15B of Income-Tax Act Applied	54	8.6
(d) For other charitable purposes	37	1.1
(e) On the occasion of marriage	35	3.1
(f) To Spouse	159	52.7
(g) Of policies of Insurance or annuity	6	1.2
(h) Under will	13	4.8
(i) In contemplation of death	19	2.2
(j) For education of children	10	0.4
(k) To employees by way of bonus etc.	2	0.3
(l) Bonafide for purposes of business, profession or vocation	2	0.7
(m) To Bhoodan or Sampattidan	3	0.2
(n) Out of privy purse	6	0.4
Total Value of Gifts exempted under Section 5(1)	355	76.2
E. Value of Gifts Exempt under Section 5(2)	7,649	764.9
F. Value of Taxable Gifts made during the year [C—(D+E)]	—	2,117.9
G. Computation of Tax		
1. Gift-tax payable on F.	..	142.9
2. Less 10 per cent credit on advance payments u/s is qualifying for allowance of rebate [See 4(A) below].	463	1.2
3. Balance of Gift Tax payable	..	141.8
4. **Advance Payments**		
(a) Qualifying for rebate u/s 18	463	11.5
(b) Not qualifying for rebate	357	7.7
(c) Total	820	19.2
5. Net amount of Gift-tax payable	..	122.5
ADD: Increase in Gift-tax as a result of revisionery actions, rectifications etc	..	0.5
DEDUCT: Decrease in Gift-tax as a result of revisionery action, rectifications etc.	..	13.6

ANALYSIS OF GIFT TAX FOR THE YEAR 1962-63

(According to the range of taxable gifts)

INDIVIDUALS

(All figures in thousands of rupees)

Range of Taxable gifts (Rs. lakhs)	Ordinary Resident			Not Ordinary Resident			Not a Citizen of India			Individual (Consolidated)		
	No. of Assessees	Total Taxable Gift	Gift Tax	No. of Assessees	Total Taxable Gifts	Gift Tax	No. of Assessees	Total Taxable Gifts	Gift Tax	No. of Assessees	Total Taxable Gifts	Gift Tax
Upto 0.5	6,544	83,024	3,345	17	237	9	..	..	..	6,561	83,262	3,355
0.5 to 1	558	39,394	1,818	6	450	21	..	..	..	564	39,843	1,840
1 to 1.5	160	19,490	1,087	1	136	8	2	226	12	162	19,852	1,107
1.5 to 2	70	12,436	824	2	380	26	..	..	..	72	12,816	850
2 to 3	56	13,446	1,058	1	300	26	1	213	15	58	13,958	1,099
3 to 5	32	12,775	1,308	2	650	60	..	..	..	34	13,425	1,367
5 to 10	17	11,337	1,509	..	..	..	1	618	82	18	11,956	1,590
10 to 20	1	1,090	179	1	1,590	303	1	1,857	370	3	4,536	852
20 to 30	1	2,100	436	..	..	..	..	..	..	1	2,100	436
30 to 50	..	..	..	..	..	..	..	..	..	..	..	..
50 to 100	1	5,278	1,521	..	..	..	..	..	..	1	5,278	1,521
Above 100	..	..	..	..	..	..	..	..	..	..	..	..
Total	7,440	200,370	13,085	30	3,743	453	5	2,914	479	7,475	207,026	14,017
Increase* in Gift Tax												52
Decrease* in Gift Tax												1,306

* As a result of revisionery actions, rectifications etc.

ANALYSIS OF GIFT TAX FOR THE YEAR 1962-63 (Contd.)

(According to the range of taxable Gifts)

Range of Taxable Gifts (Rs. Lakhs)	Hindu Undivided Family			Company			Firms			Association of Persons			All Classes of Assessees		
	No. of assessees	Total Taxable Gifts	Gift-tax	No. of assessees	Total Taxable Gifts	Gift-tax	No. of assessees	Total Taxable Gifts	Gift-tax	No. of assessees	Total Taxable Gifts	Gift-tax	No. of assessees	Total Taxable Gifts	Gift-tax
	(Rs. '000)			(Rs. '000)			(Rs. '000)			(Rs. '000)			(Rs. lakhs)		
Upto — 0.5	114	1398	56	11	90	4	3	30	1	21	223	9	6710	850 0	34.2
0.5 — 1	13	1006	47	..	..	..	2	150	7	3	225	10	582	412.2	19.0
1 — 1.5	1	111	6	..	..	..	..	..	..	..	..	..	164	199.6	11.1
1.5 — 2	3	508	32	..	..	..	..	..	..	1	156	10	76	134.8	8.9
2 — 3	..	..	..	..	..	..	..	..	..	..	..	..	58	139 6	11.0
3 — 5	1	374	37	1	493	54	..	..	..	..	..	..	36	142.9	14.6
5 — 10	..	..	..	..	..	..	..	..	..	..	..	..	18	119.6	15.9
10 — 20	..	..	..	..	..	..	..	..	..	..	..	..	3	45.4	8.5
20 — 30	..	..	..	..	..	..	..	..	..	..	..	..	1	21.0	4.4
30 — 50	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
50 — 100	..	..	..	..	..	..	..	..	..	..	..	..	1	52.8	15.2
Above 100	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
TOTAL	132	3397	178	12	583	58	5	180	8	25	604	29	7649	2117.9	142.9
Increase* in Gifttax	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0.5
Decrease* in Gift-tax	..	..	47	..	..	1	..	..	1	..	..	..	..	..	13.6

* As a result of revisionery actions, rectifications etc.

EXPENDITURE TAX : 1962-63

Classification	No of Assessees	Amount (Rs. Lakhs)
A. Details of Income during previous year: Of the assessee		
1. Aggregate income from all sources (including agricultural income)	206	2.97.7
2. Taxes payable on above	..	1,40.7
3. Net Income (1—2)	..	1,57.0
Of assessee's dependents		
4. Aggregate income from all sources (including agricultural income)	25	21.8
5. Taxes payable on above	..	5.6
6. Net Income (4—5)	..	16.1
7. Net aggregate income from all sources of assessee and his dependants (3+6)	231	1,73.2
B. Details of total expenditure :		
1. Total expenditure incurred by the assessee during the previous year	347	7,19.8
2. Amount of expenditure incurred by others but liable to be included in the taxable expenditure of assessee	..	..
Under Section 4(i) (Third party expenditure)	48	14.0
Under Section 4(ii) (Expenditure incurred by dependants)	66	21.1
3. Total of items (1+2)	461	7,54.9
C. Expenditure on which no tax is payable under section 5 :		
Any expenditure incurred		
1. In the purchase of		
(a) Books	37	0.7
(b) Products of cottage industry in India and works of art where the price of each such article exceeds Rs. 1,000/-	9	0.1
Total [Section 5(g)]	46	0.8
2. By way of or in respect of any gift, donation, or settlement on trust or otherwise for the benefit of any other person [Section 5(j)]	79	10.1
3. In the purchase or maintenance of live-stock [Section 5(i)]	51	2.5
4. By an assessee out of income or capital accrued or realised outside India and exempt under Section 5(o)(ii)	11	3.0
5. On items mentioned in Section 5(q)	21	20.8
6. On any other items specified in section 5 but not including items 1 to 5	216	3,30.2
7. Total	424	3,67.4

Classification	No. of Assessees	Amount (Rs. Lakhs)
D. Total Expenditure Less Expenditure Exempt Under Section 5: [B—C]	..	3,87.5
E. Deductions Made Under Section 6 Of The Act :		
1. Basic allowance [Section 6(1)(h)]	287	91.1
2. Other deductible expenditure in respect of		
(a) Civil or criminal proceedings [Section 6(1)(b)]	20	1.8
(b) Marriages [Section 6(1)(c)]	17	0.9
(c) Maintenance of parents [Section 6(1)(e)]	18	1.1
(d) Medical treatment [Section 6(1)(f)]	110	3.7
(e) Education abroad [Section 6(1)(g)]	55	1.8
(f) Expenditure not falling under heads (b) to (e) incurred outside India by a resident not being a citizen of India [Section 6(1)(i)]	27	1.6
(g) Capital expenditure (to the extent of four-fifths of such expenditure only) incurred in the purchase of furniture, motor cars, jewellery etc. [Section 6(1)(d)]	79	31.8
3. TOTAL of 1 and 2	613	1,33.8
4. Alternative allowance under section 6(2), if applicable	28	19.4
5. Taxes, duties etc. paid and deductible:		
(a) Paid to the Government or a local authority in India [Section 6(1)(a)]	151	1,29.2
(b) Paid in any foreign country [Section 6(4)]	7	2.7
Total deduction claimed	799	2,85.2
F. Taxable Expenditure: [D—E]	..	1,02.3
G. Computation of Tax:		
1. Tax payable on the amount shown against item F	..	51.1
2. Deduct amount of tax already paid, if any	..	2.0
3. Net amount of expenditure-tax payable	..	49.1
ADD: Increase in Expenditure as a result of revisionery actions, rectifications etc.	..	2.3
DEDUCT: Decrease in Expenditure tax as a result of revisionery actions, rectifications etc.	..	11.2
NET		40.2

ANALYSIS OF EXPENDITURE TAX DEMAND FOR THE YEAR 1962-63

(All figures in thousands of rupees)

Range of Expenditure (Rs. Thousands)	Individual: Citizen of India: No. of assessees	Citizen of India: Total Taxable Expenditure	Citizen of India: Expenditure tax	Individual: Not a Citizen of India: No. of assessees	Not a Citizen of India: Total Taxable Expenditure	Not a Citizen of India: Expenditure tax	Consolidated: No. of assessees	Consolidated: Total Taxable Expenditure	Consolidated: Expenditure tax	Hindu Undivided Family: No. of assessees	Hindu Undivided Family: Total Taxable Expenditure	Hindu Undivided Family: Expenditure tax	All Classes of Assessees: No. of assessees	All Classes of Assessees: Total Taxable Expenditure	All Classes of Assessees: Expenditure tax
Upto — 10	96	421	45	11	51	5	107	473	50	6	17	2	113	490	52
10 — 20	81	1177	164	3	37	5	84	1214	168	13	136	25	97	1400	193
20 — 30	31	770	152	..	..	..	31	770	152	6	151	30	37	921	183
30 — 40	25	821	250	..	..	..	25	821	250	3	101	24	28	922	274
40 — 50	23	1032	429	..	..	..	23	1031	429	3	130	47	26	1161	476
50 — 100	25	1869	1102	..	..	..	25	1869	1102	..	..	..	25	1869	1102
100 — 200	20	2930	2350	..	..	..	20	2930	2350	..	..	..	20	2930	2350
200 — 300	1	201	172	..	..	..	1	201	173	..	..	..	1	201	172
300 — 500	1	338	309	..	..	..	1	338	309	..	..	..	1	338	309
Above 500	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
TOTAL	303	9559	4973	14	88	10	317	9647	4983	31	585	128	345	10232	5111
Increase in Expenditure tax*	..	..	..	..	..	..	..	..	228	..	..	4	..	..	232
Decrease in Expenditure tax*	..	..	..	..	..	..	..	..	831	..	..	293	..	..	1124

*As a result of revisionery actions, rectifications etc.

Estate Duty: 1962-63

ANALYSIS OF THE NET DAMAND OF ESTATE DUTY FOR 1962-63

(All figures in thousands of rupees)

Classification	No. of Estates in each category	Value of Property: Joint Hindu Family	Value of Property: Other Kind	Value of Property: Total	Estate duty
A. DEMAND :					
(a) Immovable Property in India					
(i) Agricultural Property	1754	13735	56466	70201	3658
(ii) Non-agricultural Property	3158	13081	159377	177458	13783
(b) Movable Property in India	12986	25989	333732	359721	27496
(c) Movable Property outside India	118	194	6812	7006	721
(d) Demand made u/s 20-A of the Estate Duty Act as amended	30	..	474	474	36
(e) Net value of Interest of all lineal descendants in joint family property	589	43820	..	43820	2258
TOTAL DEMAND	18635	101819	556861	658680	48052
B. DEDUCTIONS :					
(i) Funeral expenses S. 44	3392	692	2807	3199	..
(ii) Bonafide debts and encumberances S. 44	1343	3647	33342	36989	..
(iii) Dower Debts S. 44	16	155	333	488	..
(iv) Cost of administering or realising foreign property S. 48	5	..	27	27	..
(v) Duty paid in a non-reciprocating country S. 49	2	..	41	41	..
TOTAL DEDUCTIONS	..	4194	36550	40744	..
Principal Value of Estate (A—B)	..	97625	520311	617936	48052

ESTATE DUTY : 1962-63 (CONTD.)

(All figures in thousands of rupees)

Classification	No. of Estates in each category	Value of Property: Joint Hindu Family	Value of Property: Other Kind	Value of Property: Total	Estate duty
C. REBATES & ALLOWANCES :					
(i) **Rebates :**					
(a) Gifts for public charitable purposes S. 33(1)(a)	73	1	126	127	8
(b) Gifts for any other purpose S. 33)1)(b)	554	49	742	791	141
(c) Moneys payable under Insurance Policy for paying estate duty S. 33(1)(f)	61	21	475	496	44
(d) Moneys deposited with Governments for paying Estate Duty S. 33(1)(g)	19	9	144	153	5
(e) Proceeds of Insurance Policy on Life of the decreased S. 33(1)(h)	1004	241	4441	4682	196
(f) Money earmarked for the marriage of female relatives S. 33(1)(k)	33	9	190	199	3
(g) Agricultural Lands in non-scheduled states S. 34(2)(ii)	107	497	4073	4570	309
(h) Interests of all lineal descendants in joint family property S. 34(2)(iii)	589	43820	..	43820	2418
(i) Interest in expectancy (Demand deferred under s. 38)	2	34	3	37	1
TOTAL	2442	44681	10194	54875	3125
(ii) **Allowances :**					
(a) Estate Duty paid in a reciprocating country S. 30	..	..	..	..	..
(b) Allowances for quick succession S. 31	22	..	..	..	7
(c) Rebate on agricultural Land S. 35(3)	1243	..	..	..	208
(d) Allowance for sum paid for obtaining probate etc. S. 50	353	..	..	..	1620
(e) Gift-tax already paid in respect of property included in the Estate S. 50A.	69	..	..	..	104
TOTAL	1687	..	..	..	1939
Total Rebates and Allowances	..	..	..	..	5064
Duty payable (A—C)	..	..	..	..	42988
D. PAYMENTS ALREADY MADE :					
(a) On provisional assessment u/s 57	..	..	..	..	15291
(b) Secured under Policy of Insurance u/s 33(1)(f)	..	..	..	..	42
(c) Money deposited with Government u/s 32(1)(g)	..	..	..	..	11
(d) Other payments	..	..	..	..	1062
Total Payments already made	..	..	..	..	16406
Net Demand	..	..	..	..	26582
ADD : Increase in Demand on account of appeals, rectifications, etc.	..	..	..	..	358
DEDUCT : Decrease in Demand on account of appeals, rectification, etc.	..	..	..	..	2794
NET	..	..	..	..	24146

ESTATE DUTY PAYABLE DURING 1962-63

(All figures in thousands of rupees)

Grade of Total Value of Property (Rs. lakhs)	Estates Entirely Joint Family: No. of Estates	Total Value of Property	Estate Duty	Property Partly Joint Family and Partly Other Kind: No. of Estates	Value of Property: Joint Family	Other Kind	Estate Duty
Upto — 0.5	..	..	..	..	..	..	..
0.5 — 1	255	16,421	136	264	7,683	11,474	154
1 — 1.5	87	10,652	151	129	5,989	9,578	289
1.5 — 2	36	6,260	135	73	5,121	7,341	377
2 — 3	28	6,813	237	67	7,182	9,157	690
3 — 5	19	6,992	260	42	7,441	8,367	986
5 — 10	7	4,803	329	19	6,556	6,165	1,209
10 — 20	2	2,923	452	3	1,102	2,610	550
20 — 30	..	..	..	..	..	..	..
30 — 50	..	..	..	1	1,687	2,047	958
50 — 75	..	..	..	..	..	..	..
75 — 100	..	..	..	..	..	..	..
Above 100	..	..	..	..	..	..	..
TOTAL:	434	54,865	1,700	598	42,761	56,739	5,213

ESTATE DUTY PAYABLE DURING 1962-63 — (CONTD.)

(All figures in thousands of rupees)

Grade of Total Value of Property (Rs. lakhs)	Estate entirely other kind: No. of Estates	Total Value of Property	Estate Duty	Demand made under Sec. 20A of the E.D. Act: No. of Estates	Total Value of Property	Estate Duty	Consolidated: No. of Estates	Total Value of Property	Estate Duty
Upto — 0.5	..	..	..	29	309	23	29	309	23
0.5 — 1	1,037	71,327	732	..	..	..	1,556	106,905	1,023
1 — 1.5	702	84,022	1,626	..	..	..	918	110,242	2,066
1.5 — 2	276	47,763	1,706	1	165	13	386	66,650	2,231
2 — 3	253	60,832	3,468	..	..	..	348	83,984	4,395
3 — 5	166	62,989	5,365	..	..	..	227	85,789	6,610
5 — 10	78	54,020	6,443	..	..	..	104	71,543	7,981
10 — 20	31	42,953	7,256	..	..	..	36	49,588	8,257
20 — 30	8	18,939	4,056	..	..	..	8	18,939	4,056
30 — 50	2	6,810	1,381	..	..	..	3	10,545	2,339
50 — 75	1	5,680	1,501	..	..	..	1	5,680	1,501
75 — 100	1	7,762	2,506	..	..	..	1	7,762	2,506
Above 100	..	..	..	..	..	..	..	..	..
TOTAL	2,555	463,097	36,040	30	474	36	3,617	617,936	42,988
Increase* in demand	..	..	..	..	..	..	..	..	358
Decrease* in demand	..	..	..	..	..	..	..	..	279

* On account of appeals, rectifications etc.

MOVABLE PROPERTY ASSESSED TO ESTATE DUTY DURING 1962-63

(Rs. crores)

Classification	India: No. of Estates	Value of Property: Joint Hindu Family	Other Kind	Total	Estate Duty	Outside India: No. of Estates	Value of Property: Joint Hindu Family	Other Kind	Total	Estate Duty	Consolidated: No. of Estates	Value of Property: Joint Hindu Family	Other Kind	Total	Estate Duty
Govt. Securities	700	0.06	1.7	1.7	0.1	8	Neg.	0.06	0.06	0.006	708	0.06	1.7	1.8	0.2
Stocks, Shares & Debentures	1,557	0.2	6.6	6.8	0.7	35	0.004	0.2	0.2	0.03	1,592	0.2	6.7	6.9	0.7
Cash incl. fixed Deposits	2,767	0.2	4.4	4.6	0.3	25	..	0.07	0.07	0.007	2,792	0.2	4.5	4.7	0.3
Life Insurance proceeds	1,218	0.08	2.6	2.7	0.2	5	0.008	0.01	0.02	0.002	1,223	0.09	2.6	2.7	0.2
Business Assets*	1,464	1.2	8.8	10.0	0.6	16	0.007	0.08	0.09	0.004	1,480	1.2	8.9	10.1	0.6
Precious stones, jewellery and Works of Art	1,633	0.09	1.2	1.3	0.1	2	..	0.01	0.01	0.004	1,635	0.09	1.2	1.3	0.1
Household goods, vehicles, furniture etc.	1,124	0.03	0.6	0.6	0.06	1	..	Neg	Neg	Neg	1,125	0.03	0.6	0.6	0.06
Slice of the assets of controlled companies	53	0.003	0.1	0.1	0.007	..	..	..	..	..	53	0.004	0.1	0.1	0.007
Others	2,500	0.8	7.5	8.2	0.7	26	Neg.	0.3	0.3	0.02	2,526	0.8	7.7	8.5	0.7
Total	13,016	2.6	33.4	36.0	2.8	118	0.02	0.7	0.7	0.07	13,134	2.6	34.1	36.7	2.8

* Including share in partnership and goodwill.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(Base : August 1939 = 100)

Period	Bombay: Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi†	Bengal: Calcutta	U.P.: Kanpur	Bombay: Nagpur	Madhya Pradesh: Jabbulpur†	Madras: Madras June 1936= 100	E.P.: Ludhiana†	All† India
1955	322	338	218	130	334	371	364	133	321	134	132
1957	352	368	269	150	364	448	422	162	375	157	152
1958	376	394	274	150	384	468	447	165	401	157	161
1959	393	412	308	158	384	469	498	163	429	166	168
1960	401	420	296	158	397	476	512	165	467	167	171
1961	412	431	300	167	406	486	495	168	478	172	173
1962*	423	444	302	172	420	511	502	198	484	182	179
1963*	424	445	299	176	446	524	522	207	488	190	185
1962 August	433	454	308	177	431	530	510	204	488	187	184
September	429	450	310	176	434	525	506	204	488	187	182
October	425	446	290	173	445	522	513	204	487	187	185
November	424	445	300	173	437	518	516	201	487	185	184
December	419	440	290	169	424	504	511	199	488	180	181
1963 January	417	438	285	171	416	499	508	199	484	180	179
February	416	437	282	171	427	497	492	199	484	184	178
March	417	438	285	171	431	498	485	201	480	189	179
April	416	437	290	174	441	498	497	201	483	190	181
May	419	440	293	174	448	500	500	201	483	187	182
June	425	446	297	174	448	509	522	202	485	189	185
July	427	448	300	175	448	530	540	204	487	192	186
August	428	449	302	177	449	537	541	213	490	194	188
September	433	454	305	179	459	540	552	216	490	194	189
October	432	453	306	179	469	547	550	216	489	192	190
November*	433	454	312	182	459	561	554	216	494	194	190
December*	460	481	333	185	459	566	553	216	506	200	193
1964 January*	462	483	—	185	438	565	567	219	508	203	193
February*	468	489	—	191	438	584	—	—	506	208	196
March*	475	496	—	191	455	589	—	—	511	208	197
April*	—	—	—	193	—	—	—	—	514	—	—

*Provisional. †Base 1944=100.

Source: Indian Labour Journal.

Exports of Engineering Goods

EXPORTS OF engineering goods during 1963 amounted to Rs. 134 million as compared to Rs. 96 million during 1962. Details of the 36 items which have contributed 66 per cent of the total earnings in 1963 are given in Table I. Country-wise exports of engineering goods, accounting for 78 per cent of the total in 1963, are presented in Table II.

TABLE I.

COMMODITY-WISE EXPORT OF ENGINEERING GOODS

(Rs. Lakhs)

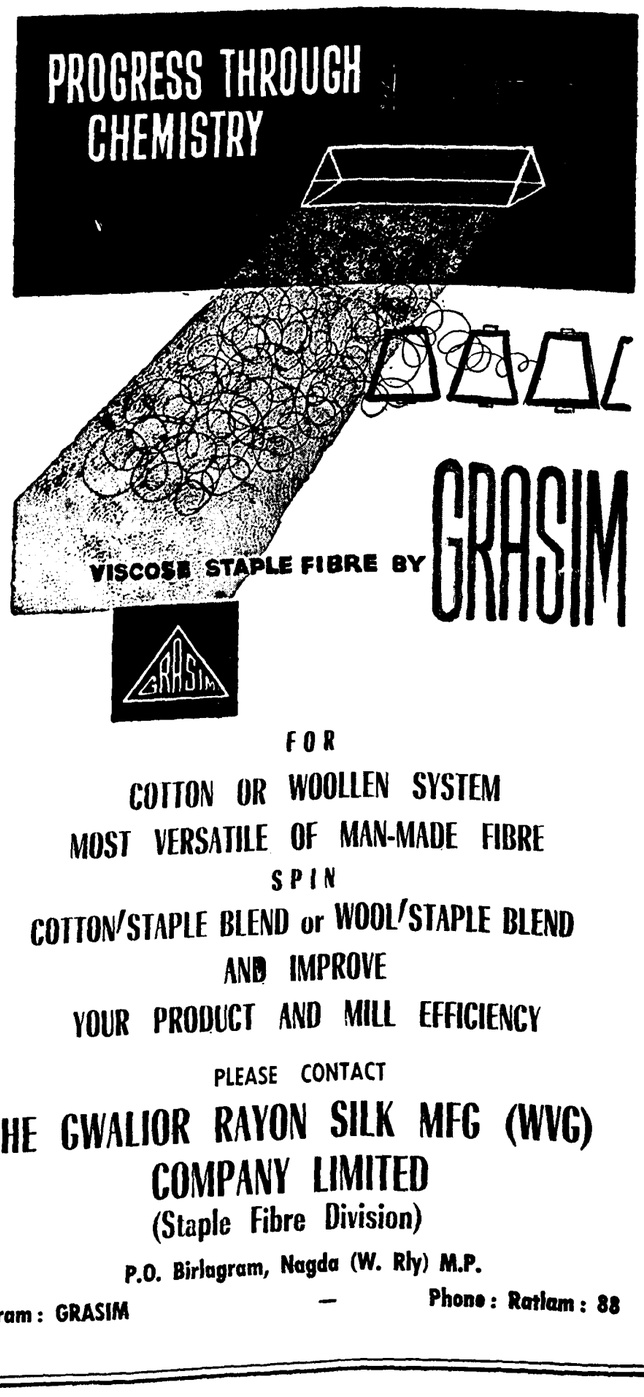
Commodity	Performance in 1962	Performance in 1963	Percentage of increase in 1963 over 1962
1. Oil Mill Machinery	16.48	17.59	6.7
2. Shoe Making Machinery	1.48	2.31	56.0
3. Tea Machinery	16.72	21.06	25.9
4. Diesel Engines and Parts	56.95	63.91	12.2
5. Mechanical Pumps	9.10	13.58	49.2
6. Electric Motors, Transformers, Switchgears etc.	1.45	2.80	92.8
7. Storage Batteries	0.29	4.57	1,475.8
8. Dry Batteries	22.44	49.82	122.0
9. Electric Fans and Parts	81.01	90.65	11.9
10. Electric Accessories	6.27	8.14	29.8
11. Electric Fluorescent Tubes and other Electric Lamps	8.79	10.03	14.1
12. Radio and Parts	1.17	4.95	232.1
13. Automobiles & Auto Parts	17.14	41.25	140.7
14. Bicycles & parts thereof	12.05	26.89	123.2
15. Agricultural Implements & Hand Tools	6.78	8.03	18.4
16. Cast Iron Products (all sorts)	36.72	37.80	2.9
17. Structural Fabrication (including doors)	4.49	5.72	27.4
18. G.I. Products other than Buckets and Bath Tubs	0.55	2.92	430.9
19. M.S. Pipes and Tubes	7.25	34.29	372.9
20. Steel Furniture	21.91	26.13	19.2
21. Steel Trunks	19.72	25.26	28.1
22. Crown Corks	5.07	6.50	28.2
23. Tinplate Containers	14.46	17.20	19.0
24. Razor Blades	4.39	28.09	54.0
25. Stainless Steel Utensils	27.26	65.85	141.2
26. Builders Harware (including locks)	16.50	27.51	66.7
27. Cutlery	6.47	7.64	18.1
28. Abrasives and Grinding Wheels	0.44	0.54	22.7
29. Pressure Oil Lamps and Stoves	1.26	1.61	27.8
30. Non-pressure Oil Lamps and Stoves	0.70	0.97	38.6
31. Umbrellas and Fittings	20.99	31.28	49.0
32. Aluminium Utensils	34.92	41.54	18.9
33. Aluminium Sheets, Circles, Ingots etc.	1.29	134.83	10,351.9
34. Brass, Bronze, Copper Sheets, Circles, Ingots etc.	8.87	25.00	181.8
35. Water Fittings	3.54	4.47	26.3
36. Zinc Strips and Ingots	1.69	3.05	80.6
TOTAL	496.61	893.78	80.0

TABLE II.

COUNTRY-WISE EXPORTS OF ENGINEERING GOODS

(Rs. Lakhs)

	Export 1962	Export 1963
South East Asia—		
Cambodia	16.43	40.53
Ceylon	64.08	81.99
Formosa	5.61	38.08
Hong Kong	5.36	15.36
Japan	0.25	1.12
Malaysia	61.99	99.44
Philippines	2.01	5.46
South Vietnam	30.23	113.03
Thailand	10.47	20.13
TOTAL	196.72	415.14
West Asia—		
Aden	39.54	56.31
Bahrein	23.38	30.54
Iran	33.58	39.68
Jordan	0.41	2.11
Kuwait	43.03	58.19
Lebanon	2.31	4.83
Muscat, Oman and Qater	19.77	20.61
Saudi Arabia	21.81	28.15
Syria	0.75	2.24
Turkey	0.56	1.07
TOTAL	185.14	243.73
Africa—		
Ethiopia	7.29	26.11
Fd. of Rhodesia and Nyasaland	6.61	10.47
Ghana	3.26	4.74
Kenya	28.56	45.35
Liberia	0.31	0.64
Nigeri	21.73	22.52
Sierra Leone	0.58	1.03
Somaliland	1.47	1.90
Sudan	7.42	51.64
Tunisia	0.08	1.56
Uganda	1.89	2.82
Zanzibar	1.73	2.26
Others	0.35	1.10
TOTAL	81.30	172.14
Europe—		
Belgium	0.99	80.06
France	0.86	1.01
U.K.	34.44	55.56
U.S.S.R.	3.20	21.32
Others	2.38	4.34
TOTAL	41.87	162.31
North and Central America—		
Canada	1.50	4.00
U.S.A.	21.81	32.24
Others	0.06	1.72
TOTAL	23.37	37.96
South America—		
Argentina	0.30	5.33
Others	0.30	0.59
TOTAL	0.60	5.92
West Indies—		
Trinidad	2.14	3.35
Others	0.03	0.08
TOTAL	2.17	3.43
Oceanic Islands—		
Fiji	2.45	3.37
Mauritius	4.10	5.25
Others	0.12	0.60
TOTAL	6.67	9.22

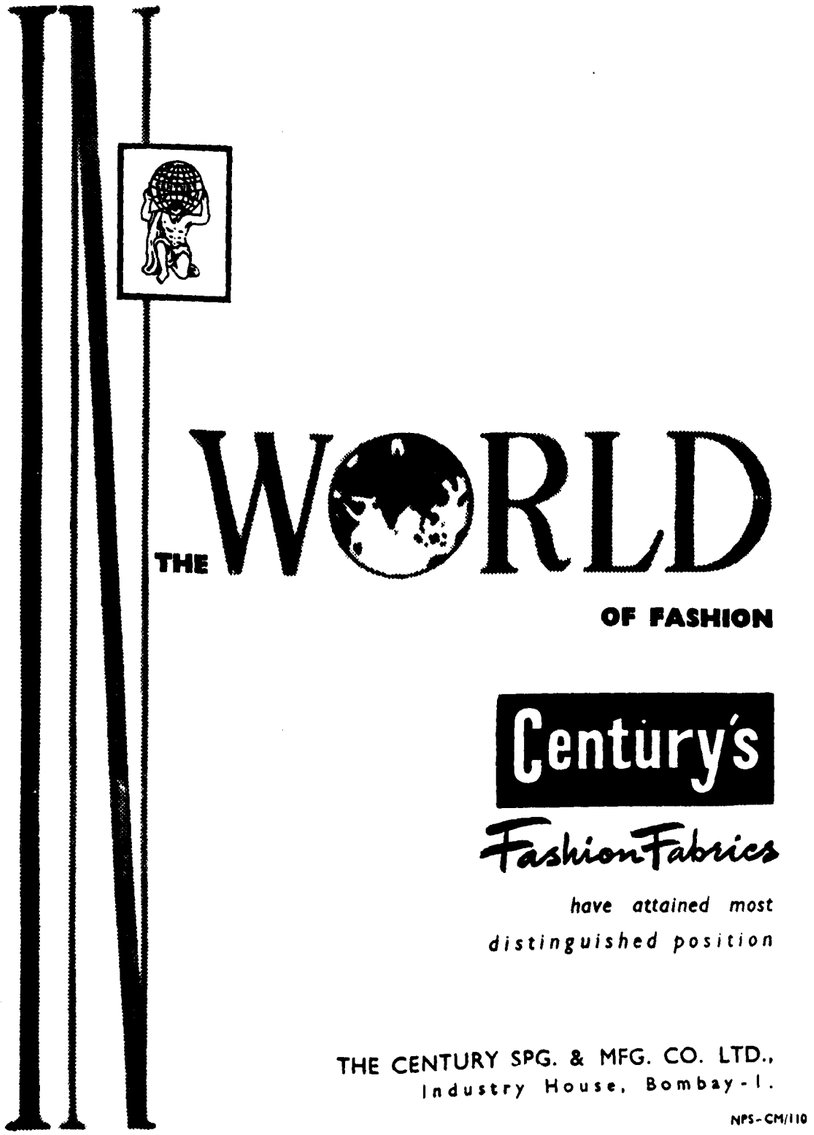


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EASTERN ECONOMIST

MAY 29, 1964

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Jawaharlal Nehru

FOR FIVE YEARS more than three-score-and-ten, through the emotional and intellectual adventures of a bright and brimming life, Jawaharlal Nehru had believed in many things and disbelieved in many things more. Among the things that he did not believe in were the prospects of his own mortality. At his last public appearance of any significance which, as we might recall with melancholic pride, was at a conference with the Pressmen of the Capital, just five days before death was to come to him, the late Prime Minister parried the problem of a successor by cheerfully saying that his life-time was not ending so very soon. More than of faith in himself those words spoke of the faith he had in his country; for Mr. Nehru, idolized though he was by his countrymen for years before he became Prime Minister of free India and accustomed to unquestioned authority over the affairs of the nation since then, did not love office for its own sake but cared for it only in that he believed in the capacity of his people to benefit from his leadership.

That leadership has been praised — and not merely in funeral orations; and it has also been criticized during his life-time and will certainly be the subject of continuing discussion not only for the purpose of historical research but also in the more immediate debates of political controversion. This is but natural. Like most of Man's intentions or efforts, Nehru's stewardship of the Indian Republic has had its lights and shadows. In the wake of the shattering strains of partition he yet managed to forge for a bleeding nation a will to unity and an assurance of survival. Against the background of decades of arrested or halting economic progress, the country received from him a policy and programme of positive development of its material resources for the production of wealth and welfare for its citizens. The late Prime Minister described all this as the mighty adventure of building a new India and it would for ever be his chief glory that he let it be heard, often from his own lips, in the great cities as well as the remotest villages of India, that this new India of our making would be a benefit in the widest commonalty shared — a quest, in other words, for the greatest good of the greatest number. But while Nehru identified himself with India, and India in its turn, identified itself, even if with occasional murmers of dissent, with Nehru, he belonged also, to a great extent, to a world much larger than the country of his birth. Indeed, among the giant figures which contemporaneously with him strode across the world stage, the Nehru presence had a universality which he shared possibly only with Mahatma Gandhi and perhaps with Mr. Winston Churchill. To the race of Man as such, tortured by the fears and anxieties of the nuclear age, he brought the conviction that there could be an alternative to despair and that there could be hope through peaceful co-existence.

All that was the sunshine that was Jawaharlal Nehru, but, as we said, every sun casts its shadows. He gave to India a sense of unity, but it was a sentiment which was only in part a conviction of national purpose. It was also to a great extent mere magic over the minds of his countrymen of his dynamic presence and dominating personality. The sense of national unity he inspired and fostered thus remains to be tried and tested in his absence. In economic affairs, while he certainly had the courage and the vision to want to push the nation's economy into the mainstream of modernity and technological advance, he did not succeed in summoning to his aid in an equal measure the pragmatic capacity to organize, direct and achieve as much economic progress as would have been obtained, given the many conditions which potentially favoured powerfully India's attempt to build its economy fast.

Internationally, while his services as a moderator of the cold war have placed the nations of the world under an obligation to him, it is surely an irony of fate that the territory of India itself, in some of its parts, is being

disputed through wars, hot or cold, by its neighbours in the North. As a result, for all the historic grandeur of Jawaharlal Nehru's custodianship of the first 17 years of free India, his country is not in a position now to afford safely to live on his greatness. In his life there was no problem of government or country which was too small for Jawaharlal Nehru to concern himself with; in death, however, he has left his partymen in particular and the country in general to deal as well as they might with a problem so big that he himself would not face — the problem of an answer to the question: After Nehru Who?

Honest Broker?

IN THE WEEKS both before and after Sheikh Abdullah's release, his partisans in this country and elsewhere had done their damnedest to pervert the perspective in which his potentialities for good or evil could have been properly assessed. Sheikh Abdullah had been presented by his propagandists as a sovereign authority with whom the Government of India had no alternative but to negotiate for the future of that part of India which is the State of Jammu and Kashmir. And it has also been made to appear that there could be no settlement in Kashmir except in terms of a settlement with Sheikh Abdullah. All this, however, is and has always been a false and misleading picture. It may be that there is a problem of Kashmir but the nature of that problem is not what Sheikh Abdullah's partisans would have it be.

There is, of course, need for a good and stable administration in the State of Jammu and Kashmir. It has been one of the cardinal as well as characteristic sins of the Nehru Dispensation that just as there was a failure to attempt to secure within a reasonable period of time a judicial decision on the conspiracy charges against Sheikh Abdullah and others accused with h.m, there had also been a failure to intervene in time to put an end to the corruption and incompetence of the Bakhshi administration. Bakhshi Ghulam Mohammed's exit from office under the Kamaraj plan was thus a prelude to the reform of government in the State, but it was once again characteristic of the Nehru administration that until the Hazratbal incident and its explosive consequences had brought matters to a head, no effective step was taken to give to the State an administration untainted by the Bakhshi legacy. The coming into power of the Sadiq government has given the people of Jammu and Kashmir their first real chance of a reasonably clean and efficient administration and it is really a pity that the excitement over Sheikh Abdullah's release and his subsequent political philandering has served to distract the Sadiq administration from its essential and legitimate purpose of settling down to a regular and routine administration of the State.

It follows that the sooner the Sadiq administration decides (and is encouraged) to devote its attention and efforts to good government in Kashmir, the less will be the need to talk of a Kashmir problem. At the same time, it must be conceded that, as a result of historic circumstances, there is an external aspect to the Kashmir situation which cannot be ignored. This would be true in spite of the fact that the accession of the State of Jammu and Kashmir to the Indian Republic is final and that the area of Jammu and Kashmir is an integral part of the territory of India. This external complication is the hostility between Pakistan and this country which has found its fiercest and potentially most dangerous expression in the persistent effort of the former to unsettle the fact of the territorial integration of Jammu and Kashmir with the rest of India. There has been some discussion in this country as well as in Pakistan over whether Kashmir is the cause or whether it is the consequence of the conflict between the two countries. The argument is, in one sense, meaningless. It is clear that unless there is a general rapprochement between India and Pakistan, there is little likelihood of Kashmir ceasing to be a controversial issue between them. It is, at the same time and in the same measure, true again that until the clamorous controversy over Kashmir is stilled, the voice of sweet reason and good neighbourliness is unlikely to be raised or heard. To speak, therefore, of a settlement of Indo-Pakistani differences over Kashmir as a condition which must necessarily precede the coming together of the two countries is as unhelpful as to suggest that those differences could be ended only after India and Pakistan could bring themselves to enter into a fraternal embrace. It would be more to the point if Kashmir were to be considered and dealt with both as an important individual element in and as an integral part of the Indo-Pakistani relationship.

It is here that Sheikh Abdullah, despite the demagogy of his court and his courtiers, might still play a useful role, particularly through his discussions with the leaders in Pakistan. Fortunately, despite an unpromising and even unfortunate beginning in the days immediately after his release, Sheikh Abdullah has benefited sufficiently from his talks in New Delhi to be able to see the question of Kashmir as something much more than a mere extension of his own personal problem of leadership. While he is, no doubt, still exploiting for what it is politically worth, the twin fiction that Kashmir is a nation and Abdullah its prophet, priest and king, he has also shown himself in the more engaging role of a political leader who is convinced that the welfare of the sub-continent cannot be secured apart from constructive co-operation and collaboration between India and Pakistan and who is determined to employ his personal diplomacy for bringing the two countries together. If Sheikh Abdullah believes even part of what he professes, his visit to Pakistan, whatever its immediate or direct results may be, would have been worth while.

Sheikh Abdullah has publicly stated his conviction that the Government of this country and the vast majority of its people sincerely seek to live in friendship and amity with Pakistan. It is, no doubt, his business in Pakistan to find out to what extent there is in that country a reciprocity of the desire for good neighbourliness. It is possible that among his camp-followers in this country there is expectation and hope of a miracle. It may be that it is sincerely believed that Sheikh Abdullah will come back to India with a message or formula which in due course may lead to an ending of the deadlock not only in Kashmir but also, and at the same time, over the entire area of Indo-Pakistani relations. We, for our part, do not care to discourage this or similar optimism — there has been pessimism enough where India and Pakistan are concerned. At the same time, we ourselves would be content to record the small satisfaction that in the person and through the instrumentality of Sheikh Abdullah an occasion and an opportunity have been found for the resumption of a political dialogue between India and Pakistan. One test of the success of the constructiveness of the Ayub-Abdullah talks will be whether they encourage the Government of India to seek or participate in high level talks at diplomatic and political levels. There was from beginning a suggestion and some hope that Sheikh Abdullah's visit to Pakistan might help in bringing about a situation where the Prime Minister of India and the President of Pakistan might find it useful to meet. Sheikh Abdullah has now stated that President Ayub has offered or agreed to visit New Delhi about the middle of June, but the passing away of Mr. Nehru must call for a new time-table. Throughout the last 17 years, Pakistan's policy towards this country has been concentrated on unsettling the fact of Kashmir's accession and our own reaction has been to see in this threat to Kashmir a threat to the secular character and peaceful progress of our country. Quite obviously this is not a situation where third party mediation could be useful or, at the worst, merely harmless. We have not heard it said on any occasion that the United States is willing to let the United Nations pronounce on Cuba. Nor is it the case that the Soviet Union could be enthusiastic over a UN solution for Berlin. As for Formosa, it should be interesting to find Chairman Mao offering to President Johnson to let the Pope give his verdict. Kashmir and all of Indo-Pakistani relations, in other words, will have to be settled ultimately not only with the consent of but essentially through the direct consultations between the two parties themselves.

Banking Trends

IN THE past few weeks so many things have been said by some responsible persons about our commercial banks that those who have no access to relevant and up-to-date details about the working of these banks have ample reason to feel seriously disturbed. Among the complaints against commercial banks, those most frequently heard these days are that although, technically, thousands of people own shares in banks, only a few control them, that these few decide who should have credit and how and where the borrower should use it, that more than 70 per cent of the people never know of banking and its advantages, that banks operate on a low cash basis, that "about Rs. 350 crores out of the estimated deposit of Rs. 2,600 crores goes into speculation", that liberalisation of credit only helps create a seller's market and pushes up prices and that the Reserve Bank has not got sufficient powers, nor used the powers it has effectively enough. Nearly all these are impressions rather than facts and, really speaking, there is no need at all to feel so concerned about the working of our banks as the champions of nationalisation of banks have been trying to make the more gullible believe. Between these champions and some misguided bank employees who feel, probably because the former advocate workers' participation in, or control of, bank management, they are their best friends, there seems to be some understanding that the issue of nationalisation of banks must be somehow kept alive — by raising it on every possible platform and on all conceivable occasions. It is, of course, open to these, as it is to anyone in our Sovereign Democratic Republic, to air their views freely, but there must be some substratum of sense and truth in what they seek to convey to the mass of our people, a great bulk of whom still are illiterate or uneducated. It is worth knowing, for instance, how many of those that have been urging greater control of banks or their nationalisation have cared to peruse the latest issue of "Trend and Progress of Banking in India During the Year 1963"? If they have done so, can they honestly stand by all that they have said?

Normally this is not a publication that we would notice in these columns inasmuch as it is not as uptodate as one would wish it to be, whatever the extenuating reasons or circumstances offered. But we have made an exception on this occasion, as we feel that, in the interest of proper dissemination of authentic details, some of the points made out in this publication need to be highlighted.

Credit restraint has been with us for quite sometime now and the impact of the emergency created by the Chinese incursion late in 1962, superimposed on a planned development programme, could hardly lead to any liberalisation. Accordingly, throughout the year 1963, the accent of the Reserve Bank's policy was on reducing credit availability both in the aggregate and in respect of certain individual lines, as also on raising its cost. This is anything but liberalisation of credit, which has been criticised as having been responsible for pushing up prices. If there was any liberalisation, such was confined to certain special sectors — small-scale industries and co-operatives — and formed part of the Government's own policy.

Much has been said about those connected with banks indulging in speculation, but the official publi-

cation of the Reserve Bank has this to say: "The trend of clean, gold and share advances was in conformity with the advice given in the Governor's circular letter to scheduled banks of November 10, 1962 .... The sharp contra-seasonal drop in advances against gold and silver ornaments (Rs. 24 crores) was a natural corollary to Gold Control measures, while the trend in share advances reflected the depressed conditions in the capital market. Unsecured advances also rose somewhat less than in the 1961-62 busy season. Throughout the busy season, speculative activity in the commodity markets was subdued..."

Had the Reserve Bank been ineffective in the use of its powers, as has been alleged, there would be no need for the weapon of selective credit controls which the Bank has in its armoury and which it has not hesitated to employ whenever necessary. Recently, that is early in March last, when credit expansion tended to become rapid and exceeded Rs. 300 crores (as against Rs. 200 crores over the corresponding period in the previous year) and scheduled banks' borrowings also rose to the level of Rs. 106 crores, the Reserve Bank did not hesitate to modify its credit policy by restoring the tier system that had been abandoned earlier and also stepping up the penal rate of interest on borrowings in excess of statutory reserves. It also directed all banks to review and bring down their portfolio of clean advances, besides exhorting them to reinforce their efforts to mobilise deposits in every way possible. And, contrary to the impressions of some, these directives turned out to be effective.

According to the latest purpose-wise Survey of Bank advances, it is noteworthy, there has been a progressive rise in the share of industry in total bank credit — 34 per cent at the end of Dec., 1955; 53 per cent at the end of April, 1961, and 57 per cent at the end of March, 1963. The share of commercial and financial advances, on the other hand, declined from 55 per cent at the end of December, 1955 to 36 per cent at the end of April, 1961, and further to 33 per cent at the end of March, 1963. Incidentally, as though to disprove the thesis of those who argue that liberalisation of credit pushes up prices, there was actually a decline in bank credit to the sugar industry, which, however, did not prevent rise in sugar prices — in fact, they have been officially raised further this week! This phenomenon is the result of successive decline in sugar output and the consequent depletion of stocks. In other words, prices have been influenced in this case not so much by a plentiful money supply as by a paucity of physical supplies.

Nobody denies that this country is most inadequately served by banks. There were still as many as 1017 towns which did not have banks at the end of March, 1962, but it must be noted here, the growth of banks and banking services is not entirely in the hands of commercial banks. Expansion of banks by opening new branches also is subject to sanction by the Reserve Bank according to a prepared plan, which must be presumed to have taken all the relevant factors into consideration. In 1963, according to published figures, the number of scheduled banks increased by 399, as against 220 in the preceding year, and the rate of deposit growth at 14.7 per cent also was better than in the previous year (13.7 per cent).

Banks, it has been pointed out by one of the spokesmen of the nationalisation of banks school, operate on a low cash basis. If, by this, he means the liquidity position of banks, he cannot be considered to be altogether in the wrong, to judge from the Reserve Bank's dissatisfaction with the progress made by banks during 1963 in the matter of raising their minimum ratio of liquid assets from 20 per cent to 28 per cent, but by the targeted date, namely September 16, 1964, this ratio should be reached, save only in a few exceptional cases. (At the end of December, 1963 there were only 16 scheduled banks with a liquidity ratio of less than 28 per cent).

The role played by commercial banks in supporting the Government securities market, and, lately also, the treasury bill market, seems to go practically unnoticed. In 1963, these banks added Rs. 130 crores to their portfolio of Government securities and accounted for as much as 52 per cent of the share of banks (other than the State Bank and its subsidiaries) in the total gross sales of treasury bills. The greater interest of scheduled banks in treasury bills thus stems partly from the Reserve Bank's credit restraint policy, which, by the way, proves its effectiveness and not otherwise.

Those who still talk of insufficient control of the banking system by the Reserve Bank today apparently do not know how far banking legislation has gone in this country lately. The purpose of the latest amendment to the banking laws of the country, let us remind these, is, inter alia, "to provide further powers to the Reserve Bank so as to ensure stricter supervision and control over commercial banks, in particular to restrain the control exercised by particular groups of persons over the affairs of banks, to restrict loans and advances granted to or guarantees given by banks on behalf of any one company, firm, association of persons or individual and to give greater control to the Reserve Bank over the appointment and removal of banks' executive personnel". There are other restraints too, besides, such as those on voting rights, grant of unsecured advances, remission of debts due by directors, and so on, not to speak of the really stringent system of bank inspection perfected over the past several years, which leave hardly any scope to bank managements even to think of, let alone perpetuate, all the abominable acts alleged in respect of them. To continue to accuse banks still of all manner of misdeeds and lapses is, therefore, only to persist in a puerile pastime that has become fashionable with certain politicians in our country. Most certainly it does not serve any useful purpose.

Highlights of the Week

P.M. MEETS THE PRESS

AFTER ABOUT 7 months, the Prime Minister held his usual press conference on May 22 when various subjects, including Kashmir and P.M.'s talks with Sheikh Abdullah, recent communal disturbances, the price line, future of Goa and talks with China on border, were discussed.

Regarding Kashmir, the Prime Minister refused to go beyond the statement that he had made at the All-India Congress Committee meeting as no further change had taken place since then. Sheikh Abdullah's talks with the Pakistani leaders, he said, should take place without any inhibitions. He looked upon the Kashmir issue not by itself but as one between India and Pakistan. Elaborating his recent statement in the Parliament, he said that in the interests of amity, India and Pakistan had to get together even constitutionally. It was difficult for him to spell out the details as it required a good deal of consideration and some response from Pakistan. While the constitutional changes envisaged by him would be determined by the attitude taken by Pakistan, what he had in mind was that there should be easy access to people from India to Pakistan and vice versa. While India was prepared to have an agreement with Pakistan on the ground of their holding on to that part of Kashmir which they are currently occupying, Sheikh Abdullah had expressed strong disapproval as he did not want a division of Kashmir. When questioned if Sheikh Abdullah accepted the basic issue about Kashmir (about which the Prime Minister had said in A.I.C.C., Bombay that it belonged to India and that it was a part of India) he said that Sheikh Abdullah accepted whatever was done before his arrest. The accession of Kashmir to India had been more or less completed before his internment though some additional things had been added since then.

Regarding the communal disturbances, the Prime Minister said that "there is no communal disturbance in any part of India at the present time". What occurred in Pakistan and India was indeed most unfortunate. He was not aware as to what was happening in East Pakistan except that large numbers of refugees were still coming over — about 3,000 a day — and nearly 3,50,000 refugees had already entered India. Regarding Mr. Tyagi's suggestion that Pakistan should be asked to contribute some land for the rehabilitation of refugees from East Pakistan, the Prime Minister said that the Government had not considered that question at all.

On Goa, the Prime Minister gave the opinion that it was a domestic matter which could be decided at any time. The Ministry of External Affairs was dealing with Goa because of its historical association. Even though a new era had started in Goa and the past was over principally, there were many other matters which had to be dealt with: that is why no haste had been exhibited in either merging it with Maharashtra or making it one of the Union territories.

The Prime Minister was not inclined to comment on the price situation as he thought it was a difficult and complicated question. The recent increase in prices, he said, did require serious consideration. The control of foodgrains prices was discussed only from the consumer's point of view, while the producer's point of view was usually neglected. The incentive to the producer to raise production was also an important aspect. He said that the many ways of increasing prices by the middlemen could certainly be controlled.

The Dhebar Committee's recommendations, he said, had been accepted generally by the All India Congress Committee. They had been sent again to the Working Committee for closer examination. By and large, the Government was agreeable to the Committee's recommendations, but not regarding every detail contained therein. On bank nationalisation, the Prime Minister gave a categorical answer: "There is no immediate question of bank nationalisation".

The Prime Minister then dealt with the case of the Deputy Finance Minister against whom some allegations had been made and the Attorney General had been asked to examine them. The Attorney General's report, according to the Prime Minister, dealt with a number of relatively minor charges which were under consideration of the Government. It was the opinion of the Attorney General that the data given to him was insufficient and, therefore, there was nothing very much for him to decide and that it might be necessary to have further investigation.

Explaining a recent statement of his that if there were no posts in the demilitarised zone, he was prepared to have talks with China on the border dispute, he said that this approach was in no way in conflict with the earlier statement that unless China accepted the Colombo proposals in full, India would not enter into negotiations. The point involved was one of interpretation of the Colombo proposals. If there was an agreement that there would be no posts on either side, it did not go against the Colombo proposals which stated that there should be agreement on the number of posts on either side. No reaction had been received from China in relation to this offer.

Regarding the question of succession, he said that while people were talking about his successor, he thought that his life time was not ending so very soon. The question that he should give some thought to the suggestion that he should retire and act as an adviser to the working statesmen, he gave the humorous reply that whenever such suggestions were made, he did give some thought to them, implying that he had no desire to take any action on such suggestions.

FRUITS OF COMMON SENSE

THE SEVENTH REPORT of the Organisation and Methods Division covering the period April, 1961 to March, 1964, observes that no efforts which the Central O & M Division may make can replace the self-improvement efforts of individual departments which must continually keep under review their own performance, the way their business is transacted from day to day, and the difficulties or bottlenecks which come in the way of speed, economy and efficiency in the disposal of service by studying problems of common interest to a number of different departments or by conducting analytical studies, investigations and comprehensive reviews. But each ministry, department or executive agency has to build up its own 'Efficiency' (O & M) Unit and invest it with competence to study problems of administration and confer on it the requisite prestige and authority to secure acceptance for its carefully worked out conclusions and recommendations.

"Organisation and Method" in India, on the U.K. model, is a service organisation. Its proposals to change existing procedures and organisations have to be discussed at the appropriate levels with the men who are responsible for doing the job in question. The recommendations have to be changed and modified if discussions show that they will not work or contribute to the desired results. Whenever possible, the O. & M. officers make efforts to reach agreement with the departmental officers as they go along. At the end of the assignment, the recommendations of the study team are presented in the form of a formal report. It is then for the management or the head of the administration to decide how far any changes proposed are acceptable, and if so, to implement them. In this respect, the discretion lies entirely with the administrative Ministries

In the words of the President's Committee on Adminis-

trative Management in the United States (Brownlow Committee, 1937): "It is a mistake to assume that the Government can be reorganised once for all. Continuous study of the administrative reorganisation of the huge Federal machine is necessary; new activities are constantly emerging and old activities are constantly changing, increasing, decreasing or disappearing. Unless there is a special agency equipped to investigate problems of organisation, new activities are set up without careful attention to where they should be located and what kind of organisation is required. This results in costly mistakes and confusion. On the other hand, when the need for certain governmental activities declines or disappears, unless there is a special agency constantly studying the organisational requirements, adjustments are made late or not at all."

A beginning was made in this country a decade ago in March, 1954 when the O & M Division came into existence and was located in the Cabinet Secretariat. In March 1964, a Department of Administrative Reforms was set up in the Ministry of Home Affairs for taking action on the recommendations made in the past by various individuals and committees appointed for suggesting measures for reorganising the Government machinery, and for taking initiative in promoting administrative improvements in the interest of efficiency, economy and integrity. To avoid unnecessary duplication of effort, and to make available to the Department of Administrative Reforms staff trained in administrative analysis, the O & M Division has been transferred from the Department of Cabinet Affairs to the new Department.

Creditable Achievements

The Division has some creditable achievements to its credit. Its study relating to the forms to be submitted by the textile industry is typical of the use to which O & M can be put to eliminate wastage involved in useless paper work. Out of 312 forms which this industry used to submit to different Government agencies, 152 were prima facie acceptable to this industry. The remaining forms were scrutinised in consultation with the representatives of the industry and the Government agencies concerned. As a result of the deliberations, 12 returns were eliminated altogether, 15 returns were consolidated into 5, the size of 6 forms, including the form of income tax returns, annual consumption of which exceeded 1,00,000 copies, was reduced by 17 per cent and the frequency of 3 returns was also reduced. It was estimated that paper saving of the order of 1,450 sheets (13½" x 9") annually per unit of the industry would accrue from the implementation of these decisions. Besides, there would be saving in costs on printing, storage and postage and in the time and effort spent in preparing and handling these forms. Studies for simplication of reporting by coal, cement, sugar, jute, iron and steel, rubber goods, drugs and pharmaceuticals, electrical goods and automobile industries are being undertaken. Again, the Central O & M Division, and the O. & M Units of the Ministries undertook a study of the existing returns and reports to examine if they served a definite purpose and whether they justified the expense in terms of costs on materials and manpower needed in their preparation and processing. As a result of this study, it was possible to eliminate as many as 449 reports and simplify, or reduce the frequency of, 166 others.

A survey made by the O. & M Division about three years ago estimated the recorded files of Ministries alone at 42,00,000. Since then, about 10,00,000 files have been weeded out by the various Ministries/Departments and certain major offices. A sample study made during 1961 of the records build-up in one of the Ministries showed that: (a) out of 12,300 files examined, 6,002 files i.e. roughly 50 per cent were due or overdue for destruction even according to the original markings of the Ministry; and (b) 9,648 files (i.e. 79 per cent) of the total files examined could be immediately destroyed, 1,052 files (i.e. 13 per cent) retained till 1965, and only 1,000 files (i.e. 8 per cent) preserved beyond that period.

INADEQUATE ROADS

THE CELEBRATIONS last month of the completion of 111 years of operation of railways in India, and the recent conjectures about the size of the fourth Plan have once again brought to the fore the desirability of greater attention to be paid to the overall development of the Indian transportation system. While the Indian Railways will not be in a position to cope with traffic offerings in the coming years, limitations in the development of water and air transport will obviously leave no option for the country but to fall back heavily on the road transport system, which, despite its vast potentialities, has attracted inadequate attention. Speaking some time back in the Lok Sabha during the debate on the Demands for Grants of the Ministry of Transport, Mr. M. R. Masani painted a gloomy picture of road transport in India. He issued a stern warning that if the current complacency persisted, there might be a transport bottleneck in 1966 almost six times as acute as in 1960-61.

The Government is, of course, not oblivious of the inadequacy of the financial allocations for the road development programmes, and this fact was admitted by the Transport Minister, Mr. Raj Bahadur, in the Lok Sabha. The 20-year road development plan, formulated on the recommendation of the Chief Engineers of the Central and the State Governments, was originally allocated for the third Plan period Rs. 324 crores. Although this figure has been now raised to Rs. 416 crores, it still falls far short of the sum of Rs. 590 crores recommended by the chief engineers for the same period. The inadequacy of these allocations is further heightened if the fact is taken into account that part of these funds is being diverted to the construction of border roads. A fundamental defect in the 1961-81 plan is that it has been modelled on the 'Nagpur Plan', which was formulated in 1943, keeping in view the conditions then obtaining and without the perspective of the demands of a planned economy. At the time of the formulation of new road plan, its planners were also carried away by the popular, though misplaced, belief that the targets of the Nagpur Plan had been more than realized. The fact, however, is that while the targets in overall terms were achieved, the accentuation of the road development activity, necessitated after partition, in States like West Bengal, has left a large number of the other States in a hapless position. The task, therefore, that the current road plan should be set to accomplish is not only the reduction, if not removal, of these 'disparities', but the speed with which it is done. This, however, seems doubtful, for the ten-year plan envisages to achieve by the end of its first half less than one-third of the targets.

The pace of the planned activity, meanwhile, is surely not going to abate. The traffic at the end of the third Plan is estimated to rise to 375 million tons while the haulage capacity of the railways will not exceed 260 million tons in 1965-66. It will naturally shift a sizable burden on to roads, which will face a Himalayan task, since the capacity of road transport by then will not have risen above the meagre figure of 20 million tons. The immediate steps that need to be taken to meet the challenge are the strengthening of a few weak bridges and culverts so as to permit trucks to be loaded to their full capacity, prompt widening of at least the highways to two lanes, the encouragement of truck-trailer combinations, freer licensing of inter-State transport, and assistance to vehicle manufacturers through foreign exchange allocations and otherwise.

A wide network of all-weather roads and an expanding automobile production are the two concomitants of a good road transport system. While the Government claims to have restored a large number of missing links, and improved a substantial milage of low quality roads, besides constructing new roads, the general condition of Indian roads is not very encouraging. Nor is the position on the automobile manufacture front any satisfactory. The third Plan had set a target of 66,000 vehicles, which was later revised to 54,000. The production of vehicles has, however, not looked up since the beginning of the current plan. Thus while production in 1960 was 27,100, the figure for the subsequent year stood at 26,721, and in 1962 the number of vehicles produced was 26,820. The production figure for 1963 is 28,481, which, of course, is a slight improvement over the previous two years, but is much below the figure of 46,000 envisaged for that year. It was contended by Mr. Raj Bahadur in the Lok Sabha that the lag in vehicle production has resulted owing to limited foreign exchange allocations and also because more attention had to be paid towards increasing the indigenous content of vehicles, which in some cases is now as high as 80 per cent. While it is encouraging to note that the indigenous content of vehicles has steadily gone up — many a time, it is believed, at the cost of the quality — it is very difficult to reconcile with what may be described as the Transport Minister's wishful hope, unless allocations for this head are substantially increased, that the pace of production will be stepped up sharply to achieve the figures of 35,000 vehicles in 1964, 42,250 in 1965 and 54,500 in 1966.

GUIDANCE WITHOUT OBSTRUCTION

THE FIFTY-THIRD report of the Estimates Committee released recently has placed the functions of the department of Company Law Administration in proper perspective in relation to the growth of the private corporate sector. Instead of conceiving the Company Law as police force having punitive powers shadowing the performance of the private sector, it has to be interpreted as an instrument to implement the official economic policy in the business field. It is also recognised that the Company Law should guide the private entrepreneur to function competently within the broad social framework formulated by Parliament. The Committee has laid stress on the prime necessity of simplifying the existing law by eliminating its inordinate length, its involved language and the obscurity of many of its provisions. It will, then, be easier both for the enterprise as well as the administration to abide by the spirit of the law.

The Committee has quoted an assurance given by the Finance Minister in 1955 that the red tape in the execution of the Company Law would be reduced to a minimum and an attitude of "positive helpfulness" would be adopted towards the entrepreneurs. This remains even now a distant goal and much progress has not been achieved in this respect. "The Committee are perturbed to note that inordinate delays are taking place in investigations ordered by Government under Sections 234 to 251 of the Companies Act". Out of six cases pending investigation one has been outstanding for more than eight years, three for more than three years, one for more than two years and one for more than one year. Similarly the Committee has expressed doubts as to the practical utility of various forms and returns which are at present required to be filled with the Registrar of Companies. There are, therefore, various regions of Company Law Administration where red tape and duplication can be eliminated so that it may not operate as a serious obstruction for the entrepreneurs. To achieve this the Committee are of the view that close contact should be maintained by important officials of the Company Law Administration with the representatives of business organisations so as to enlist enlightened opinion for adoption of sound standards in company formation and company management.

The Report has made certain significant remarks about the role of shareholders. The number of shareholders in joint stock companies has increased from 450,000 to 500,000 in 1957 and to nearly 670,000 in 1961. This trend has by and large continued to operate in the following years. It appears slightly paradoxical that at a time when well organised unions and associations of all sections of the corporate sector have grown, the "shareholders who are the kingpin of the corporate system, cannot be said to be even loosely organised". There are indeed very few organisations of the shareholders as is confirmed by facts too. The total membership of the eight shareholders' associations in 1963 was 1,300 only as against the total estimated number of nearly 700,000 shareholders in the country. Out of these eight associations, five had a membership of less than 100 each. The Committee has suggested that Government should undertake suitable studies of the practice obtaining in other countries and facilitate the formation of shareholders' associations by drawing the attention of the public to the useful and wholesome role that can be played by such organisations. These associations can be developed into useful agencies for resolving conflict and misunderstandings between the investors and the company managements. It may be added here that one significant reason why the shareholders' associations have not developed is that their interests have been well protected by the promoters who have always held considerable respect for risk capital. It will, nevertheless, be a positive factor towards the maximum participation by the shareholders if their associations become more and more representative.

It is being increasingly felt that company secretaries who hold key positions in the corporate sector should have sound professional training. With that aim in view an Institute for Secretaries was established in 1956 on the initiative of the then Department of Company Law Administration. The Committee has, however, been informed that the institute unfortunately failed to fulfil the expectations of its sponsors and had to be wound up. Later on, the scheme for holding qualifying examinations was drawn up and examinations were held for the first time in March 1961. It is quite evident that examinations without the institution to impart training, could not be of much help. The Committee has, therefore,

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suggested that the question of setting up of an autonomous body composed of representatives drawn from the Central Ministries concerned and from leading non-official organisations for the purpose of regulating training of the profession of company secretaries should be considered early.

In fact the Company Law Administration can make considerable contribution to the proper functioning of the private sector within the framework of the Company Law by conducting research on the points of conflict and confusion. It has been suggested that funds which accrue to the administration by way of fees realised from the joint stock companies and which have exceeded the amount of expenditure on the Company Law Administration should be spent on research in corporate matters and in imparting training to accountants, company secretaries etc. The Estimates Committee has, therefore, touched upon the theme that the understanding between the administration and the corporate sector should be increased to the maximum and the areas of conflict should be analysed by taking representatives from various interests so that the Company Law loses its harsh edges which hinder the natural flow of economic growth.

SPURT IN SUGAR PRICES

THE UNION GOVERNMENT has announced revised ex-factory prices of sugar, applicable from May 22, 1964. The revision has been effected in the light of the actual working of the sugar mill industry during the current crushing season.

The net effect of the revision in broad terms is:

(i) an increase of Re. 1 per quintal in the price of sugar produced by factories in Maharashtra, Andhra Pradesh, Madras, Mysore, Pondicherry and Kerala;

(ii) a decrease of Rs. 2 per quintal in the price of sugar produced by the factories in the Lucknow Division of Uttar Pradesh and in Gujarat and Rs. 2.50 per quintal in that produced by Orissa factories; and

(iii) an increase of Rs. 2 to Rs. 14.50 per quintal in the price of sugar produced elsewhere in the country.

The revised ex-factory prices compared to those authorised before May 22, 1964, for the various sugar producing regions in the country are given in the table opposite:

(Rs. per quintal)

Region	Revised Price from May 22, 1964	Price before May 22, 1964
1) East U.P.	120.25	116.00
2) West U.P.		
a) Meerut, Muzaffarnagar and Bulandshahr Districts	131.00	116.50 for factories in the Meerut Division and 115.25 for factories elsewhere in West U.P.
b) Saharanpur and Dehradun District	123.00	
c) Rohilkhand and Agra Divisions	120.50	
d) Lucknow Division	113.25	
3) North Bihar	120.00	118.00
4) South Bihar	134.00	122.00
5) Punjab	132.50	118.50
6) West Bengal	119.00	116.50
7) Orissa	114.00	116.50
8) Assam	127.00	116.50
9) Rajasthan	138.00	116.00
10) Madhya Pradesh	124.50	118.00
11) Maharashtra	116.00	115.00
12) Gujarat	116.00	118.00
13) Andhra Pradesh	118.00	117.00 for factories which had been authorised to pay Rs. 2 per maund of cane and Rs. 115 for others.
14) Madras	116.00	115.00
15) Mysore, Kerala and Pondicherry	116.00	115.00
16) Delhi	131.00	116.50

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Bhubaneswar to Bombay

R. V. MURTHY

DIRECTION-WISE one has to go leftward to reach Bombay if one starts from Bhubaneswar. It is not surprising, therefore, to find this direction-finding reflected in the proceedings of the AICC session at Bombay also. At its Bombay session, the AICC adopted a resolution generally endorsing the Report of the Sub-Committee on "Democracy and Socialism", otherwise known as the Dhebar Report. In forwarding the resolution on this Report to the Working Committee, Mr. Dhebar wanted the latter to take necessary steps in the light of the recommendations made in the Report. But the general endorsement of the Dhebar Report followed the reply of Mr. Dhebar to the discussion on the subject, in the course of which he also asked the Working Committee to look into various suggestions made by members. The only suggestions he specifically—albeit feebly—ruled out were those relating to nationalisation of banks and participation of foreign equity capital. He indicated that his sub-committee did not go into the question of nationalisation of banks, because the Bhubaneswar Resolution had not mentioned it, and was not opposed to members re-agitating the question. His defence of foreign equity capital also seemed half-hearted, if not opportunist. In taking the line he did, it seems, he was more influenced by his concern as to whether the country could take the risk of slowing down the development by not taking foreign capital in any form. In other words, on both the crucial questions—nationalisation of banks and participation of foreign equity capital — Mr. Dhebar was running with the hare and hunting with the hound.

Diluted Democracy

The AICC deliberations in Bombay give one the impression that the Congress has decided to take the next step on the march to socialism. Although the Bhubaneswar Resolution spoke in terms of democracy and socialism, the use of expressions like "viable democracy" in the Dhebar Report makes one apprehend whether, in the pursuit of socialism, democracy may not only become viable but also diluted. Certainly, if all the recommendations of the Dhebar Report are implemented — and nearly every speaker on the Report seemed to want the Congress actually to go further — there is bound to be more regimentation and, to a corresponding extent, encroachment on the fundamental rights of the people in a sovereign democratic republic. With the dozen or so restrictions proposed to be placed on the working of scheduled banks, for example, it is idle to pretend that these banks would be left with any worthwhile freedom. Presumably, these restrictions are deliberately designed to drive those in charge of these banks to a frame of mind when, out of sheer despair they might themselves feel like urging the authorities to nationalise banks! The suggestions offered by a few responsible members, some of them ex-Ministers, betray a complete ignorance of the working of commercial banks in a free economy. If commercial banks have to function as some of these suggest, these banks have to close their doors and wind up their offices. Their concepts of credit-worthiness may be all right from the point of view of extending credit to every agriculturist in the country, irrespective of the customary criteria, but then the managements of these banks must first either renounce or be freed from all responsibility to their shareholders. So long, at any rate, as the Industrial Policy Resolution of 1956 continues to hold the field and so long as the Congress continues to owe allegiance to the mixed economy concept, as the Dhebar Sub-committee also seems to do, any such abdication of responsibility on the part of the managements of commercial banks is inconceivable.

No one can afford to quarrel with the Dhebar Sub-committee objective in view and few, if any, will seriously question the desirability of achieving such objectives as ensuring the essential requirements of food, clothing, housing, education and health by the end of the fifth Plan. Everyone will also concede that the organisation and the administration have a moral responsibility to ensure these results, as also to make sure that not only the burdens and sacrifices but also the fruits thereof are equitably distributed. National effort too is necessary for the purpose. But will the approach suggested by the Dhebar Sub-committee meet the needs of the situation? The Dhebar Report itself admits that shortfalls in our plan targets in the past few years are not due to strategy but to implementation. Implementation not only pre-supposes will and determination, but also the presence of proper people with the right attitude and aptitude, if not training. At least two members who had been Union Ministers in charge of agriculture and who spoke on the subject, stated that the administration today is "anti-people" and there is complete lack of co-ordination. Without removing these serious shortcomings, it would be nothing short of making scape goats of the Chief Minister and the Minister in charge of agriculture to hold them responsible for certain given results.

Throughout the Dhebar Report, one notices an almost complete lack of faith in the capacity of the existing agencies to deliver the goods, which is not at all surprising in the prevailing atmosphere. And it is sought to remedy the position by drawing on the co-operatives and the public sector. This presupposes that all that is necessary is to create more co-operatives and to multiply bureaucrats and ignores the vital point that, without requisite attitude and proper training, the addition of mere members will only lead to a situation where too many cooks spoil the broth. When responsible Congressmen like Mr. G. L. Nanda himself admit that many members of the Congress, let alone the public, do not still know, and need to be educated, about socialism and its implications, where will the ruling party find suitable and trained personnel with the missionary zeal to undertake tasks that the existing agencies have been found to be wanting to discharge properly? In order to succeed, any ideology, including socialism, must have a cadre of trained band of devoted workers who subscribe to the ideology and are prepared to spread and implement that ideology. The Congress is still planning to prepare this cadre.

Logical Conclusion

It is all right to talk in terms of taking the country to socialism or some other "ism", only when one is conscious of, and is prepared to accept, the logical conclusion of such an approach. It is doubtful if the Congress is. If it is wrong and dangerous to do anything that might take us nearer to the capitalist countries, as, for instance, by accepting foreign equity capital, is it also not wrong to follow policies like collectivisation (which, we are told, is the only approach in a country where the farmers have small and uneconomic holdings) which will take us nearer to the totalitarian countries? The Prime Minister has said that non-alignment in the political field has paid dividends by making it possible for this country to receive help from both the camps. Is it not, therefore, worth considering whether a similar non-alignment policy in the economic sphere also is worth pursuing?

It may be argued that we may even work for a completely isolated or insulated economy in order to achieve what we want, but this would be to ignore the changes that have been taking place around us since the days of Marx and Engels. As a matter of fact, in one sense, the world seems to be veering round to the views of Adam Smith and his 'Wealth of Nations', and the one world of Wendell Wilkie does not seem so elusive after all. It is against the background of this changing pattern of world thinking that we have to fashion and formulate our economic and political ideas.

Yugoslav Agricultural System*

S. D. THAPUR

AMONG ALL the branches of economics, the one dealing with economic development is attached with great uncertainty and confusion, especially as regards its applied aspect. Rarely have two countries similar socio-economic backgrounds, sense of urgency about development among the people and the wherewithal of planning and execution. In the circumstances any judgment made about the policies pursued in a country has to be very cautious and well set in the backdrop of its traditions and aspirations.

Agrarian reforms in Yugoslavia have been a subject of critical appraisal by many Western economists. It is often believed that the pragmatic approach to economic problems, which Yugoslavia professes to pursue, has really not been taken to its right conclusions (as regards its agricultural policies). The result is a bad state of agriculture, which promises little hope of improvement. To examine this hypothesis, it will be useful to have a short survey of the system of land tenure of the country.

There are a few milestones in the twentieth century economic history of Yugoslavia; the period before the World War I, the inter-war period, the War, Liberation and the accompanying move towards collectivisation of the economy and the current period of re-appraisal or decentralisation. The present agricultural system has the scars of all these upheavals.

Attachment to Land

Although conditions differ in different parts of the country, the history of peasantry in Yugoslavia by and large has been a narration of long ceaseless effort of peasants to make their interests heard and safeguarded by the political powers that would be. All along, the average Yugoslav farmer has been greatly attached to his piece of land. And, even before the abolition of large farming interests, most farmers had won for themselves permanent rights in land. That had resulted in a relatively larger proportion of small farms. Most farms till 1945 were formed by sub-division of the existing holdings, rather than by bringing new lands under the plough. (No figures are available to show the development during the Period 1931 and 1941, but the trend indicated in Table I is expected to have continued.)

Before World War I, excepting the North-Western parts of the country comprising the Republic of Slovenia and the Northern parts of Serbia, there prevailed a very backward form of economy. Not to speak of industries, which are scarce till today in most parts of the country, the very working for the market was little known. Subsistence farming dominated the scene. And, as a consequence of progressive increase in population, farming had largely become an "excuse of employment".

During the inter-war period, conditions deteriorated still further. Pressure of population was increasing, but neither the cultivated area nor industrial employment came to the rescue. Before the World War II Yugoslavia was predominantly an agricultural country with about 73 per cent of its population dependent upon agriculture. Although cereal food supplies were just sufficient to meet domestic requirements, yet considerable segments of the population, especially the farmers in "passive regions", suffered from malnutrition and undernourishment. The unequal distribution of income in different parts of the country had resulted in local jealousies —a definite obstacle in the way of economic development.

The new Socialist Government after the war had to grapple with a number of problems. The crust of the subsistence farming had to be broken. The interests of the backward areas had to be specially taken care of. Productivity of land had to be improved by all possible means. And, the stability of agriculture was to be assured in the circumstances of rapid economic development contemplated for the country.

TABLE I.

SIZE - STRUCTURE OF FARMS IN CROATIA - SLAVONIA

	Farms in late 1850's		Farms in 1924	
	No.	Percentage	No.	Percentage
Well-to-do villages				
Total number of farms	332	100.0	780	100.0
Up to 5 Cadastral Yokes†	77	23 2	545	70.0
5 to 15 („)	199	59.9	219	28.1
15 to 40 („)	48	14.5	15	1 8
Over 40 („)	8	2.4	1	0.1
Poor villages				
Total No. 7 farms	171	100.0	309	100.0
Up to 5 Cadastral Yokes	104	60.8	209	67.6
5 to 15 („)	37	21.6	89	28.8
15 to 40 („)	20	11 7	9	2.9
Over 40 („)	10	5.9	2	0.7

†One Yoke is about a half hectare.

Source: Quoted by Dr. Tozo Tomasevich in his book, Peasants, Politics & Economic Change in Yugoslavia, 1955.

Factors determining the productivity of land can be grouped under physical, technological and "administrative" (in the sense of land policies). Land in most parts of the country does not have the natural blessings of good terrain, soil, and rainfall. An average Yugoslav farmer is, however, quite tough and hard working. What has handicapped him till date, compared to his compeers in Western Europe, is the smallness of his holdings coupled with the insufficiency of capital and difficulties in adopting better agricultural practices. According to a survey conducted in 1957, only 42 per cent of the private peasants were equipped to till their own land, while 45 per cent had to borrow necessary implements.[1] There is insufficiency of agricultural area in the country per head of agricultural population (1.6 hectares in 1961). Almost 30 per cent of private holdings are less than two hectares in area, and 40 per cent are between two and five hectares (Table II). The problem is further complicated by fragmentation of holdings. According to a FAO report [2], in Yugoslavia as a whole

*Acknowledgements are due to the Federal Institute of Statistics, Belgrade. The opinions expressed here are of the author and should not be understood as having received approval or disapproval of any institute with which he is associated.

1) International Labour Review, LXXVI, 5 (Nov. 1957).

2) "FAO Mediterranean Development Project, The Integrated Development of Mediterranean Agriculture and Forestry in Relation to Economic Growth: A Study and Proposals for Action" — FAO, Rome 1959.

peasant holdings, on the average, consist of eleven different plots.

The earliest decision that the Socialist Government took was with regard to collectivization of land holdings. But, quite interestingly, its enforcement was not accompanied by the usual communistic rigour. At the height of the movement in 1952, no more than 25 per cent of the arable land was held by the Work Co-operatives and State farms. The law had, nonetheless, resulted in widespread resentment and actual fall in the yield from land. It was soon realized that the mainspring to the solution of the agricultural problem lay more with new socialised farms that had resulted as an expropriation of war-time malefactors than with private farms. Firstly, those were located in comparatively fertile regions of the country. Secondly, they had the wherewithal of large-scale production which was lacking in the small farming areas. Besides, it was realized that the road to large collectivized farms could be built through service co-operatives and co-operative farms rather than direct. Hence, in 1953 the process of collectivization was discontinued.

It was nonetheless the intention of the Government to abolish absentee-landordism and improve the conditions of landless labour. With this objective, changes were effected in property relationships on the basis of two legal enactments. To begin with, agricultural estates were limited to 25 or 30 hectares, and later the maximum limit was reduced to 10 hectares of arable land.[3] Land over the prescribed limits was taken away after a stipulated compensation and distributed among either peasants with very small holdings or landless peasants or peasant settlers. The impact of the laws regarding ceiling on land holdings was not very large, as very few people (outside the group of so-called political malefactors) possessed land more than the ceiling. However, these measures won for the Government the loyalty of those benefited. But, if we look upon them in an empirical way, these measures were not intended to take the private holders fully into a co-operation with the socialised sector to solve the agricultural problem. First, they were unable to create a class of incentive-oriented peasantry. And secondly, the enabling measures of the Government to help a small farmer improve his productivity came late and have been of a halting nature.

As it is now, there is a dichotomy in the agricultural system of Yugoslavia. There are "social holdings"[4] and "holdings of individuals". The former use progressive agricultural techniques and practices, and the latter linger far behind. In 1962, the social agricultural organizations, i.e. socially owned large-scale farms, co-operative farms, co-operative agricultural organizations, etc., possessed a little less than 11 per cent of the arable and 15 per cent of the total agricultural area. They possessed 92 per cent of the tractors, all the cereals and "other use" combines and also the fertlizer distributors. Motor threshers, reapers, movers and sowing machines are the only implements used by private holders in a small way. While the disparity in the use of agricultural implements may be accounted to differences in the size of holdings, lower expenditure on fertilizer per hectare of arable land is a clear indication of lower agro-technical standard on private farms.

TABLE II.

INDIVIDUAL HOLDINGS IN 1953

(In '000)

Holding in ha	FPRY	Sb.	Cr.	Sl.	B&H	M.	Mg.
Total	2033	860	544	147	346	81	55
Under 1	253	87	72	14	48	17	15
1—2	359	129	113	17	67	20	13
2—3	333	137	102	16	55	15	8
3—5	466	209	131	26	75	16	9
5—8	329	156	81	24	54	9	5
8—10	103	51	20	11	17	2	2
10—15	112	55	16	18	18	2	2
Over 15	78	35	9	21	11	1	1

Source: Federal Institute For Statistics, Belgrade.
Sb. — Serbia B&H — Bosnia & Herzegovina.
Cr. — Croatia M. — Macedonia.
Sl. — Slovenia Mg. — Montenegro.

TABLE III.

NATIONAL INCOME BY PEOPLE'S REPUBLICS

(Billion Dinars)

	1953	1961
FPRY	1022	3112
Serbia	372	1138
Croatia	260	854
Slovenia	162	854
Bosnia and Herzegovina ..	135	520
Macedonia	55	146
Montenegro	15	51

On the whole, since 1952 the private sector has not been keeping pace with the increasing total investment on agriculture in the economy.[5] No wonder, in the year 1961, "social holdings" with much less share of the area contributed 24 per cent of the total national production of wheat. They contributed 15 per cent of the maize and 47 per cent of sugar beet production. (See table VI).

In most developed countries whereas the settlement and land-use planning phase ended in the late 30's, the assistance to small farmers continued even later. Today, extension work in agriculture is an article of faith with most governments. Through this programme, the co-operation of the meanest farmer is sought to achieve the ends of increased production. It is rather ironical that Yugoslavia, which till late was styled as a political and economic peasant democracy, has cared the least for its farm population till late. Here, the political powers that would be, in the name of rational methods of agricultural work, have always forced down the throats of peasants the politics of doing things, rather than providing the appurtenances of doing them better. That was the condition some half a century ago, and it is no different now, although the long-term objectives in the two situations have changed.

In Yugoslavia there is a set of institutes in each of the states specialising in research on different branches of agri-

3) At present a family with its main income outside agriculture can hold up to 3 hectares of arable land.

4) The statistics regarding the socialised sector are intractable in the official documents, and for that reason have not been covered here.

5) Project - FAO de Development Mediterraneen, 1959, and the Survey on Peasant Holdings, FIS, Belgrade.

culture. For example, one institute may specialise on wine, another on fruits and still another on crops. These institutes carry out research on their own farms, and if necessary on private farms. They report their findings to the State Government, which may later be communicated to the Federal Government. At both these places the administrators rather than agricultural experts decide about the future of the proposals made. Once a particular scheme has been sanctioned, the research institutes communicate the new methods to be broadcast among cultivators to research stations. There are a number of research stations in each state; seven of them in Metohija having an agricultural population of 615,000. These stations have no government farms attached to them. They employ agronomists and veterinary assistants who at most places are attached to co-operatives. These people constitute the real extension staff. From their activities, and from personal enquiries made in the field, it has been found that the main concern of these experts is to see that the new methods are employed in the "Social Holdings". A very easy task indeed. The resistance and motivational problems that are confronted in the private farms rarely exercise their energies.

TABLE IV.

AVERAGE PERSONAL INCOME BY PEOPLE'S REPUBLIC

(In '000 dinars)

	1953	1961
FPRY	130	345
Serbia	110	296
Croatia	139	396
Slovenia	230	957
Bosnia and Herzegovina ..	113	380
Macedonia	104	252
Montenegro	98	277

Sometimes it is told that co-operative institutions rather than these experts make up the extension body. In that case, the position of those peasants who for certain reasons did not like to join a certain co-operative is still more ridiculous. They did not join an institute, but they have to depend upon the same for all help to improve their lot.

The result of such an approach is quite obvious. Excepting the spheres of "Fattened Cattle" and "Fattened Pigs", in all items of agricultural production the yield of land is significantly lower in the private holdings than in the social holdings. This is notwithstanding any rise in the yield of private farms recently. What is intended to be emphasised here is the disparity in yields of the two sectors. Conditions could have been still worse, but for a legal enactment with respect to "Agro-minimas".[6] Under this law all farmers are enjoined to observe certain discipline regarding land use[6a] and the use of fertilizers. But, it is difficult to say whether this law was designed primarily to serve the objectives of extension work, or was conceived as an insurance against food crises. Ordinarily, extension work cannot be understood in terms of compulsion. And, the element of incentives is eroded under a regimented approach.

At present, the condition of an average private land holder in Yugoslavia is poor. This is brought out by the results of 'Surveys of Feasant Holdings'. Since 1952, starting with a modest beginning of 600 holdings, there has been a continuous sample survey enquiry into the peasant holdings in Yugoslavia. In 1963, a total of 2200 holdings were surveyed. Tentative results of the 1962 enquiry reveal that although cash receipts per holding increased by 230 per cent during 1953-62, much of this gain (about three-fourths) was absorbed by increased cash expenditure. All through, there has been a trend of widening divergence between the earnings of those employed on "social holdings" and those described as "peasant holders". It has become very difficult for a peasant holder to make his living from agriculture. Many of them have already taken to non-farm work as a subsidiary source of income. In 1961, about half of the industrial labour force was of "peasant industrial workers". In 1953, 61 per cent of the total cash income on a private farm was derived from work on the holding, and the remaining from off-farm activities.[7] Although no moral, social, or political judgment is attempted on such a course of happenings, yet, one thing suggests itself. Yugoslavia, like any other Communist State, has looked upon the problems of agriculture only from a long-term range. There is an accepted policy of reducing dependence upon land.

TABLE V.

AGRICULTURAL EMPLOYMENT

(Agricultural workers as a percentage of total manpower in different republics)

	1953	1961	(1)—(2)
	(1)	(2)	(3)
FPRY	66.1	52.6	13.5
Serbia	71.5	59.0	12.5
Croatia	61.7	46.3	15.4
Slovenia	49.9	32.6	17.3
Bosnia & Herzegovina ..	66.8	56.7	10.1
Macedonia	67.4	56.5	10.9
Montenegro	66.0	47.8	18.2

6) To supervise the observance of these "minimas" by the farmers, each commune has one inspector. In addition, there are a few technically qualified persons who with the assistance of local people (primarily party members) do this police job. "Minimas", of course, vary from commune to commune.

6a) In February 1951, a law was passed regarding compulsory cultivation of fallow lands in Yugoslavia.

7) Paper on national income distribution in Yugoslavia by R. Bicanic (1955).

This will facilitate adjustments which industrial countries today find hard to achieve by transferring people from farm to industry. No doubt, such a course in Yugoslavia involves privation to those who are not immediately absorbed in industry.

A short survey in a few villages revealed that the earlier hard crust of peasants attachment to land in Yugoslavia is softening. Numerous cases of peasants selling their holdings to co-operatives[8] came to notice. Whether this is an indication of farmers having found security in non-farm jobs, or is consequent to their sheer despondency, is difficult to say. Perhaps, the truth lies somewhere in the middle. Anyhow, the objective of the Socialist Government to carve out big "social holdings" is being realised in the process. And that without coming into direct opposition with petty, extra-security minded land holders.

The question may be asked whether this change has helped the Yugoslav Government in increasing productivity of the land. The Agricultural Statistics maintained by the Federal Republic do show that there has been a significant increase in the yields of major farming crops since 1952, and, excepting rye, the production has crossed the pre-war (1930-39) level. But, the country is still in the throes of unsatisfied demand, emerging from increased population and change from coarser to finer types of cereals. In 1962, 14.3 per cent of the country's imports consisted of foodgrains. This is a position hardly to the liking of many. They would like to compromise with any unwritten policy of avoiding long-run waste associated with the continuation of either small farms or the privately owned large farms.

Most economists in Yugoslavia are for large-scale farms. There is some justification for the view. To talk of incentives to a farmer who is precariously eking out a living from his tiny holding is at times really a mockery of the term. There is a minimum beyond which crop farming can provide at best a hobby of keeping up the 'way of living' for the sophisticated, but cannot mean a business. This minimum will, of course, vary with the physical circumstances and scientific background of the people concerned. But that does not disprove the point. Even on a global scale, if the position of a farmer has not improved 'pari passu' with the industrial worker, the main reason is that farming did not avail of the economies of large-scale production as much as industry: advancing technology in agriculture has often been applied to one inflexible factor, i.e. the farm size.

TABLE VI.

STRUCTURE OF HOLDINGS & PRODUCTION: 1961

	Total	Social Holdings	Co.-op. with indiv. Holdings	Holdings of individuals out of Co-op.
Wheat				
Area harvested th. hect.	1960	247	249	1460
Structure of Production th. tons	3170	754	531	1880
Maize				
Area harvested th. hect.	2510	190	218	2100
Structure of Production th. tons	4550	663	543	3340
Sugar Beet				
Area harvested th. hect.	81	33	43	..
Structure of Production th. tons	1730	814	920	..

Source: Federal Institute For Statistics, Belgrade.

8) Generally, there are no other purchasers excepting co- operatives. Quite interestingly, such holdings, which are not expected to be in contiguous blocks, transfer the problem of fragmentation of holdings to the Co-operative societies.

TABLE VII.

AGRICULTURAL MACHINES & TOOLS

(Distribution by Social & Indiv. Holdings)

— 1962 —

	Total	Social Holdings	Holdings of Indiv.
Tractors	36,487	32,965	3,522
Combines for Cereals ..	4,811	4,811	..
Other Combines	1,831	1,831	..
Threshers motor	19,333	6,523	12,810
Reapers & Movers	40,304	11,672*	28,632†
Fertilizer distributors	6,172	6,172*	..
Sowing machines for Stubble cer	41,877	6,930*	34,947†

*Excluding animal-driven machines.
†According to the Census of agricultural holdings in 1960.

Where one might differ with Yugoslav Government is in its inherent disbelief of the private sector. It is true that there are a few instances where farmers holding big farms in developing countries do not manage their business properly. But, all the same, there is little to prove that the change-over to big state farms works to the best. Too much should not be made of the current enhanced yields on large socialised farms. The factor of cost of production in public enterprises is the weakest link of a socialistic economic structure. A reference to farm management accounts of a few co-operative farms in Yugoslavia showed that full apportionment was not being made for rent and interest parts of the costs. Again, it is possible that if the privileges granted to the "social holdings" are taken into consideration, then the surplus imputed to them may lose much of its glory.

An answer has been attempted by a few of the interviewed administrators in Belgrade that they would also like

to keep in view the aim of emergence of a socialistic spirit. They would justify a little compromise with productivity on that ground. According to them, the motivation of private profitability has to be thinned as much as possible before a humane order of things can emerge. The advice one could proffer to such people is to stop crying for the moon. The idealistic condition when an individual will seek his interests in the womb of total social interests is yet a far cry. And to hurry up its achievement is to invite troubles. One could say that he is prepared to pay a price for this noble goal in terms of lower growth rate. But, one should not forget that the appeal of such sermons falls flat on ears where listeners feel only the iron of poverty in their soul. Again, it is an over-simplification of the issue to say that a "social man" would be born only in a particular politico-economic set-up.

TABLE VIII.

PRODUCTION OF MAJOR FARMING CROPS

(cwt. per hac)

Year	Wheat & Barley	Maize	Sugar Beets	Potatoes	Hemp
Socialised Sector					
1954	9.6	19.2	149.2	76.0	54.2
1956	15.0	21.5	158.6	99.0	62.1
1958	24.3	42.0	277.3	140.7	72.1
Co-operative Sector					
1954	9.3	16.7	160.2	66.0	55.7
1956	15.0	20.6	176.5	96.0	56.7
1958	21.3	38.7	245.1	93.3	71.5
Private Sector					
1954	7.3	11.8	160.0	74.0	44.0
1956	9.3	12.7	143.1	81.4	38.4
1958	11.2	14.8	188.1	93.4	41.5

Source: Project-FAO de Development-Mediterraneen (1959).

The argument that in "social holdings" incentives are being maintained through the institution of working councils is equally weak. A quick survey of a few commercial and industrial concerns in Yugoslavia, where such councils have been operating now for quite some time, revealed that all is not well with them. Efficiency of these enterprises hardly compares with what one comes across in free-enterprise economies. Bureaucracy and lack of responsibility on the part of operators hardly befits a business concern. I had personal experiences of this sort in hotels, restaurants and shops. And, the magnitudes of "wastages" reported in industries should only moderate undue faith in "working councils", as a substitute to private initiative and profit motive.

That big farms would be more responsive to the behests of planners has some truth in the present circumstances of subsistence farming. As long as a farmer parcels out his little farm into small crop fields, considering only his domestic requirements, development of any sort is difficult to imagine. But even here one could say that the alternative is not irresistably the "socialised" farms. In a planned economy, before long the instruments of control (primarily financial) would be so perfected that even large-scale private holdings become responsive to plan priorities, as regards the production of different crops.

The confusion that exists at present over the agricultural policy of the Government can largely be explained as due to lack of clarity about objectives. If the goal is collectivised farms, the current measures have certain justification, but

TABLE IX.

CASH RECEIPTS (AVERAGE PER HOLDING)

(In '000 dinars)

Year	Total cash receipts of holding	All	Crop-farming	Fruit growing & viticulture	Stock breeding	Other[1]
1953-54	121,9	71,4	16,4	11,0	37,2	6,8
1954-55	159,7	93,6	23,0	12,3	48,6	9,7
1955-56	193,6	103,9	28,0	16,4	56,1	3,4
1956-57	204,1	112,6	32,4	17,4	54,4	8,4
1957-58	240,9	145,6	44,3	17,6	73,9	9,8
1958-59	252,4	136,8	37,8	18,9	75,0	4,2
1959-60	288,8	155,2	42,2	20,9	87,4	4,7
1960-61	327,0	169,2	39,7	21,4	102,0	6,1
1961-62	364,8	186,1	42,1	24,3	113,6	6,1
1955	189,6	104,0	28,2	14,9	56,3	4,5
1956	204,8	110,1	29,8	18,6	56,2	5,5
1957	238,1	137,0	41,5	19,8	67,0	8,7
1958	255,7	143,7	41,4	19,0	78,6	4,7
1959	277,9	149,8	42,2	19,7	82,8	5,1
1960	311,8	162,2	40,4	19,7	95,7	6,4
1961	351,4	181,6	40,5	24,5	110,9	5,7
1962	403,5	203,6	54,5	25,3	116,4	7,4

1) Receipts from services rendered by livestock and machinery, sales of firewood etc.

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In the price structure of the Hindusthan Ambassador, for instance, the Government's share constitutes about 33% of the total "on the road" price of the car in Calcutta (or 5140 rupees per vehicle).

Besides the automobile manufacturers, the producers of tyres, batteries, oil and a great many other suppliers all contribute their share in the form of taxes, duties and other fees. The ancillary industries which supply a large portion of the requirements of components of motor vehicles constitute another rich source of revenue to the Government. Cars like the Hindusthan Ambassador today utilise more than 80% indigenous content, of which the ancillary industries supply articles worth some 3628 rupees per car. This represents 24% of the "on the road" price of this car in Calcutta.

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Government taxes, direct and indirect :	33%
Raw materials, manufacturing and overhead expenses, salaries and wages, depreciation, profit etc. :	28%
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Dealer's commission including distribution, service, advertising etc.:	7%

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if co-operative endeavours through people's spontaneous and voluntary desire are aimed at, then a stagnant or staggering growth in the private sector is hardly conducive. Only in the circumstances of continuing prosperity, will voluntary co-operatives find the wherewithals to start. The Government by providing all genuine help to private land holders could, of course, speed up this process. Had the Yugoslav Government pursued this policy, the present food picture of the country would surely have been different. The method of working councils, with all its merits, exposes the food of the nation to hazards which by now have become characteristic of the industrial sector there.

TABLE X.

AREA AND PRODUCTION OF MAJOR FARMING CROPS

(Area thousand ha)

	1930-39	1952	1962
Wheat	2140	1838	2130
Rye	250	295	177
Maize	2800	2290	2460
Hemp	42	46	49
Tobacco	15	29	37
Sugar beet	35	76	75
Potatoes	275	240	301
		(Production thousand tons)	
Wheat	2430	1684	3510
Rye	212	225	169
Maize	4300	1473	5270
Hemp	250	120	278
Tobacco	15	15	30
Sugar beet	616	512	1870
Potatoes	1650	1141	2636

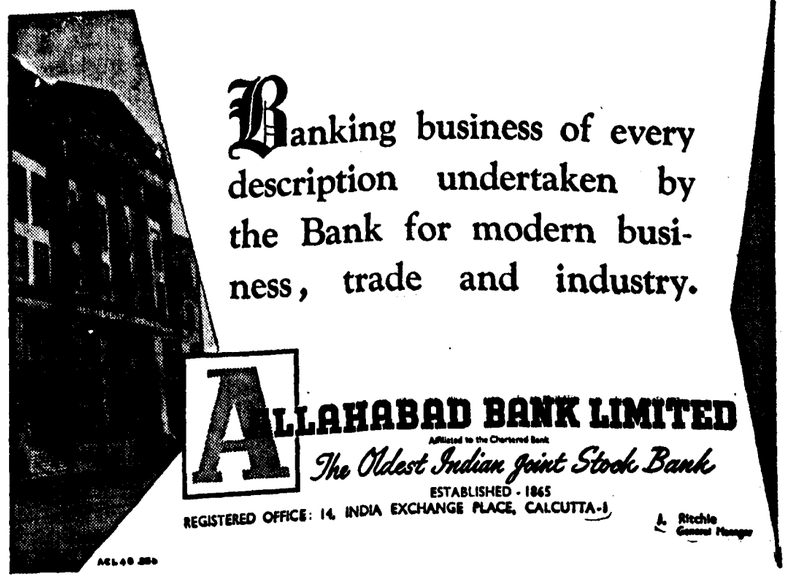
TABLE XI.

CASH EXPENDITURE (AVERAGE PER HOLDING)

(In '000 dinars)

Year	Total cash expenditure of holding	All	Agricultural production	Tax on agriculture	Gross investment[2]	Non-agricultural activities
1953-54	123,6	59,7	11,9	16,4	23,4	7,9
1954-55	160,5	73,3	20,1	14,2	30,0	9,0
1955-56	186,0	78,8	25,7	16,2	32,7	4,2
1956-57	194,2	78,8	27,1	17,7	30,7	3,3
1957-58	216,8	94,3	24,9	23,9	42,3	3,2
1958-59	232,0	97,8	30,5	27,2	36,7	3,4
1959-60	252,5	103,4	31,5	30,2	37,5	4,2
1960-61	284,6	116,2	34,1	33,6	43,7	4,8
1961-62	317,5	127,7	40,0	36,4	47,5	3,8
1955	186,9	76,2	23,4	15,6	33,9	3,3
1956	193,8	78,9	28,0	18,4	28,9	3,6
1957	215,2	86,6	28,5	19,3	35,6	3,2
1958	230,7	98,2	28,2	26,5	40,5	3,0
1959	250,3	100,8	31,4	29,1	36,8	3,5
1960	271,3	108,1	31,2	33,4	38,1	5,4
1961	305,9	122,8	35,1	37,5	45,6	4,6
1962	342,0	135,1	41,4	40,2	50,0	3,5

1) Cash expenditure on seed, seedling, manufactured fertilizers, small earth work paid and similar.
2) All cash investments for purchase of livestock, land, machinery and for agricultural buildings.



WINDOW ON THE WORLD

West German Tariff Cuts

From Our Special Correspondent

PARIS:

THE FIGURE of 30,000 million Deutschemarks for West Germany's gold and dollar reserves had come to have a symbolic importance since 1960. Currency speculators calculated that once Bonn's reserves exceeded that level, the upward revaluation of the German currency became a live issue. In April 1961 they reached the record total of 32,500 million DM and the mark was revalued. By the end of 1962 they had fallen to 27,700 million DM, but after two consecutive years of payments deficit, they began to rise again last year and by the end of December again exceeded the significant figure of 30,000 million. Arguing that like causes have like effects, capitalists again began to expect a revaluation of the mark, and their despatch of funds to West Germany contributed to the persistent increase in German reserves in recent months. In reality the situation was very different to 1961, and the measures taken by Bonn this month do not include (and will probably make unnecessary) an upward revaluation of the currency.

Unilateral Reduction

The most important of them is a unilateral reduction of import tariffs, designed to facilitate the exports to the Federal Republic of her trading partners and hence to moderate the large and growing trade surplus she scores in commerce with the rest of West Europe. Incidentally, this freer inflow of imports (and at lower prices, to the extent that the big reduction in some duties is passed on to consumers) will bring pressure on West Germany's domestic prices, which currently are rising as fast as French prices have been since the stabilisation operation in France began to take effect. (German retail prices have risen 1.3 per cent in a year; French prices, in the past seven months, have been rising at the annual rate of 1.2 per cent). The major beneficiaries of this reduction of tariffs are naturally the other members of the Common Market. The two 10 per cent duty cuts (meaning 10 per cent of the duties in force in 1957) that West Germany would have had to implement, along with her partners, in accordance with the Rome Treaty, on January 1, 1965 and January 1, 1966 have been brought forward to July 1 next. This is just an anticipation of what was to be done in any event; but since tariffs had already been cut to 60 per cent of the 1957 level, to cut them to 80 per cent means halving the import duties at present being charged. In a further anticipation on the future, all duties on goods from elsewhere in the Common Market that now are under 4 per cent will be entirely abolished on July 1.

So that the discrimination against non-members of the community that this involves will not similarly be brought forward, West Germany will also, at the same date, anticipate the movement toward the common external tariff wherever that means lowering a duty. It does mean that in regard to 300 articles. (The fact that there are so many cases where existing German duties are higher than what the whole Common Market will one day impose is a reminder that the common tariff is not such a bad thing for exporters to the Federal Republic). The consequences of this for the German trade balance and for domestic prices will be the same, though less marked, as for the reduction in internal ECM duties. The difference in treatment meted out to members and non-members of the community is not only justified by the Treaty, which it simply anticipates, but also by the structure of West Germany's trade and, in particular, the sources of its trade surplus. The other five members of the community supply 33.2 per cent of German imports (against 18.7 per cent for the Free Trade Association), so reduction of duties on their goods will have the speediest economic effect. Besides, it is they that have been buying most of the extra German goods exported (Italy and France alone took 57 per cent of the additional German exports last year) and so it is in trade with them that Germany's surplus has been rising fastest. In fact, that surplus more than doubled last year, from 2,600 million DM to 4,400 million DM. The trade surplus earned with the Free Trade Association only increased 15 per cent last year; that surplus is in fact larger than is scored in trade with the rest of the ECM, but that has always been true and reflects dependence on German goods by the Swiss, Austrians and Scandinavians.

Though the reduction of Germany's duties on 300 articles imported from outside the community will enable some non-members to boost their sales there (the British in particular can look for a better market for their steel-products and textiles), the more evident (and earlier) discrimination between members and non-members is resented. To meet that objection, Bonn has suggested that the future common external tariff of the Six be fixed at 25 per cent below the everage of the six national tariffs (and not 20 per cent below, as so far envisaged). That would mean that on July 1, the 300 duties in question would fall lower, scores more among Germany's tariffs on goods from outside the community would be cut — and eventually, when the Six brought their common external tariff into full effect, almost no German duties would have to be raised, while French and Italian duties would be reduced further than is now scheduled.

Long Range Effects

Obviously, in making this suggestion (which Bonn cannot of course implement without the unanimous accord of her five partners), the Germans are not thinking only of their current balance-of-payments embarrassments. They are thinking of the long-range effects of tariff discrimination between the two European trade blocs: duties inside those two communities will in the long run fall to zero, but to the extent that their external tariffs are lower, the preference this entails would be less significant. Existing trade currents between Germany and the Continental members of the Free Trade Association could be maintained, and German exports to those countries would be better able to withstand British competition in such "traditional" markets.

That prospect is appreciated in the other Common Market capitals, where, much more than two years ago, there is awareness of the danger of losing Swiss and Scandinavian custom to Britain in the event that the ECM and EFTA discriminate too much against each other. The French view, for example, used to be that, given that the ECM's common external tariff is already the last protectionist of tariff schedules and is notably lower than the British or American, it ought to be kept as high as possible. At present, the opinion is rather that it ought to be kept as low as is consistent with the existence of a sufficiently marked mutual preference inside the region to encourage genuine economic unity. This is only a nuance perhaps, for no one knows precisely what level of external duties suffice to safeguard the internal unity of a community without disrupting its trade with outsiders, but there is definitely a change of attitude. The German suggestion, therefore, will get a hearing.

Not yet however. Bonn has made a mistake in connecting this issue with its action on tariffs to correct European trade unbalance, for the situation of its partners is at present quite different. All of them — Italy, France and Benelux — are running trade deficits of varying proportions and do not consider this the moment to facilitate imports. They will not even reciprocate Germany's advance reduction of duties inside the region, let alone lower their guard against imports from outside, by anticipating on the results of the Kennedy Round. In Geneva, incidentally, the German proposal has been well received by the Common Market's interlocutors — but it has also served underline the illogicality of the German position, which amounts to liberalising trade in manufactures while resisting liberalisation of trade in farm produce. Yet if there is one thing on which Paris and Washington are in agreement today, it is that freer trade in industrial goods is dependent on freer trade in agricultural products.

The immediate question is whether the German duty cuts will suffice to correct the discrepancy of massive German trade surpluses and growing trade deficits in the other five countries of the Common Market. By themselves they probably would not, but of course they are not "by themselves": the German decision is part of a community effort to control inflation in the Common Market. Combined with the stabilising measures taken in France and Belgium (and much less successfully so far in Holland and Italy), they have every chance of restoring a better balance in the region by the end of this year. Inflation is, for the time being at least, checked in France; German sales there have been rising less quickly than in Britain and Holland in the past six months, and of course much less quickly than in Italy. That latter country is still the community's sick man, and is primarily responsible for draining German exports (or, as Bonn puts it in a phrase that irritates its partners, is "exporting inflation across the Rhine").

While one waits for events to deal with these forecasts, the important thing to note is that this is the first major experiment between nations in collaborating in a joint attack on the complementary maladies. International co-operation in this region has left behind such competitive remedies as interest-rate manipulation and trade restrictions, devaluations and upward revaluations. It happens that the role that has fallen to West Germany in this collaboration well accords with Bonn's liberal orthodoxy, while France's obligations have been met by use of the interventionist techniques favoured in Paris. But the progress toward harmonisation of short-term economic policy is notable.

Central Banks and Euro-Dollars

PAUL EINZIG

LONDON:

THE ANNUAL REPORT of the Bank for International Settlements, due to be issued next month, is expected in banking circles with even more than usual interest, because it is understood to contain some of the findings of the expert committee appointed last autumn for the investigation of the Euro-dollar problem. Although the development of the market in foreign currency deposits has always been followed closely by individual Central Banks as well as by the International Monetary Fund and the Bank for International Settlements, this was the first effort on the part of a representative body of Central Banks to make a comprehensive survey. The Bank for International Settlements is all the more qualified for the task as the Western European countries primarily concerned with Euro-dollar and other Euro-currency transactions, and Japan, one of the principal borrowers of Euro-dollars, are strongly represented on its board and on its executive. Moreover, the Bank itself has been operating in Euro-currencies for years, both on its own account and on account of various Central Banks.

A preliminary draft of the report was circulated among Central Banks in January and some of the findings found their way in the Press. To a large degree these findings appear to have been negative. The committee was unable, for instance, to compile reliable statistics of Euro-dollar and other Euro-currency deposits, even though this was one of the most important aims of its investigations. The main obstacle was the absence of a uniform date for the monthly returns which banks in most countries make to their respective Central Banks. If all banks were to report the amount of their Euro-currency lendings and borrowings as at, say, the 15th day of each month, it would be a matter of simple arithmetic to ascertain the totals outstanding on that day. Actually, the monthly returns of banks are made up for different dates in various countries, so that if the amounts they contained were to be added together the same Euro-dollar deposits are liable to be included repeatedly.

The first step towards ascertaining the facts about the Euro-dollar market would be, therefore, to bring this chaotic state of affairs to an end. During recent years co-operation between Central Banks has made good headway. Surely it would be a simple matter to come to terms on the adoption of a uniform date for the monthly returns of banks.

The committee is believed to have arrived at the conclusion that the Euro-dollar system has come to stay as a permanent part of the international credit system and that, temporary setbacks apart, it is likely to expand, though probably not on the same spectacular scale as during recent years. While recognising its disadvantages and dangers, the committee is believed to have reached the conclusion that on balance the change represented by its advent has been one for the better, as the new device does facilitate the much-needed international distribution of funds. On the other hand, the report is expected to raise a warning voice against excessive or indiscriminate lending of Euro-dollars, also against the growing practice of borrowing short Euro-dollars and relending them for long periods.

It is believed that the report will express itself against lending of Euro-dollars on a large-scale by the Central Banks themselves. As a matter of fact, most Central Banks have already discontinued their formerly prevelant practice of lending in the Euro-dollar market their dollar reserves, whether directly or indirectly through the banks of their own countries. They must have realised that in doing so they tended to weaken their own control over their money markets and the credit structures of their their countries. The Deutsche

Bundesbank, for instance, found that by granting German banks swap facilities on terms on which it was profitable for the latter to invest in Euro-dollars the dollars temporarily acquired from their Central Bank, it placed liquid resources at the disposal of European banks many of which used them for the purchase of D. marks, so that the unwanted funds found their way back to Germany. To avoid this, under the new arrangement the German banks are only allowed to employ the swap dollars for the acquisition of U.S. Treasury bills.

It is understood that the reaction of the various Central Banks to the draft report of the Bank for International Settlements varied according to their particular interests in the new practice. The monetary authorities of countries whose banks and leading business firms were borrowers of Euro-dollars on a large scale could not be expected to hold identical views with the monetary authorities of countries whose banks were lenders on balance. Even so, the fact that both Italy and Japan have reduced their borrowing of Euro-dollar deposits since their Central Banks received the draft of the report is not without significance.

Presumably only those findings of the committee will be published in the annual report on which a large measure of agreement is reached between the Central Banks represented on the Bank for International Settlements. Even so, banks in all countries will no doubt be interested to know the conclusions on which it was possible to reach agreement. Most of them may be inclined to listen to the guidance given from such authoritative quarters, all the more so because, since the losses and immobilisations suffered by some lenders of Euro-dollars as a result of difficulties in Germany and the United States last year, the formerly carefree attitude of dealers in Euro-dollars has in any case given way to a more cautious attitude.

New Tool to Aid Economic Development

GUY SIMS FITCH

WASHINGTON:

TO AN INCREASING degree, the US Agency for International Development (AID) has been emphasizing the role of private investment and enterprise as an integral part of the economic assistance effort around the world. Reflected in this emphasis is the growing awareness that governments cannot do the entire development assistance job, that private economic sectors have the capital, the resources and the know-how to shoulder a large and essential part of the task. One of the common complaints of business men, however, has been the lack of basic information about worthwhile foreign investment opportunities, paritcularly in developing areas, where the stimulating effects of private investment are most needed. Now, through a new project AID is meeting this complaint and is making it easier for business men to seek out and evaluate such opportunities.

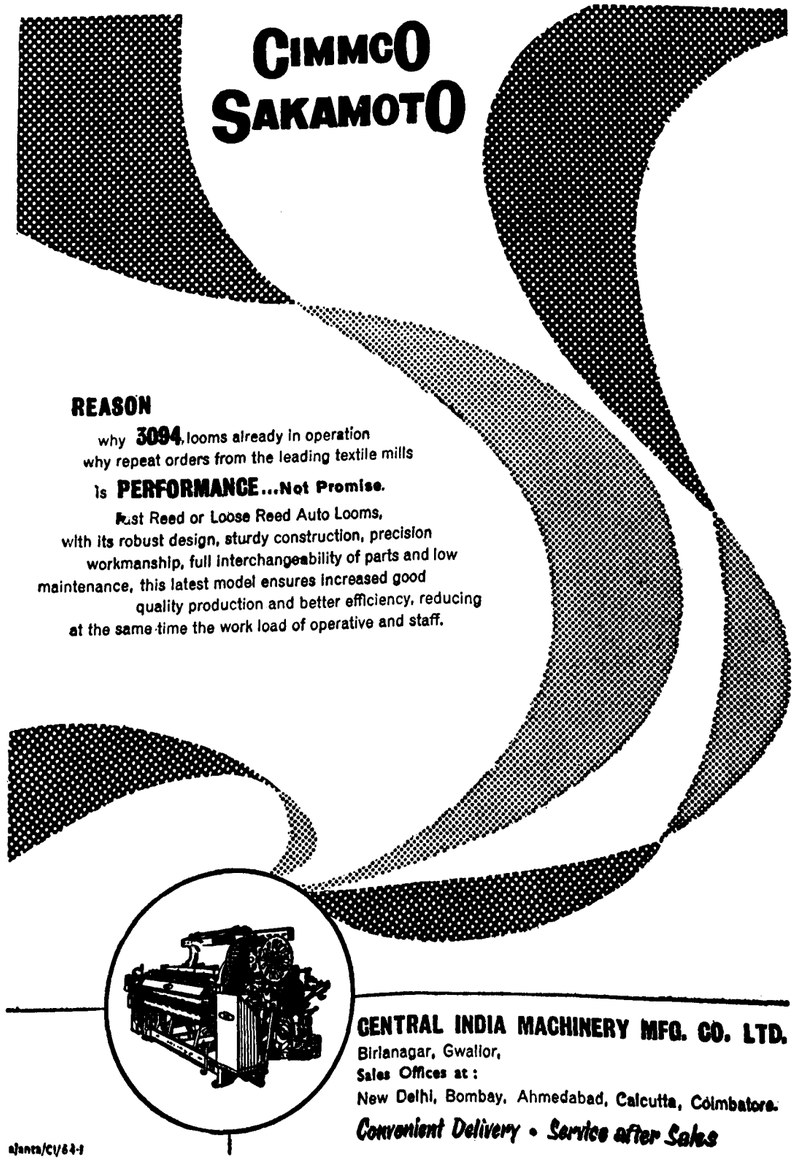
Investment Studies

About six months ago, AID decided to put to effective use the many investment studies of developing areas that too often were gathering dust in its offices, and in other public and private offices around the world. These studies have now been pulled together under AID auspices by a private American research organization; in all, some 2,500 such reports in 18 languages from 1,800 US and foreign sources have been called. Of these, close to 1,500 have thus far been found suitable for compiling into a catalogue of reasonably up-to-date and sound investment opportunities in less-developed countries in Asia, Africa and Latin America. All relevant data concerning each opportunity are abstracted and placed on record cards, which are coded and punched for easy reference and filing. Included is information on such factors as market potential, capital requirements, manpower and material resources, and the general investment climate. Accompanying this catalogue is an index breaking down the investment opportunities by region and country, and by industry. AID is doing all it can to make the catalogue available to as many potential investors, American and foreign, as possible. The catalogues also will be available in Europe, with the 21-nation Organization for Economic Co-operation and Development (OECD), an important focal point. In addition, they will be available in Latin America in Spanish and Portuguese, thereby hopefully stimulating private investment by Latin Americans in Latin America, and enhancing the effectiveness of Economic Development Programmes in that region. It is too soon, of course, to tell how effective this new approach will be. But AID officials already note an enthusiastic response from business men throughout the United States. The project's primary appeal is not so much to the big companies with long international experience, but rather to those companies of all sizes, including small and medium-sized concerns, which have not ventured abroad to any extent. Thus, the project promises to tap new investment capital which otherwise might not have been available to the developing areas.

Catalogue System

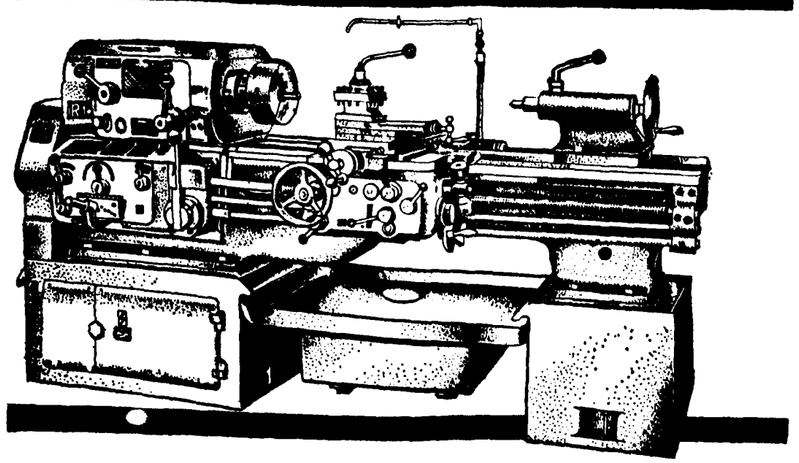
One of the problems in this regard has been the relative lag in private investment in these areas. The net value of American private investment abroad (i.e. US investments abroad less investments by foreigners in the United States) totals about $33,000 million, and it has been growing by nearly $2,000 million a year. But at a time when the US Government's economic assistance has been redirected almost exclusively to developing areas, private investment has continued to go largely to the more advanced countries, where opportunities are better known and economic and political conditions often are deemed more propitious. The new catalogue system may point the way to a solution of this problem. It supplements other AID mechanisms designed to stimulate capital investment in less developed lands, such as the investment guaranties and special tax incentives. It also complements major AID programmes in the realm of development and technical assistance, which help build the institutions and the economic climate in which private enterprise and investment can operate effectively and constructively.

AID cannot vouch, of course, for the complete accuracy or reliability of all the investment studies that have gone into the catalogue. But there is presumption of professional competence in their preparation. Furthermore, an interested private investor more than likely would undertake a more comprehensive pre-investment survey, on his own or in co-operation with AID's investment survey programme, before going ahead with an apparently promising lead. Even if the investors were to decide finally not to go ahead with the project, this new study then would be available for other potential investors to see and to judge for themselves, as the catalogue is constantly up-dated and improved.



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MK 264

LISTENING POSTS

Co-ordinates of the Perspective Plan

By Our Special Correspondent

NEW DELHI:

WITH THE critical appraisal of the Perspective Planning Division's paper on the fourth and fifth Plans at the hands of the various Working Groups of the Planning Commission expected to take more time than anticipated earlier, the National Development Council's meeting for deciding on the broad outline of the fourth Plan has been put off by about three weeks to the end of July.

Meanwhile, fuller details are now available of the Perspective Planning Division's exercise on the programmes of development that should be aimed at during the 10 years to 1975-76. The exercise takes into account four basic objectives: (i) the need to ensure by 1975-76, a minimum consumption of Rs. 20 per capita per month to the entire population: (ii) the need to create by the end of the fifth Plan period a self-generating economy capable of sustaining an average annual rate of growth around 7 per cent without assistance from abroad; (iii) the desirability to achieving by 1975-76, a near balance between new employment opportunities and the new entrants to the working force; and (iv) ensuring of a social order which will afford equality of opportunity and which at the same time shall prevent excessive disparity in income and wealth.

Ensuring of a minimum consumption of Rs. 20 per head per month for the entire population by the end of the fifth Plan period (population growth assumed at 2.4 per cent per annum), the Perspective Planning Division has calculated, will require raising of national income from nearly Rs. 18,000 crores in 1965-66 (as against the third Plan target of Rs. 19,000 crores) to Rs. 37,300 crores (at 1960-61 prices) in 1975-76. It suggests that the fourth Plan target may be set at raising the national income to Rs. 26,000 crores. This and the objective (ii) mentioned above imply that the average annual rate of growth during the fourth and fifth Plan periods has to be 7.7 per cent and 7.5 per cent respectively. According to the Perspective Planning Division, the economy can grow at this rate with less and less dependence on foreign aid, if the rate of savings for investment within the country can be stepped up from 14-15 per cent of the national income in 1965-66 to 21 per cent in 1970-71 and thereafter. Along with this, exports will have to be increased to about Rs. 1,220 crores by 1970-71 and Rs. 1,620 crores by 1975-76. Imports will have to be restricted to Rs. 1,360 crores in 1970-71 and Rs. 1,610 crores in 1975-76. The Perspective Planning Division has suggested that the net rate of growth in the agricultural sector should be 5 per cent per annum and in the industrial sector a minimum of 10 per cent. Some of the selected targets proposed for agricultural production and under the fourth and the fifth Plans are given in the next column.

The acceleration in the overall rate of growth of the agricultural sector, the Perspective Planning Division opines, has to be accompanied by changes in the pattern of output. The programmes of agriculture have to be geared increasingly to the development of commercial crops and animal husbandry.

According to the Perspective Planning Division, the overall rate of growth in the industrial sector has to be just double the rate of growth in agriculture. The strategy here has to be not only to develop machinery and equipment manufacturing industries, but also to expand domestic production of various man-made industrial raw materials. A very high rate of growth (nearly 18 per cent per year) has been suggested for the capital goods and intermediate industries during the fourth Plan period. Subsequently, the rate of growth in these industries may fall to slightly over 10 per cent. A substantial expansion is also envisaged in industries producing consumer goods. The rate of growth in these industries, however, has been suggested around 8 per cent — just commensurate to meet the anticipated demands for consumer goods in a consumption pattern allowing for 21 per cent savings for investment in 1970-71 and onwards. A 9 per cent rate of growth has been suggested for the small-scale sector during the 10 years to 1975-76. The following are some of the important targets suggested for the industrial sector (the figures in brackets indicate the capacity and production estimates for 1965-66):

Item	Unit	Production estimated in 1965-66	1970-71 Target	1975-76 Target
a) Foodgrains	(million tonnes)	90.0	122.0	151.0
1) Rice	,,	38.9	51.6	63.8
2) Wheat	,,	12.2	16.5	20.5
3) Coarse grains	,,	25.7	34.8	43.1
4) Pulses	,,	14.1	19.1	23.6
b) Oilseeds	,,	7.5	11.2	15.7
1) Groundnuts	,,	5.0	7.9	11.1
2) Castorseeds	,,	0.1	0.2	0.3
3) Sesamum	,,	0.3	0.7	1.0
4) Rapeseeds	,,	1.6	1.7	2.3
5) Linseeds	,,	0.5	0.7	1.0
c) **Commercial Crops**				
1) Sugarcane (gur)	,,	11.0	13.2	17.8
2) Cotton	(million bales)	6.34	9.80	13.50
3) Jute	,,	6.16	7.34	9.30
4) Tobacco	(million tonnes)	0.55	0.67	0.85
5) Tea	,,	0.41	0.43	0.49
6. Coffee	('000 tonnes)	80	95.9	110.4
7) Fruits and Vegetables	(million tonnes)	N.A.	32.7	41.9
7) Milk and Milk products	,,	25.4	42.6	59.8

('000 tonnes)

Industry	Capacity Target		Production Target	
	1970-71	1975-76	1970-71	1975-76
1. Steel (ingots) (Mild, including electrical steel sheets)	20,000 (9,200)	31,000	17,500 (7,800)	29,000
2. Finished Steel	13,500 (6,500)	23,000	11,500 (5,800)	21,500

Industry	Capacity Target		Production Target	
	1970-71	1975-76	1970-71	1975-76
3. Pig iron for sale	4,000 (1,220)	6,500	3,500 (1,220)	6,000
4. Aluminium (ingots)	280 (69)	400	240 (68)	360
5. Copper (ingots)	70 (36)	100	70 (36)	100
6. Lead (ingots)	25 (9.2)	50	25 (9.2)	50
7. Zinc (ingots)	60 (18.4)	100	60 (18.4)	100
8. Cement	26,000 (14,000)	40,000	23,000 (12,000)	36,000
9. Nitrogenous Fertilizers	2,000 (640)	3,500	1,750 (500)	3,000
10. Phosphatic Fertilizers	1,250 (270)	2,000	750 (200)	1,700
11. Caustic Soda	760 (360)	1,150	600 (300)	1,000
12. Soda Ash	720 (360)	1,100	700 (340)	1,000
13. Sulphuric Acid	3,500 (1,500)	6,000	3,000 (1,200)	6,000
14. Petroleum Products	30,000 (17,000)	45,000	27,000 (13,000)	42,000
15. Lubricating Oils	800 (100)	1,300	800 (100)	1,200
16. Sugar	5,500 (3,570)	8,500	5,000 (3,570)	8,300
17. Tea	500 (460)	600	470 (390)	570
18. Cotton Fabrics (M. metres)	7,100 (5,600)	10,000	6,400 (5,075)	9,500
19. Cotton yarn for sale	—	—	690 (355)	950
20. Woollen fabrics (M. metres)	73 (44)	140	55 (32)	130
21. Jute manufactures	1,600 (1,224)	2,000	1,600 (1,326)	1,900
22. Paper and paper board	1,500 (770)	2,500	1,200 (670)	2,000
23. Rayon Filament	100 (70)	140	100 (70)	140
24. Staple Fibre	90 (30)	160	90 (30)	160
25. Chemical pulp rayon grade	250 (120)	400	200 (100)	360
26. Glass	1,000 (500)	1,050	770 (405)	1,000
27. Drugs and Pharmaceuticals (Rs. million)	3,000 (1750)	4,000	3,000 (1,750)	4,000
28. Synthetic Rubber	120 (30)	300	100 (30)	300
29. Plastic (PVC Polythene)	350 (90)	600	270 (75)	550

The following targets have been proposed for the more important engineering industries (the figures in brackets are the estimates for 1965-66):

('000 tonnes)

Industry	Capacity Target		Production Target	
	1970-71	1975-76	1970-71	1975-76
1. Steel Castings and Forgings ('000 tonnes)	1,200 (300)	1,500	900 (300)	1,100
2. Commercial Vehicles ('000 Nos.)	150 (54)	200	125 (54)	175
3. Cars and Jeeps ('000 Nos.)	65 (40)	100	60 (35)	100
4. Motor Cycles and Scooters ('000 Nos.)	150 (55)	225	120 (18)	200
5. Passenger Coaches ('000 Nos.)	2.2 (1.9)	2.5	2.0 (1.9)	2.2
6. Wagons ('000 Nos.)	60 (40)	70	55 (40)	60
7. Diesel Locos (Nos.)	350 (70)	350	300 (70)	325
8. Electric Locos (Nos.)	200 (70)	325	150 (70)	300
9. Turbo-generators Steam ('000 KW)	2,600 (1,000)	3,600	2,100 (350)	3,000
Hydro („)	1,700 (850)	1,900	1,250 (250)	3,000
10. Electrical Transformers Upto 33 kV (million KVA)	8.5 (4.0)	15.0	7.5 (1.4)	12.0
Above 33 kV („)	16.5 (3.0)	22.0	13.0 (3.4)	18.0
11. Electric Motors Below 150 kW ('000 kW)	8,000 (2,240)	12,000	6,000 (1,865)	10,000
Above 150 kW ('000 kW)	2,000 (250)	3,000	1,500 (200)	2,500
12. Machinery and Equipment (Rs. crores)	—	..	2,891 (1,233)	4,466

The following production targets (in million tonnes) have been suggested for 1970-71 and 1975-76 for the important minerals (1965-66 estimates are given in brackets):

Coal (89) 140, 210; Iron Ore (27) 60, 90; Manganese Ore (2.1) 3, 3.9; Limestone (27.5) 52, 82; Copper Ore (0.9) 4.9, 8; Bauxite (0.92) 2.5, 4; Gypsum (1.1) 2.1, 3.25; Mica (0.032), 0.042, 0.05; Dolomite (1.2) 3.6, 7; Ilmenite (0.36) 0.4, 0.45; Crude Oil (16) 12, 15; Gold (in kg.) (5,000) 5,000, 5,000.

The demand for power is estimated to grow from 47.5 billion KWH in 1965-66 to 95.1 billion KWH in 1970-71 and 150.6 billion KWH in 1975-76. The total volume of goods traffic is estimated to go up from 197 billion tonne-kms. in 1965-66 to 328 billion tonne-kms. in 1970-71 and 500 billion tonne-kms. in 1975-76. The volume of passenger traffic is expected to increase from 184 billion passenger-kms. in 1965-66 to 261 billion passenger-kms. in 1970-71 and 378 billion passenger-kms. in 1975-76. The railways will be required to handle 226 billion tonne-kms. goods traffic and 121 billion passenger-kms. passenger traffic in 1970-71 and 318 billion tonne-kms. goods traffic and 151 billion passenger-kms. passenger traffic in 1975-76, as against 144 billion tonnes-kms. and 97 billion passenger-kms. in 1965-66.

The following targets have been suggested for the health services:

	Estimates for 1965-66	Target for 1970-71	Target for 1975-76
Hospital Beds (per million of population)	488	712	1,000
Doctors (per million of population	168.6	194.6	251.2
Expenditure on water supply and sanitation (Rs. crores for the 4th and 5th Plans as a whole)	156	250	400
Public expenditure on health Rs. per capita)	4.3	8.9	15.9

In regard to education, it is proposed that by the end of the fourth Plan period all the children between the ages of 6 and 11 years and 50 per cent of those in the age group 11-14 should be provided schooling. By the end of the fifth Plan period, 90 per cent of the children in the age group of 6-14 will be provided education. Enrolment of students for higher education is envisaged as follows:

(In '000)

	Estimated enrolments in 1966	Target for 1971	Target for 1976
Diploma			
Technical	126	218	321
Medical	58	221	300
Degree			
Technical	98	165	265
Medical	45	85	125
General	1,300	1,920	3,000

Some of the other selected targets proposed are: (i) Rural Electrification — 100,000 villages by 1970-71 and 200,000 villages by 1975-76, as against 40,000 villages in 1965-66; (ii) Employment — an additional 44.5 million in 1970-71 over 1960-61 level and an additional 26.1 million in 1975-76 over 1970-71 level; (iii) Housing — commensurate with the growth in population.

This massive developmental effort during the fourth and the fifth Plan periods, according to the Perspective Planning Division, will require a net investment of approximately Rs. 22,000 crores during the five years to 1970-71 and Rs. 34,000 crores during the subsequent five years. The year-wise investment has to steadily go up from approximately Rs. 2,900 crores in 1965-66 to Rs. 5,400 crores in 1970-71 and Rs. 7,800 crores in 1975-76. The investment in the public sector in 1970-71 is envisaged in the neighbourhood of Rs. 3,450 crores. It will increase to Rs. 5,200 crores in 1975-76. The private sector investment is contemplated at Rs. 1,950 crores in 1970-71 and Rs. 2,600 crores in 1975-76. The broad allocation of the Rs. 22,000-crore net investment proposed for the fourth Plan and the Rs. 34,000-crore envisaged for the fifth Plan has been made as follows:

Fourth Plan: Agriculture and Allied Activities Rs. 2,080 crores (public sector Rs. 1,050 crores, private sector Rs. 1,030 crores); Major and Medium Irrigation Rs. 1,120 crores (all in the public sector); Large-Scale Industry and Mining Rs. 6,440 crores (public sector Rs. 3,580 crores, private sector Rs. 2,860 crores); Village and Small Industries Rs. 700 crores (public sector Rs. 300 crores, private sector Rs. 400 crores); Power Rs. 2,300 crores (public sector Rs. 2,250 crores, private sector Rs. 50 crores); Transport, Communications and Tourism Rs. 4,050 crores (public sector Rs. 3,275 crores, private sector Rs. 775 crores); Education Rs. 550 crores (public sector Rs. 525 crores, private sector Rs. 25 crores); Scientific Research Rs. 120 crores (all in public sector); Medical, Public Health and Family Planning Rs. 700 crores (public sector Rs. 675 crores, private sector Rs. 25 crores); Housing Rs. 2,700 crores (public sector Rs. 700 crores, private sector Rs. 2,000 crores): Inventories Rs 1,400 crores (public sector Rs. 650 crores, private sector Rs. 750 crores).

Fifth Plan: (Both public sector and private sector)

Eastern Economist 20 Years Ago

MAY 26, 1944

THE FOODGRAINS Policy Committee, it would be recalled, had recommended that India must import for current consumption a minimum amount of foodgrains which could not be put at less than at the average of net imports for the preceding quinquennium, viz., 1,000,000 tons a year in round figures. In addition, the Committee recommended that the Central Government must forthwith build up a Central Foodgrains Reserve of 500,000 tons in order that it might possess sufficient manoeuvring power to break defeatism and to curb the monopolist who is prepared, for his own profit-making motives, to hold the Government in ransom. Consequently, the Committee pressed for a minimum import of 1½ million tons in the first year and of at least one million tons thereafter. The Government had fully accepted the recommendations of the Committee and had given assurance that it would approach the British Government and press energetically for the necessary shipping and other facilities. However the figures which are now available reveal a very disappointing picture. It transpires that only 364,000 tons of foodgrains were imported by the Government during the thirteen months ended January last. This is equivalent to the yearly rate of 336,000 tons or barely two-thirds of what the Gregory Committee deemed a minimum for a Central Foodgrains Reserve, quite apart from the additional import of one million tons for current consumption. In the light of the poor results of the procurement operations in regard to rice and the disappointing wheat crops, the position is unhopeful and Mr. Amery's admission last month that "the Government of India do not consider that the total amount of foodgrains raised in the country provides an absolutely safe margin for meeting India's full requirements," can be regarded merely as his wonted meiosis of a grave situation. Food must be accorded an absolute priority in the list of consumers' goods and any diversion of shipping space for the import of non-essential industrial consumers' goods instead of import of foodgrains must be deplored.

Agriculture and Allied Activities Rs. 3,400 crores; Major and Medium Irrigation Rs. 1,600 crores, Large-Scale Industry and Mining Rs. 10,000 crores; Village and Small Industries Rs. 1,000 crores, Power Rs. 3,400 crores; Transport, Communications and Tourism Rs. 6,100 crores; Education Rs. 860 crores; Scientific Research Rs. 240 crores; Medical, Public Health and Family Planning Rs. 1,000 crores; Housing Rs. 4,300 crores; Inventories Rs. 2,100 crores.

Besides the net investment proposed above, there has to be during the fourth Plan period a current outlay in the public sector of the order of Rs. 2,170 crores, divided as follows: Agriculture and Allied Activities Rs. 640 crores; Village and Small Industries Rs. 200 crores, Education Rs. 870 crores; Scientific Research Rs. 130 crores; and Medical, Public Health and Family Planning Rs. 330 crores.

The Perspective Planning Division suggests that the public sector investment in 1970-71 and 1975-76 should be arranged as in the table alongside (the figures in brackets indicate the likely pattern of investment in 1965-66).

The investment in the private sector, it has been suggested, should be arranged as follows (1965-66 estimates are given in brackets):

(Rs. crores)

	1970-71	1975-76
Total Investment	1,950 (1,100)	2,600
Financed out of		
1. Corporate Savings	310 (160)	500
2. Non-corporate Savings	1,590 (890)	2,100
3. Direct External Assistance	50 (50)	Nil
Total Investment	3,450 (1,800)	5,200
Financed out of		
1. Balance on Revenue Account	630 (225)*	1,120
2. Surpluses of Public Enterprises†	750 (355)	1,630
3. Market Borrowings	445 (270)	725
4. Small Savings	180 (140)	220
5. Annuity Deposits	60 (70)	40
6. Provident Fund	105 (75)	145
7. Deficit Financing	250 (150)	325
8. Other Miscellaneous Capital Receipts	130 (15)	205
9. External Resources	300 (500)	Nil
11. Gap to be covered by additional taxation	600**	790**

The estimates of corporate savings indicated in the above table assumes that the existing rate of return on capital (approximately 13 per cent) would be maintained and 50 per cent of the net profits earned by the corporate sector would be retained for ploughing back. Although the Perspective Planning Division rules out the necessity of securing foreign aid after 1975-76, it does not preclude normal net inflow of foreign private capital after that year.

*Includes the additional taxation that may be levied in 1965-66.

**Includes the accrual to revenues on account of additional taxation levied between 1966-67 and 1969-70 in the case of the fourth Plan and between 1971-72 and 1974-75 in the case of the fifth.

†Assumes that all public sector undertakings other than railways and P & T will earn a return of 10 per cent. The return for railways and P & T is assumed at 6 per cent.

Dispersal of Sugar Factories

From Our Correspondent

BOMBAY:

INAUGURATING THE 19th annual convention of the Deccan Sugar Technologists' Association at Poona, Mr. V. P. Naik, Chief Minister, said that in view of the well-established superiority of Maharashtra in sugarcane production, there was a strong case to set up more sugar factories in the State. Maharashtra should be allowed to increase her sugarcane acreage in the national interests in preference to less fertile areas like Uttar Pradesh which might even divert some of its sugarcane farms to other crops. The less fertile sugarcane areas could possibly grow more of other food crops. Mr. Naik agreed in principle with the Association President's suggestion for better commercial exploitation of the by-products like molasses and bagasse. The President of the Association, Mr. M. L. Apte, said that consideration had to be shown to the sugar industry and its problems mainly from the point of view of its economic potentialities. He deprecated the State Government's decision to put up 11 new factories as the existing units would have produced better results by expansion. Such mistakes in the past had created problems of inadequate cane supplies. New units should be set up only in regions where there were no factories. Mr. S. N. Gundu Rao, former Director of the National Sugar Institute, Kanpur, addressing the convention said that India could hope to export raw sugar to Canada and the US. Mr. Rao, while on his recent foreign tour, acquainted the US, Canadian and other importers of Indian raw sugar of the merits of the general Indian type (broad spectrum) of raw sugar, a common tailored-type quality suited to different technical requirements of the importing countries. He had undertaken the tour to clear some technical points raised by Canada and discuss about the starch content in Indian sugar. Canada preferred high sucrose quality and Japan, high filtering quality with minimum POL (chemical sucrose), while the US preferred minimum starch and wax contents. Some of these specifications were not explained by the ISMA to its members. He also said that quality of Maharashtra's raw sugar rated high among the Indian varieties and it had good prospects.

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The development of industries in and around Bombay city and the rapid growth in the city population have posed a challenge to the capacity of providing telephone facilities during the period. Mr. M. S. Muthanna, General Manager of Bombay Telephones, speaking on the progress made by the telephone system in the city said that the Telex exchange opened in June last, has become very popular and so it had been decided to add another 300 lines to the exchange bringing its total capacity to 500 lines. The expansion was expected to be completed early next year. He said that with the opening of a 4,500 line-capacity exchange at Khar the capacity of the Bombay's telephone system will be 72,650 lines, which means an addition of nearly 24,000 lines during the three years of the third Plan. The capacity is expected to exceed the one-lakh mark before the end of the Plan period. The Khar exchange, a Rs. 69-lakh project, has an initial capacity of 8,000 lines and ultimate capacity of 16,000 lines. The trunk service is being completely modernised by the installation of an automatic trunk exchange. With the completion of the coaxial cable project linking the cities of Calcutta, Bombay, Delhi, Madras and Kanpur, subscribers in Bombay will be able to directly dial numbers in many important cities of the country by 1966.

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A seven-men Expert Committee which was appointed by the Gujarat Government to make a detailed study of the industrial potential of Kaira District, has recommended the immediate setting up of a spinning mill with a capacity of 12,000 spindles on a co-operative basis and also a cotton processing unit in the district. The Committee has observed in its report that there are as many as 600 power-looms in Cambay alone. They are facing difficulty in procuring the necessary quantity of yarn. It has, therefore, been strongly recommended that as a solution, a co-operative spinning mill should be set up. It has also pointed out that about 12,000 tons of cotton-seeds are annually available in the district, which justifies the starting of a seed processing unit with a daily capacity of 35 tons. In the considered view of the Committee, Kaira District has vast potential which, if properly tapped, can turn into a busy flourishing industrial area. The district has a population of about 2 million, and is very rich in raw materials and human talent. On this basis, the various important recommendations made by the Committee for the industrial development of the district are: 1) In view of the growing demand of skilled personnel, the Gujarat Government may consider the starting of industrial training institutes at Anand, Cambay and Nadiad. The training may specially be imparted in such trades as fitters in mechanics, electrician turners, welders etc. 2) There is the possibility of setting up one sugar mill in the district. 3) Nearly 40,000 tons of tobacco of Virginia variety is grown in the district; there appears to be the feasibility of one more unit for the manufacture of nicotine sulphate insecticide by using tobacco studs and stems as basic raw materials. 4) There is availability of waste materials like rice bran and paddy husk. At least one unit can take up the production of oil from rice bran by the solvent extraction process. Another unit may also find the material available for activated carbon from paddy husk. 5) Industries, such as instant food canning of fruits and vegetables, cattlefeed and papaiya fruits, will have adequate scope for development. 6) In view of the availability of oilcake in plenty, there appears to be a possibility of an additional unit for making manure mixture and cattlefeed. 7) There is scope for the establishment of a solvent extraction plant with a capacity of 25 tons per day. 8) There is yet 200 tons of milk available daily for collection and, therefore, it is possible to organise one more dairy with a capacity of 50 to 60 tons per day. The Committee has called upon the authorities concerned to give urgent attention to the development of Cambay port, now lying in a stage of neglect.

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In the context of continuing Emergency, problems of development and defence are inter-related. Both in the utilisation of resources and technical man-power, these twin objectives of strengthening the base for defence and development have got to be kept in mind. This aspect was clearly highlighted by the Defence Minister, Mr. Y. B. Chavan, at Poona, while delivering the graduation address of the College of Military Engineering. He regretted that the response of engineering graduates to the call of the Army had not been very encouraging. Consequently, the Army had to recruit a large number of non-engineering graduate officers in the Corps of Engineers, Signals and EME. The technical training of these officers had placed a great strain on the College of Military Engineering. Mr. Chavan said the college enjoyed an excellent reputation and was recognised by the University of Poona as an institute for post-graduate studies in certain subjects. It fulfilled a vital role in the promotion of engineering talent. He hoped that soon all Indian universities would recognise its courses as being equivalent to degree courses. The Defence Minister also stressed the need for creating an operational infra-structure in the border areas in the form of roads, tracks, air fields, camps, bridges and other facilities. The border situation required that these facilities should be developed at a much faster rate than before. He said that the forbidding nature of the terrain and the shortage of conventionl building materials posed a formidable challenge to the organisational ability and professional skill of the Corps of Engineers, of which the new graduates would become a part. He asked the graduates to realise the great responsibility they would be shouldering. He had no doubt that they would meet the challenge in a spirit of dedication and determination. The future of the border conflict will depend in a great measure on the manner and spirit of the performance of their tasks.

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The Chief Minister of Maharashtra, Mr. V. P. Naik, revealed to the press that Maharashtra has been advised to explore the possibility of impounding the waters of west-flowing rivers in the Konkan for purposes of irrigation and power generation instead of insisting on westward diversion of the Krishna waters. He said that the suggestion would be examined. The State had, however, pointed out that such a proposition would not be feasible if it entailed submersion of large areas of land meant to be brought under the plough. The State had brought to the notice of the Centre that 80 per cent of waters diverted westward would be utilised for irrigation and power production under the various schemes already proposed.

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Seldom has any Governor of the Reserve Bank paid such glowing tribute to a bank in public as did Mr. P. C. Bhattacharyya at the opening of the Sion Branch of the Maharashtra State Co-operative Bank Ltd., on May 20. As this is by no means the first branch of the Bank even in Greater Bombay, ten branches having been there before, one naturally felt intrigued and wondered what the significance of the Sion branch could be. Mr. Bhattacharyya, however, did not, prefer to keep anyone guessing. His explanation was: "What gives this occasion more than an ordinary significance is the fact that the progressive opening of a number of such branches by an Apex Co-operative Bank in a metropolitan city, for the purpose of attracting deposits to meet the credit needs of the agriculturists, opens out a new horizon for the co-operative movement in the country".

Is this an invitation to other apex co-operative banks also to follow the lead of the Maharashtra State Co-operative Bank Ltd.? If so, joint-stock banks will not only have to compete among themselves even in urban centres for attracting deposits but also with co-operative banks. What is wrong with this in a free competitive economy, it might be argued. But the joint-stock banks may well insist that they, in their turn, should not be prevented from competing for deposits from co-

operative institutions. There is, at present, a rule that all co-operative institutions, even when they may have a long-standing bank account with a commercial bank, must close that account and switch-over to a co-operative bank. In other words, there is a "close preserve" already in urban areas also for co-operative banks, and if they can cope with the accounts of only these co-operative institutions — their number has been fast multiplying, thanks to the declared policy of the Government — they will be doing a great service. As it is, there is urgent need to improve the efficiency of service in apex co-operative banks, even in the leader in the field. This apart, it is a question for serious consideration whether, in addition to all the large-scale pumping of funds, through the co-operative pipe line by the Reserve Bank, apex co-operative banks should be allowed to drain away deposits from cities (even if it be but a reversal of an age-long trend) and thereby deprive joint-stock banks of their sinews, the call on which has greatly increased. Inasmuch as these banks also have to play a vital role in the economic development of the country, especially in financing industries, many of which are in cities, it seems fair that they should be free to draw deposits from at least their urban branches without too much favoured patronage to co-operatives.

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Like its parent which began business nearly 60 years ago in a remodelled tavern in San Francisco, the first branch of the Bank of America in India also began in a remodelled office building in Bombay on May 20, but it will soon shift to a posh new building, which is already under construction. Mr. S. K. Wankhede, Maharashtra's Finance Minister, formally inaugurated the Bombay branch on May 19 at a dinner attended by prominent business men and leading bankers. Mr. Roland Pierotti, Executive Vice-President of the Bank and Mr. Louis J. Mulkern, Vice-President, South-East Asia and Australasia Division of the Bank, specially came down to Bombay for the inaugural function.

It is a striking proof of the imagination and enterprise of the Bank of America that it was not at all deterred in its move to start doing business in India by the loud demands for nationalisation of banks heard at the A.I.C.C. sessions in the city only the previous week-end. Like all practical business men, bankers go about their business unmindful of all such ideological contraveries, once they are convinced of the fundamental political stability of the Government of a country and its enormous economic potentialities. True, such things as unduly burdensome taxation as we have in our country today are not liked by bankers, even as they are not liked by any business man, Indian or foreign, but the shrewd men that bankers are, they realise that, eventually, it is the logic of events, circumstances and practical realities that will mould all government policies, including taxation and nationalisation. . The Bank of America is apparently convinced of the bright economic future of this country and is hopeful of growingly closer economic relations between the two countries in the years to come. At any rate, that is the impression one got from the press conference held by the Bank's executives in Bombay last week.

The Bank of America owes its birth in the early years of this century — and practically its rebirth in the thirties — to the genius of that great Californian, Amandeo Peter Giannini, the founder. It is interesting to recall that, way back in 1904, Giannini founded this Bank to offer banking facilities to wage earners and small business men. Unfortunately, the ebullient Congressman, who questioned the propriety of the Government of India in permitting the Bank of America to open its branch in India at the recent A.I.C.C. session in Bombay, did not have the patience to discern this banking philosophy which his own partymen have been preaching today.

Beginning with only £3,760 in deposits, the Bank of America had, on December 31, 1963, total deposits exceeding £13 billion and aggregate resources approximating nearly £15 billion. Today it is the largest bank in the world with internationally based resources totalling £2.5 billion and 24 branches operating in the Middle East, Asia, Europe, South America and Africa.

The Manager of the Bombay branch is Mr. Vir K. Sondhi who, besides his high academic equipment, has already been with the Bank of America for nearly 10 years and has held quite a few positions of responsibility in several of its branches.

Farakka Barrage Fumbles Along

From Our Correspondent

CALCUTTA:

THE FARAKKA barrage is West Bengal's hope for the future. It is designed to serve several purposes of immense value to the State's economy. The main one, however, is that it will save Calcutta port through resuscitation of West Bengal's dying river system. The Hooghly river, or the Bhagirathi-Hooghly as it is otherwise called, which serves Calcutta port, is gradually silting up, and for the greater part of the year, its navigability is already poor. The waters of the river are also getting, increasingly saline posing great danger to the health of Calcutta's teeming population; unless the flow of the river is suitably increased this danger cannot be counteracted. There are other major purposes like flood control and the provision of a direct road link between northern and southern West Bengal, but they are relatively secondary objectives.

The barrage project is an old one, conceived as far back as 1951, but due to one reason or another, it had been cold-storaged until 1961 when the Union Government suddenly announced its decision to go ahead with the project and finish it within a period of eight years — the quickest possible time for a large project of this kind. But if the project had been postponed for a long time it was not because of the usual bureaucratic indecision or Ministerial hesitation and doubts, but because of Pakistan's opposition. Pakistan has serious objection to the project even now, but the Government of India has chosen to ignore it because there is no substance in what Pakistan says. As a reference to the map will show that below Farakka, the Ganges branches off into two major distributaries — Bhagirathi-Hooghly which flows through West Bengal right up to the Bay of Bengal and the other, the Padma, through East Pakistan. By constructing a barrage at this point, India will divert 30,000 to 40,000 cusecs (cusecs: cubic foot a second) of water into the Bhagirathi-Hooghly by a feeder canal, and naturally, the flow in the Padma will be affected correspondingly. Pakistan has contended that this diversion would affect some vital irrigation projects which are essential for East Pakistan's food self-sufficiency drive, but after a thorough expert scrutiny (in which qualified engineers from both India and Pakistan participated) it was conclusively proved that this amount of diversion will do Pakistan no serious harm. Yet that country is nursing a grievance.

Pakistan's objection is mainly political and India knows it. Yet this country might have agreed to prolong the expert scrutiny of the possible harm which the project may do to East Pakistan's economy had not the World Bank, which has lent a substantial sum of money for the development of Calcutta port, brought pressure on the Indian Government to go ahead with the project as soon as possible. In fact, in one of its reports on the Indian economy, the Bank has warned that unless Calcutta port is improved, the development of the city and its industrial belt end for that matter, the country's economic development programme as a whole will encounter serious difficulties.

But since the work on the project has started, things are not going as well as they had been planned. Some top officials have already been replaced, but efficiency of the key personnel is not the only factor which has hampered progress. Lack of ready and convenient supply of power at the project site is apparently the major obstacle. Now that arrangements have been completed to put up a thermal power station of 3,000 kW capacity by the end of this month, the construction work on the project is likely to be expedited. The Farakka Control Board is also negotiating with the West Bengal State Electricity Board to obtain additional power supplies. At a recent meeting of the Farakka body, measures to expedite the work on the barrage project (the barrage is said be the world's longest) were discussed. Some changes in the plans were also considered, one of them being to broaden the road on the barrage so as to take four-lane traffic instead of two as the original design provides. But these changes would mean higher costs. The total cost of the project, as estimated originally, is Rs. 70 crores, but this would have been an underestimate even if no changes had been made in the plans. But with the changes which are to be made, the cost would rise to a still higher level. A final estimate will be shortly made. But the question which will be asked of the Control Board is not whether it is keeping a firm control on costs, but whether it is adhering to the time schedule and what steps it is taking to make up for the delay which has occurred in the construction work.

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The claims of Haldia and Paradip seem to conflict. It is the declared intention of the Government of India that Haldia will be devleoped into a major port — the latest affirmation came recently from Mr. Manubhai Shah, the Minister for International Trade — not merely as an auxiliary to Calcutta port. But the development of this port is linked with the massive ore export programme which this country proposes to undertake in the near future. According to present plans, Haldia will be required to handle at least 2 million tons of ore annually from a mining area in Orissa. But Orissa's Paradip port is also being developed mainly to handle ore exports on a large scale. While the World Bank was engaged in studying the economics of the Haldia port project, it came across the argument from Orissa that the 2 million tons of ore which Haldia is being designed to handle can be easily handled from Paradip without incurring any additional capital cost on account of equipment. The only thing required is an extension of the railway line to connect Paradip port with the mining area. The Bank, it is said, is impressed with this argument and has postponed for a while the loan which it is considering for Haldia. This has created quite a stir in West Bengal, with at least one newspaper smelling a conspiracy in New Delhi to sabotage the Haldia scheme.

Mr. Manubhai Shah's recent statement gave no indication as to how this conflict between the claims of Paradip and Haldia is going to be resolved. But the Centre has already given its sanction for including the Paradip port project in Orissa's third five-year Plan. This it did last December. Not only has the project been approved, but sanction has also been given to an upward revision in the costs, raising it to Rs. 20 crores from the original Rs. 12.32 crores. The Orissa Government, anxious as it is to develop the port as quickly as possible, is proceeding pretty fast with the work. An agreement has already been signed with a Yugoslav firm for the construction and maintenance of an iron ore berth at the port. The lagoon is already being dredged and it is proposed to pump out 6.5 million cubic metres of ground well before October 1965. By this time, it is expected that the first iron ore berth will be ready to receive cargo ships of up to 60,000 tons. Around the same time, the port as a whole is likely to be ready. The Orissa Government claims that it will be the deepest port in the country going down to 48 feet all over the lagoon, which will make it possible for oil tankers of up to 100,000 tons capacity to berth themselves.

These are immediate programmes, but ultimately the port will be developed to have three iron ore berths capable of handling 200,000 tons of iron ore or more. There will be 19 cargo berths, one oil jetty, two docks for repairs and an extra berth for naval vessels. This programme of development is impressive, but there is more in this project than just a port. Paradip is also linked with the massive iron ore mining plans in this State — the Kiriburu and Balaidilla schemes. The Japanese who will be drawing their iron ore supplies from these mines are naturally interested in Paradip port, and one of their expert teams submitted a report late last year how the development of this port can be linked with some of the major schemes of economic development of Orissa. The National Council of Applied Economic Research, which conducted a techno-economic survey of Orissa a few years ago, also suggested ways in which the development of the port can be interlinked with economic development projects like the mining, transport and export of iron ore, transport of Talcher coal to points of consumption in southern and western India and the building up of communications in the hinterland which extends to most of the Orissa State and its growing industrial centres.

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While tea production in India declined to 757.7 million lbs. in 1963 from 761.4 million lbs. in 1962, the prospects for the current year's crop are said to be good. For example,

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Notice is hereby given that interest at the rate of Rs. 25/- (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 1st July, 1964 to Debenture Stockholders registered in the books of the Company on 22nd June, 1964. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Sq., Calcutta, up to 22nd June, 1964 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

Debenture Stock Transfer Books will be closed from 23rd June, 1964 to 30th June, 1964 both days inclusive.

By Order of the Board,
D. P. M. KANGA
AGENT

Victoria House,
Calcutta, 18th May, 1964.

output during April last was appreciably higher than in the same month of last year, and weather conditions have so far continued to be favourable. But if 1964 is going to produce a bigger crop, this country should be in a position to market it. Trade opinion in India is sharply divided on whether a bigger crop will be good or bad for the country. One school appears to hold that world production of tea is moving ahead of consumption while the other is of the opinion that with further growth in population and continuously rising standards of living, the market for the world's cheapest beverage is continuously widening. The Food and Agriculture Organisation belongs to the former school and it sees the possibilities of overproduction in tea if the major producing countries do not control their crops in the meanwhile. But whichever of the two schools is right, there can be little doubt about the fact that the world will require more and more quality tea at competitive prices. Because apart from the drive of all producing countries to maximise their exports, other beverages, especially coffee, are now strongly competing with tea for the consumer's favour. India did well last year in the export front — she exported 496 million lbs. as against 458.8 million lbs. in 1962, 451.6 million lbs. in 1961 and 429 million lbs. in 1960, and a particularly encouraging fact is that her exports to the United Kingdom, the single largest market for Indian tea, recorded an appreciable increase, while the USSR and the UAR took larger quantities. But this happened in a year of expanding world consumption. Along with India, Ceylon too raised her exports from 450.7 million lbs. to 454 million lbs., while East Africa achieved quite a jump from 80 million lbs. to 102.6 million lbs.

Water for the Thirsty

From Our Correspondent

MADRAS:

THE PROBLEM of urban water supply has again assumed importance with the inauguration of the Cauvery water scheme for Bangalore City a few days back by Mr. Lal Bahadur Shastri. This scheme had been under discussion for a long time and it was wondered whether as much as Rs. 26 crores could be spent on the provision of adequate supply for a growing city. There were also some technical aspects of the scheme which gave cause for worry in the earlier stages and the expert team from the World Bank, which studied this project, had to be satisfied about the feasibility on the technical side. Apart from the advisability of tapping large quantities of water from Cauvery river, the question of pumping these quantities over a gradient of 1,210 ft. from the river end to the city end, the pumps had to be obtained from foreign sources and fairly heavy expenditure was involved for this purpose. Besides, large tanks had to be constructed at intermediate stages and it had also to be examined whether the economics of the scheme would be such as it would pay for itself. These problems have not been satisfactorily tackled and the Mysore Government has decided to implement this project on its own, getting the required assistance from the Centre and the World Bank.

The unfiltered water would be carried from the Sivasamudram Anicut through huge concrete pipes which would be later pumped in four stages to Bangalore City after being purified. It has been estimated that the water supply would be required to the extent of 90 million gallons daily by 1971 against the present availability from the existing sources of 30 million gallons. In the first stage of Cauvery water scheme, there will be an additional supply by 60 million gallons and construction work is expected to be completed before 1971. There could be an increase to 120 million gallons daily if the need arose at a later stage.

At present, 30 million gallons are being used by a population of 1.4 million and numerous industrial units. The scarcity has been acutely felt in some parts of the city and in view of the likelihood of the position getting worse in the next two or three years, the Mysore Government thought it advisable to act promptly. While it is to be congratulated on its bold decision, there is a feeling that the Madras Government has not been sufficiently serious in regard to an identical problem facing Madras City. While it is apprehended that there will be serious trouble later in the year if sufficient rains do not replenish depleted supplies in the lakes feeding the City, total availability is only 35 million gallons daily for a population of 1.8 million. This figure relates only to the area covered by the Madras Corporation and the suburbs beyond 8 miles from the heart of the city have been left to secure their needs of water supply from their own sources. Great hardship is naturally felt in the summer months which have been rather severe this year.

It has, therefore, been urged that immediate steps should be taken to augment water supply as the population has been growing fast and numerous industrial units are springing up every month. No doubt attempts have been made to tap underground water resources and in the northern part of the city particularly fairly large supplies are available. But it is felt that it would be no use merely tinkering with the problem as the health of the population will be badly affected and there will also be a serious deterioration in sanitary conditions. Even the development of new industries might be retarded if the requisite water supplies cannot be had. There was expectation for a time that the Andhra Pradesh Government would proceed expeditiously with the proposal to supply 5,000 million cft. from the Krishna river in pursuance of the recommendation made by the Gulhati Commission. But on closer analysis, it has been found that water from Krishna river cannot be had for a number of years as the nature of the project has still to be decided upon while it has been indicated that no supplies can be had until the Srisailam project has been completed.

As it will be several years before Krishna water can be brought to Madras City and in the meantime, the problem would have assumed alarming proportions, the new Mayor of the Corporation suggested sometime back that the surplus water from Neyveli should be brought to Madras. The Neyveli Lignite Corporation has been pumping out 60 million gallons daily from the artesian aquifers in pursuance of its mining operations. When lignite is being dug out, the under-water pressure has to be kept under control in order to prevent flooding of the mines. Mining operations have been going on round the clock for a number of months now and the surplus water of about 45 million gallons is now being used mainly for agricultural operations. The thermal station no doubt requires large quantities of water for cooling purposes and raising steam. But the net demand including the township is not for more than 50 million gallons. Even if the other projects come into being, it is estimated that there will be a surplus of 30 million gallons which could be made available to other consumers. There was a proposal sometime back to make use of this surplus water for industrial purposes. But the Neyveli Lignite Corporation is unwilling to commit itself to a definite supply of large quantities of water to outside consumers, as there is a feeling that the availability of under-water resources should be more carefully assessed for some time. Besides, there has been a complaint that the pumping operations have resulted in a reduction in the pressure in some nearby artesian wells and agricultural operations have been handicapped to some extent. There is no doubt an offsetting effect in the nature of the surplus water being available for irrigation purposes and there might be protest from agriculturists if there is large-scale diversion for industrial purposes or for supplying water to the urban centres. This is the reason why there has been hesitation on the part of the Neyveli Lignite Corporation authorities to agree to the proposal of the Mayor of Madras for bringing the surplus water to the City to get over its immediate difficulties.

Whatever might be the ultimate outcome of this proposal and the results of the scheme to fetch Krishna water to the City, it is emphasised that the Cauvery water scheme should be taken up without delay and that an expenditure of Rs. 25 crores in this connection should not be considered forbidding in any sense. The urgency of the problem is such that the Madras Government should take upon itself this task without delay.

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Mysore State has another reason to be happy over recent favourable developments. After considerable controversy and opposition, Mangalore is to have a first class all-weather port in a new area. The work in this connection was inaugurated by Mr. K. Kamaraj while Mr. Lal Bahadur Shastri cut the first sod for digging the inner channel. The cost of the project is estimated at over Rs. 15 crores and the whole work is expected to be completed in the next three or four years. Until it was realised that iron ore exports would assume huge proportions in the coming years and there was need for dispersing the traffic between a number of ports and eliminating congestion on the railway system, it was argued that here was really no case for having an all-weather port in Mangalore especially as Marmagao was available with its first class facilities after its merger with the Indian Union sometime back. It has, however, been found that even if Marmagao's captcity were raised to handle 10 million tons of iron ore, there would be scope for exporting 3 or 4 million tons of iron ore from Mangalore, the ore deposits in South Mysore being exploited for this purpose. Besides, Marmagao is proposed to be fed by deposits from the Bellary-Hospet region at a later date as there is a proposal to construct a broad-gauge line from Hospet to Goa. The Mangalore Port will be connected to the hinterland by a new railway link with Hassan. The port is already handling about 8.5 lakh tons of iron ore annually besides large quantities of coffee and cashewnuts. A decision about whether the Mangalore-Hassan link should be metre gauge or broad gauge is expected to be taken in the next few weeks. It is, therefore, comforting to note that the economy of enlarged Mysore State is getting fast industrialised. It has been suggested that two steel plants should be located in Goa and in the Bellary-Hospet region in order to utilise effectively available mineral resources. While Mysore has been pressing its claim for a medium-sized steel plant, the advantages of erecting a big unit in the Goa region have been lattery canvassed. What exactly will be the ultimate decision is difficult to say at this stage.

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AS A result of a recent policy review by the Union Government the Reserve Bank of India has announced the following concessions in respect of release of foreign exchange for travel abroad and changes in policy in regard to approval of passage applications :

(i) In order to meet the increased cost of living in most foreign countries, the daily allowances granted by the Reserve Bank for certain types of foreign travel have been raised.

(ii) A limited amount of foreign exchange for incidental expenses will be released where passage applications are approved against invitations with full offer of hospitality received from foreign Governments, trade union organisations, international chambers of commerce or other international organisations, well-known educational, cultural and health foundations.

(iii) Passages of directors of foreign companies to attend board meetings abroad and of directors/executives of Indian branches of foreign companies or of Indian companies which are wholly-owned subsidiaries of foreign companies, if invited with full hospitality by the foreign company concerned, will also be approved.

(iv) A person proceeding abroad for taking up definitely secured employment will normally be granted passage clearance for three months only in the first instance, the period of stay being subsequently extended by the Indian Embassy missions abroad after verification if the person was in continued employment.

(v) Passage clearance will not be granted in respect of private hospitality except for meeting parents, sons and daughters. In special cases, eminent Indian scientists, educationists and professional persons will be allowed to proceed abroad on invitation by individuals at the discretion of the Bank; special facilities of a limited character will also be given to staff of airlines who, under their terms of service, are entitled to free passages.

(vi) Students, who secure scholarships from universities or recognised international institutions for full maintenance and fees irrespective of the courses of study, will also be granted passage clearance.

(vii) Exchange facilities will not be granted to Indian nationals (including persons domiciled in India) wishing to emigrate except in special circumstances and to a limited extent.

NEW U.S.A.I.D. DIRECTOR

Mr. C. Tyler Wood, Minister for Economic Affairs and Director of the United States Agency for International Development in India (USAID), will be returning to the United States in September 1964. Mr. Wood came to India in November 1959 as the head of the economic affairs and assistance programme of the American Embassy. Since then he has worked closely with the Indian Government, Planning Commission and the Ministries concerned with economic planning and development. He devised and supervised the execution of a number of major assistance projects of the American Aid Programme which, since 1951, has contributed more than five billion dollars (Rs. 2,500 crores) to the strengthening of the Indian economy.

Dr. John Prior Lewis, a member of President Lyndon Johnson's three-man Council of Economic Advisers and former Chairman of the Department of Business Economics and Public Policy at Indiana University, will succeed Mr. Wood as Director of AID in India. Dr. Lewis was previously on the staff of the Economics Division of the Brookings Institution in Washington and in this capacity he spent much of 1959 and 1960 in India studying the nation's economic development and wrote a book entitled "Quiet Crisis in India".

MERGER OF AIRCRAFT UNITS

On June 1, 1964, the Aircraft Manufacturing Depot, Kanpur, will be merged with the Aeronautics India Ltd. as a first step towards the final amalgamation of all the three aircraft manufacturing units in the country -- including the Hindustan Aircraft Ltd., Bangalore — under a single public corporation. The Aeronautics India Ltd. was registered as an autonomous undertaking in the public sector in August, 1963 for manufacturing a modified single-engine fighter aircraft, MIG-21, complete with engine, air-to-air missile equipment and other aircraft components, in collaboration with Russia. The Aircraft Manufacturing Depot, Kanpur, was formally opened in January, 1960 and produced, in the record time of 22 months, the first India - made twin - engine, turbo - prop transport plane Avro-748. The first Avro-748, series I, was handed over to the Indian Air Force in February, 1964. Besides the Indian Airlines Corporation, several foreign countries have also evinced interest in the purchase of this aircraft.

NEW YORK WORLD'S FAIR

As a result of India's participation in the New York World's Fair a business firm from Los Angeles (California) has become "actively interested" in taking up an agency for the import of American-model cycles manufactured by an Indian concern. A businessman from Sweden has expressed a desire to import jute goods from India. Yet another visiting trader from Tel Aviv has shown interest in importing Indian coffee, cashewnuts and pepper. The liaison officer at the fair notes down their queries and puts across a quick "telex" message to the Ministry of International Trade at New Delhi, which on its part passes the enquiries on to the concerned industrial houses without any loss of time; and thus the intending exporters in India and the importers in foreign countries are brought in direct touch with one another.

EARTH MOVING EQUIPMENT

A new State-owned undertaking, called Bharat Earth Movers Limited, has been registered as a company with headquarters in Bangalore. It will be entrusted with the task of setting up a factory for the indigenous manufacture of various types of heavy earth moving equipment in technical collaboration with Messrs. Le Tourneau-Westinghouse Co. of the USA. The project is estimated to cost Rs. 10.50 crores. The factory will be located in the Kolar Gold Field area. When the factory goes into full production, it will turn out 150 motorised scrapers, an equal number of 'haulpaks' and 125 rear dump trucks per year. It will also supply some essential equipment for use by the Border Road Organisation.

OBRA THERMAL PROJECT

On May 20, 1964, a 136 million rupee agreement for the supply of equipment for the Obra Thermal Power Station was signed in New Delhi between the Uttar Pradesh State Electricity Board and the Technopromexport of the USSR. The deliveries of thermal equipment will be financed out of the 'rouble' credit extended to India under the Indo-Soviet Agreement of September 1959. The Obra thermal power station in Uttar Pradesh, which is a third Plan scheme, consists of five units of 50 MW each. The erection of the power station is to be done by Indian personnel with the technical collaboration of Soviet specialists. Besides the supply of five 50 MW units, the present agreement provides, among other things, for Soviet technical assistance in the erection and commissioning of the power station as also for the training of Indian personnel. The delivery of the equipment for the power station under the present agreement is to start immediately and is to be completed within the first quarter of 1966.

According to the present programme, the first 50 MW unit is expected to be commissioned by the end of 1965.

An indication of Soviet help for India's power development is given by the fact that according to the arrangements made so far, about 2.5 million KW of equipment for nine power stations in this country will be supplied by the USSR. The cost of these power plants (which includes the cost of the construction equipment in the case of some of the projects) amounts to about Rs. 95 crores.

WORKING OF COLLIERIES

According to official statistics released by the Chief Inspector of Mines, 808 collieries were working during the month of January, 1964 with an average daily employment of 422,508 workers, the corresponding figures for the previous month being 806 and 426,539 respectively.

Output of coal per "man-shift" for January, 1964 was estimated at 1.35 tonnes for miners and loaders, 0.72 tonne for all workers below-ground and in open-cast workings and 0.52 tonne for all persons employed including above-ground workers as compared to 1.34, 0.72 and 0.52 respectively for December, 1963. The percentage of absenteeism in January was of the order of 12.08 as against 11.73 in the preceding month. The average all-India cash earnings per worker per week were Rs. 26.63, the corresponding figures for Jharia and Raniganj fields being Rs. 26.22 and Rs. 26.77 respectively.

IMPROVED TELEPHONE EQUIPMENT

On May 21, 1964 agreements were signed in New Delhi between the Government of India and the Indian Telephone Industries Ltd., and the International Standard Electric Corporation and the Bell Telephone Manufacturing Company of Belgium, for the manufacture of crossbar telephone equipment at the ITI factory in Bangalore. Orders are also being placed at the same time by the P & T Department for the import of crossbar equipment from the Bell Telephone Manufacturing Company to expand the telephone systems of Bombay, Delhi and Madras and for the installation of automatic trunk exchanges at these places and Kanpur. It is expected that by the end of 1964, the Indian Telephone Industries, Bangalore will begin assembling the crossbar equipment. Full production of the order of 1,00,000 lines of crossbar equipment per annum, on single shift basis, valued at about Rs. 5 crores, is expected to be reached within 3 years. A high indigenous content is planned from the very beginning. The capital outlay of the project is estimated to be about Rs. 1.8 crores. The foreign exchange component of capital outlay of about Rs. 80 lakhs will be financed by credits from Belgium.

The agreements mark a major step in the development of the country's tele-communication network on modern lines for handling the growing volume of traffic, for meeting the country's demand for telephones which is increasing rapidly with the advancing economy and for the introduction of such facilities as subscriber-to-subscriber trunk dialling. As early as in 1959, the technical experts of the Posts & Telegraphs Department had unanimously recommended the use of the crossbar system of telephone equipment in the country. Experts had suggested that the manufacture of this modern equipment should be undertaken in the country and that the manufacture and use of the earlier type of equipment — "Strowger step-by-step type" — should be progressively reduced. The recommendations in favour of the crossbar system were based on the following favourable points:

(i) Crossbar switches are easy to manufacture quickly and in large quantities.

(ii) Crossbar switches require less maintenance. Experience in other countries shows that the number of faults on crossbar systems are considerably lower as compared with the type at present in use in India.

(iii) The equipment now in use has limitations for extensive subscriber trunk dialling.

(iv) In the case of crossbar system, the planning of the telephone network is more flexible and expansion of exchanges can be done quicker and at lower costs.

In the major cities, the introduction of the new system will help to integrate the telephone exchanges in the outlying areas with the main telephone system. The biggest advantage of the new system is that it will hasten the process of setting up nation-wide subscriber trunk dialling on an easy and flexible basis. Expansion in the rural areas and connecting these areas to the neighbouring towns and cities will also become simpler.

SUGAR EXPORTS TO JAPAN

The Indian sugar delegation to Japan, which was led by the Union Government's Food Secretary, Mr. V. Shankar, has returned with the impression that there is a distinct possibility of increasing our sugar exports to that country. Japan imports about 1.3 million tons of raw sugar every year. In 1962-63 India exported about 93,000 tons of sugar to Japan. According to the findings of the delegation, there is a need for specialization in the manufacture of sugar in order to cater to the peculiar needs of different countries. The requirements of refineries in various foreign countries are so diverse that a scheme of specialisation would have to be given top priority in India's plans to step up exports of sugar. In view of the limited storage facilities of the foreign refineries, the delegation has stressed the need for ensuring prompt shipment.

INTERNATIONAL TRADE CENTRE

The General Agreement on Tariffs and Trade (GATT) has announced the coming into operation of its new centre for trade information and trade promotion advisory service, with the primary objective of assisting the less developed countries in their efforts to expand their export trade. During the initial stages, the activities of the centre will include:

(a) the establishment of a "documents centre" and the operation of a "clearing house for trade information" — "trade information" being understood in its broadest sense, relating not only to information on commercial policy matters (such as tariffs, quantitative restrictions, trade regulations, etc.) but also to market intelligence and market research. The centre will be of assistance to exporters in making the necessary contacts with trade organizations and importers in the importing countries;

(b) the provision of a "correspondence answering service". This service will be useful in enabling exporters in less developed countries to direct their enquiries to one central agency and obtain answers with the minimum of delay;

(c) the publication of a "Register of Sources of Trade Information";

(d) the publication of a bi-monthly, and later monthly, trade news bulletin. The bulletin will serve as a means of acquainting importing countries with the products which the less developed countries are now, and will in the future be, in a position to supply, and will also inform exporters in less developed countries of market openings for their products in foreign markets;

(e) the provision of training facilities in export promotion.

The centre will also conduct studies aimed at assessing the export potential of and exploring the market prospects for the less developed countries. This programme will include:

(i) a general survey of the over-all economic situation and an examination of international trends in development.

(ii) the carrying out, over a period of approximately two years, of detailed studies of development plans and trade and aid relationships in respect of some 20 less developed countries.

(iii) assessment of trends in trade and development, affecting products of special export interest to the less developed countries.

Company Affairs

HINDUSTAN POLYMERS

HINDUSTAN POLYMERS Ltd. entered the capital market on May 26 with a public issue of Rs. 127.40 lakhs in 127,400 equity shares of Rs. 100 each. The subscription list will close on June 4 or earlier at the discretion of the directors, but not before May 28. It has an authorised capital of Rs. 5 crores —300,000 equity shares of Rs. 100 each and 200,000 unclassified shares of Rs. 100 each. Issued capital is Rs. 3 crores in 300,000 equity shares and paid-up capital is Rs. 15.31 lakhs. Out of the issued capital, 30,000 equity shares of Rs. 100 each have been subscribed by Shree Ram Mills Ltd., Bombay, the promoters of the company, 51,990 equity shares have been subscribed by promoters, subscribers to the memorandum of the association, directors and their relatives etc., 20,000 equity shares have been reserved for subscription by the Industrial Credit and Investment Corporation of India, 20,000 equity shares by Commonwealth Development Finance Company Ltd., London and 20,000 equity shares by Bakelite Xylonite Limited, London. Of the total issued capital of Rs. 3 crores, capital worth Rs. 30.61 lakhs has been subscribed, capital worth Rs. 141.99 lakhs has been reserved for subscription and the remaining worth Rs. 127.40 lakhs has been offered for public subscription. The issue offered to the public has been underwritten by Andhra Pradesh Industrial Development Corporation Ltd. (Rs. 25 lakhs), Life Insurance Corporation of India (Rs. 20 lakhs), Industrial Finance Corporation of India (Rs. 20 lakhs), ICICI (Rs. 10 lakhs), The Bank of Baroda Ltd. (Rs. 10 lakhs), The Bank of India Ltd. (Rs. 10 lakhs), The United Commercial Bank Ltd. (Rs. 10 lakhs), Canara Bank Ltd. (Rs. 8 lakhs), The New India Assurance Co. Ltd. (Rs. 2 lakhs), South India Insurance Co. Ltd. (Rs. 3 lakhs), The New Great Insurance Co. of India Ltd. (Rs. 3 lakhs), Rajnikant Chinubhai Sheth (Rs. 3 lakhs), Narottom B. Javeri (Rs. 1.40 lakhs), M. Nanjappaiah Jahgirdar (Rs. one lakh) and M/s. Lallubhai Ranchhoddas (Rs. one lakh).

The company was incorporated for the manufacture and sale of power alcohol, styrene monomer, polystyrene and its copolymers and materials and by-products derived from alcohol, styrene monomer and polystyrene and its copolymers. The company has been licensed to produce 7,500 tons of polystyrene and its copolymers per annum and the factory will be located at Visaknapatnam. The licensed capacity of styrene monomer is 10,000 tons per annum and that of Power Alcohol nearly 1.5 million gallons per annum. It has obtained the technical collaboration of M/s. Universal Oil Products Co. Inc. of Des Plaines, Illinois, USA, who are one of the leading firms carrying on research in petroleum refining and petro-chemical industries. The other collaborators are M/s. BX Plastics Ltd., of Manningtree, England, who have agreed to supply technical know-how for the manufacture of polystyrene and its copolymers. Besides these foreign collaborations, the Power Gas Corporation Ltd. of England will supply the plant and machinery for styrene monomer and polystyrene to the company and will procure, fabricate and supervise the erection of the plant. M/s. Kusum Products Ltd. of Calcutta will design, engineer, supply and supervise the erection of distillery for the manufacture of power alcohol. Molasses and benzene will be the basic raw materials and the company expects to obtain sufficient molasses on reasonable rates from sugar factories in Andhra Pradesh. The Government of India have agreed to render all assistance to the company for procuring 10,000 tons of Benzene per year. The Hindustan Steel Ltd has agreed to supply it from its steel plants.

The project is expected to cost nearly Rs. 6.35 crores and this amount is proposed to be raised through equity share capital to the extent of Rs. 3 crores; foreign exchange loans of Rs. 2.16 crores, and bank borrowings, unsecured loans etc. of Rs. 1.19 crores. The Commonwealth Development Finance Co. has agreed to provide a sterling loan of Rs. 66.67 lakhs. ICICI has agreed to a loan of Rs. 75 lakhs in dollars. IFC has agreed to grant loans worth Rs. 54.33 lakhs in French francs and the Mercantile Bank Ltd. has agreed to provide a loan of Rs. 20 lakhs in sterling. The company expects to be able to manufacture power alcohol by the third quarter of 1965 and styrene monomer, polystyrene and its copolymers by the second half of 1966.

STRESS ON MANAGEMENT

Hindustan Lever Ltd. is one of those companies where efficiency is nourished and valued to the maximum extent. Having himself maintained the traditions of highly competent management, Mr. P. L. Tandan, Chairman, chose the occasion of the annual general meeting to provide a full picture of the pattern of management development in the company. He indicated that it has always been a professionally managed company with a tradition of development and promotion of men and women for good jobs. Over 20 years ago the company started its Management Trainee selection scheme which over the years has, with attention and assimilation of new techniques, improved considerably. The Chairman defined the three basic elements of management development: in the first instance the requirements over the next five to 10 years are anticipated, then men and women to fill these requirements are recruited and finally these individuals are trained to develop attitudes which help them to meet their responsibilities at the desirable standards. He explained that the first element dictated the company to prepare every year the Management Review for the next five years. This instrument of forcasting took into account the needs of the business expansion by way of new projects, new products and organisational changes. This requirement was then equated with internal resources. In analysing the needs it was made sure that it was not Parkinsonian expansion of administrative machinery, but a very precise assessment of when and how the needs would arise. The management review forcasting also assured a full consideration of the promotion potential within the company.

To be sure of a regular stream of management personnel the company formulated an annual plan of recruitment. Mr. Tandon stressed the facts that the individuals who were capable of being made the managers within the framework of the company were given the first preference. The process of selecting staff with a good original record, observation, training and grooming ensured a regular flow from within which provided opportunities for capable individual working for the company at lower levels. The company also recruited trainees fresh from the universities. It was in search of good minds with ability to develop the set of attitudes that were considered important for the company. Mr. Tandon outlined certain interesting features of the selection procedure followed by the company. It laid immense stress on the selection of the best individuals, who were then supposed to go through a period of training. After a short period of familiarisation the trainees were put to work so that, when, at the end of a year and a half of training, they got the first managerial responsibility, they thoroughly understood the working of the department. All through the training the seniors devoted a good deal of time and attention to the progress of each trainee after which a recommendation was put up for his confirmation in the covenanted grade.

Mr. Tandon further stressed that the training of the management staff never stopped and they could get promotions and more responsible posts along with training facili-

THE INDIAN SMELTING & REFINING COMPANY LIMITED

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Manufacturers of

1. ALLOYING & CASTING DIVISION

* Antifriction Bearing Metals
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* Tin Solders
* Fine Zinc Die Casting Alloys–'ISMAK-3'
* Cupro Manganese
* Aluminium Base Die Casting Alloys
* Brass & Bronze Rods–Solid & Cored
* Finished Castings–rough & machined.

2. HOT ROLLING DIVISION

* Commercial Quality Brass Sheets
* Commercial Quality Copper Sheets
* Brass & Copper Heavy Base Plates
* Copper Anodes

3. COLD ROLLING DIVISION

* Cold Rolled Industrial Quality Brass Sheathings, strips & Coils from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.
* Cold Rolled Industrial Quality Copper Sheathings, strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.

ties at various institutions associated with the company. Management development for Hindustan Lever, therefore, remains an integrated operation which has provided best opportunities to the best individuals.

BANK OF RAJASTHAN

The Bank of Rajasthan Ltd. recorded an increase in deposits during 1963 to the extent of Rs. 91 lakhs so that by the end of the year, the figure was around Rs. 7.18 crores. The number of deposit accounts also increased from 42,153 to 47,780. The advances by the bank also increased by Rs 73 lakhs to Rs. 4.23 crores. The Chairman indicated recently that with the industrial development of the State of Rajasthan, the share of industrial advances increased from Rs. 72 lakhs at the end of 1962 to Rs. 105 lakhs by the end of 1963. The advances to small-scale industry and co-operative institutions also increased. The gross income of the Bank increased by Rs. 6.60 lakhs to Rs. 48.68 lakhs, so that the net profit for the year was Rs. 4.04 lakhs as against Rs. 2 34 lakhs last year. During the year under review, four new branches were opened at Jaipur (Adarshnagar), Bharatpur, Kota (Industrial Es.ate) and Manasa in Madhya Pradesh, raising the total number of branches to 45. The bank proposes to continue this expansion by opening five more branches during the current year. The Chairman argued that the demand for the nationalisation of banking industry was quite baseless because the protagonists of nationalisation had advanced certain reasons which were not proved by facts.

HINDUSTAN ALUMINIUM

The Hindustan Aluminium Corporation Ltd., will be raising the production capacity of primary aluminium from 20,000 tonnes a year to 60,000 tonnes, and have obtained the necessary industrial licence from the Government for that. The corporation has approached the Export-Import Bank for financing the foreign exchange requirements and the first purchases of the expansion programme. Although the Corporation has received sanction for further issue of capital the directors do not propose to proceed with the issue for the time being. With regard to fabrication facilities major equipments namely the rolling mills and the extrusion press with their ancillary equipment are yet to arrive and efforts are being made to expedite the deliveries. The directors hope that most of these should be installed and put into operation before the end of 1964. A separate company, a wholly owned subsidiary, is being formed for setting up a thermal plant to meet the additional requirements of power. The proposed company, Renusagar Power Company Ltd., will have an authorised capital of Rs. 5 crores.

COMINCO BINANI ZINC

Set up to produce about 20,000 tons of electrolitic zinc and two by-products, namely 45,000 tons of sulphuric acid and 30,000 to 40,000 tons of cadminum annually Cominco Binani Zinc Ltd., will enter, the capital market on May 27 to offer for public subscription, 839,993 Equity Shares of Rs. 10 each. The subscription list will close on June 6 or earlier but not before May 29. The authorised capital of the company is Rs. 3 crores devided into 3,000,000 Equity Shares of Rs. 10 each. The Metal Distributors Ltd, have agreed to take up 420,000 shares, The Consolidated Mining and Smelting Co. of Canada 840,000 shares and 839,993 shares are offered for public subscription. Of the public issue, 80,000 shares will be reserved for the shareholders of the Metal Distributors Ltd., for preferential allotment.

The company will set up a factory near Alwaye in Kerala. It will raise loans from the Industrial Finance Corporation of India, The Kerala Industrial Development Corporation and The Export Credits Insurance Corporation of Canada. M/s. Consolidated Mining and Smelting Co. Ltd., Canada, the collaborators in the present company, have been the pioneers in the development of the electrolytic refining of zinc and have taken up 40 per cent of the issued capital of the company for cash.

ANDHRA FOUNDRY ISSUE

The Andhra Foundry and Machine Co. Ltd., which is presently fabricating chemical plant and equipment and structurals, has decided to put a spun pipe plant at an estimated cost of Rs. 102 lakhs, with a capacity of 24,000 tons of cast iron spun pipes per year on a double-shift basis. This is one of the three companies under construction, the other two being Kesoram's of Calcutta and Shakti's of Madras. The Company has entered into a technical collaboration agreement with Messrs. Rheinstanl Industrie-Planung GMBH., Essen, of West Germany, who are Western Europe's largest spun pipe manufacturers. The plant is expected to be completed by the second quarter of the next year. When the plant goes into commission, Padmasri N. B. Prasad, the Company's Technical Director and a well-known metallurgist, indicated recently, they would be turning out spun pipes (ranging from 3" to 16" in diameter) at around Rs. 550 per ton, which would be half the price obtaining in Europe. By reason of this decided price advantage, the company's spun pipes could easily be exported to the Middle East, where these pipes are in great demand, it is felt. Further, spun pipes, mainly used in water supply, are in short supply, in the country even at present, and more of these would be needed in the fourth Plan period, when Government are likely to take up a number of water supply schemes, as also drainage and sewage schemes in a big way. It has also plans for diversification to include manufacture of malleable castings. The installation of hot-blast metallurgical cupola in the place of cold blast cupola, it is stated, would permit the utilisation of steel scrap (of which there is no dearth in the country) for spun pipe manufacture, besides pig iron. The use of scrap is believed greatly to reduce the cost of production. The directors anticipate a profit of 25 per cent., taking into consideration the experience of other fabrication works of the company, and, if all goes according to schedule, they propose to declare a dividend by 1966.

It is in the context of the proposed plant that it has decided to come to the capital market with a public issue of Rs. 45 lakhs, divided into 30,000 equity shares of Rs. 10 each and 15,000, 9.3 per cent cumulative redeemable preference shares of Rs. 100 each. The subscription list will open on June 4 and close on June 15 or earlier, but not before June 8. The entire issue to the public has been underwritten. The Company has an authorised capital of Rs. one crore divided into 30,000 preference shares and seven lakh equity shares. The issued capital is Rs. 65 lakhs, while the subscribed and paid-up capital is Rs. 10 lakhs. The Company, which was incorporated in 1961, is situated in Hyderabad.

DHARMSI MORARJI

The contact sulphuric acid plant with a capacity of 200 tons per day of the Dharasmi Morarji Chemical Co. Ltd., will have gone into production before the annual general meeting is held in the first part of June. During 1963, the company made actual withdrawals of Rs. 25 lakhs from the rupee loans of Rs. 30 lakhs granted by the ICICI and Rs. 17.96 lakhs from the foreign currency loan of Rs. 19.20 lakhs by Sulphur Export Corporation, New York, to finance this project. It has made necessary arrangements with the Dena Bank for an additional over-draft facilities of Rs. 20 lakhs to finance the working capital required for this project. The recent rights issue of

Rs. 13.79 lakhs will also meet a part of the finance required for the project.

Regarding the 100-ton alumina sulphate project at Ambernath, the company had completed installation of equipment for a production of 70 ton per day, but due to paucity of sulphuric acid and steam, production has had to be restricted to 50 tons a day. Construction work for the additional equipment required to achieve the normal capacity, is in progress. The installation of equipment for the 50 ton per day alumina sulphate project at Kumhari has been completed. The production of this factory had to be curtailed for the shortage of sulphuric acid. Necessary quantities of sulphuric acid and steam will be available when the 300-ton sulphuric acid plant goes into production. The company has been licensed to expand its capacity of chlorosulphonic acid plant from 1010 tonnes to 6,600 tonnes per annum. No progress has been made during the year in the implementation of industrial explosive project.

GOOD YEAR INDIA

Mr. R. E. O. Carey, Managing Director, Good Year India Ltd., has revealed that the sales of the company during the first four months of 1964 have reached Rs. 3.35 crores against Rs. 2.69 crores in the corresponding period of last year. The net profit for this period is approximately Rs. 2 lakhs against a loss of about Rs. 17 lakhs for the corresponding period of 1963. Mr. Carey was hopeful that this trend would continue. The Government of India has extended the time limit for the issue of rights shares till the end of 1964. The issue of further capital and the implementation of the expansion programme is under consideration of the directors. Mr. Carey indicated that the set-back during 1963 has been due to the power failure and fluctuating water supply as a result of which production had to be lower in order to maintain the quality. He, however, pointed out that the company was steadily going ahead with its programme of marketing new products manufactured under Good Year quality standards. The beneficial results of the quality compaign implemented in Ballabgarh factory, are being felt. The new 3-T Nylon earth moving tyres have been well received.

DUNLOP RUBBER

The Dunlop Rubber Co. (India) Ltd. recorded sales of the order of Rs. 40.74 crores during the year ended December 31, 1963, nearly Rs. 3.61 crores more than last year. The net profit before taxation was Rs. 327.69 lakhs. A sum of Rs. 10.25 lakhs was provided for development rebate reserves and Rs. 107.01 lakhs for general reserve. The directors felt that it would be prudent to merge the surplus as at December 31, 1962 and the small provision previously made in respect of retirement gratuities with the general reserve. The dividend for the year on the guaranteed cumulative preference shares amounting to Rs. 2.40 lakhs has been paid and the dividend on the second cumulative preference shares for the year under review amounts to Rs. 2.20 lakhs. The directors have recommended dividend on the ordinary share capital of 17½ per cent subject to income tax. This compares favourably with 15 per cent in respcet of the previous year and will absorb Rs. 78.75 lakhs.

CAPITAL ISSUES

Nine companies, it is learnt, have been allowed by the Controller of Capital Issues to raise capital. These include both equity and preference shares. The consent in all the cases is valid for 12 months.

The Hindustan Electric Company Ltd., Maharashtra, Bombay, engaged in the manufacture of machines operated by the use of electricity, steam etc., and having a paid-up capital of Rs. 140 lakhs, has been accorded consent to the issue of further capital of Rs. 140 lakhs divided into 1,20,000 equity shares of Rs. 100 each to the existing shareholders on rights basis in the ratio of 1 : 1 and 20,000 irredeemable cumulative preference shares of Rs. 100 each carrying dividend of 8.57 per cent (gross) to Brown Boveni and Company Limited, Baden, Switzerland, for cash at par. The proceeds of the issue will be utilised for financing the expansion programme of the company.

Voltas Ltd., Bombay, has been granted consent to issue further capital of Rs. 102 lakhs divided into 1,02,000 equity shares of Rs. 100 each for cash at a premium of Rs. 25 per share. The shares will be offered to the existing share holders of the company in the proportion of two for five shares held. The proceeds of the issue will be utilised on the company's expansion schemes in the manufacture of power factor capacitators, electric hoists etc.

Hada Textile Industries Ltd, Calcutta, a new company, has been granted consent to issue capital of Rs. 36 lakhs for cash at par consisting of Rs. 24 lakhs divided into 2,40,000 equity shares of Rs. 10 each and Rs. 12 lakhs divided into 12,000 9.5 per cent, cumulative redeemable preference shares of Rs. 100 each. The proceeds of the issue will be utilised for the setting up of a cotton spinning mill.

Mayarkshi Cotton Mills Limited, Calcutta, has been granted consent to issue capital of Rs. 60 lakhs for cash at par consisting of Rs. 45 lakhs divided into 450,000 equity shares of Rs. 10 each and Rs. 15,00,000 divided into 15,000 cumulative redeemable preference shares of Rs. 100 each carrying a dividend of 9.5 per cent. The proceeds of the issue would be utilised for the setting up of a spinning mill in the district of Birbhum with 12,000 spindles.

Wheels India Ltd., Madras, has been accorded consent to issue further capital of Rs. 13 lakhs in equity shares of Rs. 100 each, to be issued privately at par, partly for cash and partly other than cash. Of these, shares of a value of not exceeding Rs. 5.85 lakhs will be issued to Dunlop Rubber Company Ltd. (U.K.) at par against supply of plant and equipment. The proceeds will be utilised on the manufacture of wheels and top rollers for tanks.

Kerala Spinners Ltd., Allepey, a public company incorporated in Kerala, has been accorded consent to issue capital of Rs. 40 lakhs (including Rs. 10 lakhs raised already) divided into 40,000 equity shares of Rs. 100 each, for cash at par. The proceeds of the issue will be utilised for setting up a spinning mill with a capacity of 12,000 spindles.

The Plantations Corporation of Kerala Ltd., a Government company, has been given consent to the issue of capital of Rs. 80 lakhs, divided into 8,000 equity shares of Rs. 1,000 each for cash at par. The proceeds will be utilised for rubber plantation.

Indian Drugs and Pharmaceuticals Ltd., Delhi, a Central Government undertaking, has been given consent to the issue of further capital of Rs. 2 crores divided into 20,000 equity shares of Rs. 1,000 each for cash at par. The proceeds will be utilised for financing the drugs and surgical instruments plants.

Gujarat State Fertiliser Company Ltd, Ahmedabad, has been given consent to issue of further capital of Rs. 12,99,54,700 divided into 9,99,547 equity shares of Rs. 100 each and 3,00,000 9.3 per cent redeemable cumulative preference shares of Rs. 100 each to be issued for cash at par. Of this, equity shares of the value of Rs. 5,11,54,700 and preference shares of the value of Rs. 1,53,00,000 would be offered to the public by prospectus and shares of the value of Rs. 5.35 crores (Rs. 3.88 lakhs in equity and the balance in preference shares) would be subscribed by the Government of Gujarat. The proceeds will be utilised for the manufacture of chemical fertilisers and allied chemicals.

LICENCES ISSUED

The following licences have been issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 9th May, 1964. The list contains the names and addresses of the licensees, the articles of manufacture and annual installed capacity.

STEEL CASTINGS

Prakash Engineering Co. and Rolling Mills, Freeganj Street, Agra. (Uttar Pradesh) — Grey-Iron Castings — 500 tons.

NON-FERROUS CASTINGS

Rashtriya Metal Industries Ltd, Kurla Road, P.O. J.B. Nagar, Bombay-59 AS P.O. J.B. Nagar, Bombay, (Maharashtra) — Non-ferrous castings — 73 metric tons.

ELECTRICAL MOTORS

Kilburn & Co. Ltd., 2, Fairlie Place, Calcutta. (West Bengal) — Air break drum controller and resistances for A.C. & D.C. Motors — 240 initially and 696 Nos. per annum finally (5th year).

DRY CELLS

Saxby & Farmer (India) Pvt. Ltd., 17, Convent Road, Entally, Calcutta-14. (West Bengal) — Air Deplorised Wet cells — 72,000 nos.

ORGANIC HEAVY CHEMICALS

Andhra Sugars Ltd., Venkatarayapuram, P.B. No. 2, Tanuku — (West Godavari) (Andhra Pradesh) — Sodium Acetate — 12,688 tons.

MISCELLANEOUS CHEMICALS

Foods, Fats & Fertilizers, (Private) Ltd., 67, Godown Street, Madras-1. (Andhra Pradesh) — Distilled Fatty Acids — 3,000 tons. Glycerine — 3,36 tons.

COTTON TEXTILES

Shri Ratnappa Bharamappa Kumbhar, Chief Promoter, Kolhapur Zilha Shetkari Vinakari Sahakari Soot Girni Ltd., Ichalkaranji, District Kolhapur, **Proposed name:** Kolhapur Zilha Shetkari Vinakari Sahakari Soot Girni Ltd. (Ichalkaranji, Taluka Hatkangale, Distt. Kolhapur, Maharashtra) — Cotton yarn — 25,000 spindles. The General Industrial Society Ltd, 15, India Exchange Place, Calcutta-1. (Madnapur Distt. West Bengal) — Cotton yarn — 12,500 spindles.

VEGETABLE OILS

Laxmi Industries, 10, Bruce Street, 2nd Floor, Fort, Bombay (Amravati, Maharashtra) — Cotton seed oil — 16,000 tons of cotton seed.

ASBESTOS CEMENT

Hyderabad Asbestos Cement Products Ltd., Sanatnagar, Hyderabad-18. (Vallabgarh, Gurgaon, Distt. Punjab) — Asbestos Cement Sheets — 36,000 tonnes. Pressure pipes and Accessories — 6,000 tonnes.

CHANGE IN NAMES (Owners or Undertakings)

(During the week ending 9th May, 1964)

(Pertaining to particular licences only)

From (1) Government Ceramic Concerns, Kundara, and (2) Kerala Government Ceramics, Kundara to M/s. The Kerala Ceramics Limited, Kundara. From M/s. Jay Shree Textiles Ltd., P.O. Rishra, Distt. Hooghly to M/s. Jay Shree Textiles and Industries Ltd., P.O. Rishra, Distt. Hooghly. From M/s. Development Corporation (Private) Ltd., Ernakulam to M/s. Bharat Tyre and Rubber Co. Ltd., Ernakulam. From M/s. Gandhi Electric Industries Private Ltd., Bombay to M/s. Emco Electricals Private Ltd., Bombay.

LICENCES REVOKED OR SURRENDERED

(During the week ending 9th May, 1964)

(Pertaining to particular licences only)

Shri H. N. Choksi, Bombay — Oxygen and Dissolved Acetyelene. M/s. Champaka Sugar Plantations Limited, Mannargudi — Sugar. M/s. The Basti Sugar Mills Co. Ltd., P.O. Watterganj — Sugar. M/s. Narhari and Choudhary Company, Guntur — Cigarettes.

TEXTILE MACHINERY CORPORATION LIMITED

NOTICE

NOTICE is hereby given that the Twenty-fourth Annual General Meeting of TEXTILE MACHINERY CORPORATION LIMITED will be held on Thursday, the 25th June, 1964, at 4 p.m. at the Registered Office of the Company at Belgharia, 24 Parganas, West Bengal to transact the following business :—

1. To receive and consider the Report of the Directors, and to adopt the Audited Accounts of the Company for the year ended 31st December, 1963.
2. To declare dividend on Preference and Equity Shares.
3. To appoint Directors in place of Shri D. N. Kapur and Shri G. R. Podar, who retire by rotation and are eligible for re-election.
4. To appoint Auditors and fix their remuneration.
5. AS SPECIAL BUSINESS :
   To consider and, if thought fit, to pass with or without modification, the following resolutions :
   As Ordinary Resolutions :

   ORDINARY RESOLUTION No. 1.

   "Resolved that the appointment of Textileen Agencies, Ahmedabad, as Sole Selling Agents for the sale of certain products of the Company in the State of Gujarat on the terms and conditions as contained in the Agreement dated 31st March, 1964, be and is hereby approved."

   ORDINARY RESOLUTION No. 2.

   "Resolved that sanction be and is hereby given to the Company for purchasing with the approval of the Company Law Board 50,000 Equity Shares of Rs. 10/- each in Shree Export House Limited, Calcutta."

The Register of Members and the Share Transfer Registers of the Company will remain closed from 17th June, 1964 to 25th June, 1964, both days inclusive.

By Order of the Board,
R. C. MAHESHWARI
FINANCE OFFICER

BELGHARIA,
15th May, 1964.

N.B. (1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

(2) Dividends, when declared, will be paid to the registered shareholders whose names would appear on the Company's Register on the 25th June, 1964 or to their order or to their bankers on/or after 20th July, 1964.

(3) The explanatory statement pursuant to section 173 of the Companies Act, 1956 is being sent to the shareholders individually along with this notice.

BOOKS BRIEFLY

Controllers of Credit

Eight European Central Banks: A Descriptive Study; Published under the auspices of the Bank for International Settlements, Basle; Allen and Unwin, London, 1963; Pp. 336; Price 45 sh.

Reviewed by D. KRISHNASWAMI RAO

IT IS a sign of the revival of interest in the working of monetary weapons that there has been in the past five years a considerable output of literature on the subject. This book, an official BIS study of the organization and functioning of eight central banks in western Europe, is, however, the first of its kind.

Each central bank gets a chapter, written by an expert who is or has been connected with it in an official capacity. The purpose of the book being to facilitate comparative study, the chapters follow a common pattern. Each deals with the origins of the central bank concerned, its legal framework, its functions and objectives, administrative organization, powers and fields of activity. In all this the contributors to the book draw heavily on the statutory basis of the central banks they write about. Lastly, they discuss monetary policy, with of course the neutrality of approach that the official sponsorship of the book and their own official standing entail.

To our students of central banking who take for their models of central banks in developed money markets only the Bank of England and the Federal Reserve System, this study, ponderous though it is with provisions of statutes and regulations, should be instructive. For here are money markets, old and functioning with considerable vigour but not all of one standard pattern that can be marked out as "developed". Among the central banks dealt with are some ancients — the Swedish Riksbank being 26 years older than the Bank of England — but they all adapt their techniques of control to the particular institutional environment in which they operate, a situation far removed from the simplified text-book descriptions that treat of 'credit control in developed money markets' as though it were one standardised entity fashioned by the Old Lady of Threadneedle Street.

Moral Suasion

Thus we read in the opening chapter, on the National Bank of Belgium, that the Bank does not intervene, contrary to everyday practice in England, as a buyer or seller, in order to regulate the market for 'short-term' government securities. Further, in Belgium the reserve ratios that are fixed for the banks are to be gradually extended to cover other financial institutions, an extension of control that England's Radcliffe Committee considered but hesitated to recommend. It is also interesting to note that although the statutory regulations are not helpful to it in this regard, the National Bank has been building up the power of moral suasion in its dealings with the banks.

Considerable interest will attach to the description of the operations and policy of the Deutsche Bundesbank — the central bank of the Federal Republic of Germany — for it is the controller of the credit system of an economy that is of great and growing significance for the world. One is disappointed that this chapter only mentions but does not discuss the conflicting pulls on the Bank's monetary policy exerted in recent years by the untypical juxtaposition of a strongly buoyant internal economy and heavy balance of payments 'surpluses'.

The most readable account in the book is that of the Bank of England, partly for the reason that this the most technically competent central bank in the world is one the least buffered by statutes. In fact it is in the absence of detailed formal powers coupled with the exercise of very great informal influence that there lies the difference between central banking in England and on the other side of the Channel and the North Sea, a difference to which practically every page in this book bears witness. To the reader who wants to get a good short description of the Bank of England's work —in essence as the Radcliffe Committee found it — the relevant chapter in this book is to be strongly commended.

The study of the Banque de France brings out clearly the dictates of the situation that faced the Bank at the end of the last War; an economy in a highly liquid state, with business activity at a low level and a vast reconstruction effort to be undertaken with extensive recourse to credit. In order therefore to direct credit to the uses that were considered most important the central bank's traditional armoury had to be buttressed by new quantitative controls and also by a wide range of selective restraints on credit.

In France as well as in Italy there is a system of inspection of the banks as elaborate as that which exists in India; in Italy after the War the system was extended to cover all financial institutions that accept deposits and make loans. Not surprisingly, the Bank of Italy does not use the instrument of open-market operations, a lack made up by the power of prescribing compulsory reserve requirements for the banks, a common instrument of credit control on the Continent.

In the Netherlands the central bank is statutorily charged with the supervision of credit institutions for the two-fold purpose of ensuring their solvency and liquidity and of assisting the Bank to carry out its monetary policy. Use is also made in that country of the method of variable cash reserve ratios for the banks, though mainly with an eye on the balance of payments position — a point that this book does well to emphasise, because otherwise it would seem paradoxical that in the Netherlands this ratio has been increased during recessions and reduced during times of credit expansion. The central bank's use of moral suasion, where possible, in preference to formal instructions to credit institutions, is also stressed.

The last two chapters in the book are on the central banks of Switzerland and Sweden (the latter the world's oldest) in whose case however we do not notice the proliferation of credit control powers that is found elsewhere on the Continent — the Swiss National Bank does not have even the power of prescribing compulsory reserves. "Recommendations" made to credit institutions regarding their lending and investment patterns therefore play an important part in the functioning of these two central banks, particularly the Swiss.

The book has two conspicuous lacunae: it has no introductory chapter outlining the broad features of central banking in the countries covered, without which it must be hard on the uninitiated reader, and secondly, it lacks an index.

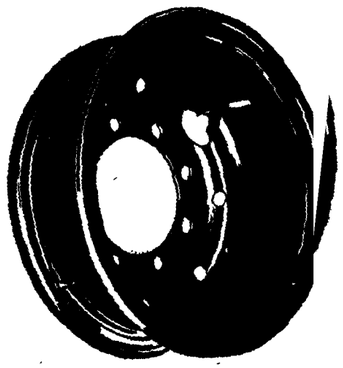
ELIMINATING WASTAGE

Admars: Fourth Annual Number and Directory, 1964; Published by Admars Company, Bombay; Pp. 274; Price Rs. 10.

ADVERTISING CALLS for a systematic approach for eliminating wastage. A guide for producers and consumers is, therefore, timely. The Editorial Board of *Admars* deserves appreciation for the latest Annual which exhibits a marked improvement in the volume, contents and get-up over its previous Numbers. This sumptuous Number is divided into eight sections each dealing in an expert manner with the subject taken up. Particular mention needs to be made of Section II which is studded with illuminating articles on various topics of public interest such as population, sales, advertising, planning, technology, marketing research, etc. The other sections provide the reader with a fund of valuable information about various advertisers, advertising media and personalities in publicity field. All those engaged in the field of advertising and publicity will certainly find this annual extremely useful.



3,00,000 TRUCK WHEELS ON THE HIGHWAYS



WL wheels are known for their sustained performance, built-in safety and capacity to withstand any road condition—qualities really hard to match. Even under the greatest strain WL wheels keep on running absolutely trouble-free.

Over 3,00,000 WL wheels are now on the Indian Highways

FOR ANY LOAD - ANY ROAD

WHEELS INDIA LIMITED
Padi, Madras-50

ADS WIL 389

This is only an announcement and not a Prospectus

ANDHRA FOUNDRY & MACHINE CO., LTD.

(Incorporated under the Companies Act, 1956)

Registered Office : No. 28, Sarojini Devi Road, SECUNDERABAD 26

SHARE CAPITAL

AUTHORISED

30,000 9.3% (free of Companies Tax but subject to deduction of Tax at source at prescribed rates) Cumulative Redeemable Preference Shares of Rs 100/- each	Rs.	Rs 30,00,000
7,00,000 Equity shares of Rs. 10/- each		70,00,000
		1,00,00,000

SUBSCRIBED & PAID UP CAPITAL

1,00,000 Equity shares of Rs 10/- each	10,00,000	
Less : Calls in arrears	7,087	9,92,913

PRESENT ISSUE OF CAPITAL

4,00,000 Equity shares of Rs. 10/- each	40,00,000
15,000 Preference shares of Rs. 100/- each	15,00,000
	55,00,000

Out of the above 1,00,000 Equity shares of Rs. 10/- each have been subscribed by the Directors, promoters and their friends and these have been allotted in full.

PROPOSED ISSUE TO THE PUBLIC AT PAR

3,00,000 Equity shares of Rs. 10/- each	30,00,000	
15,000 Preference shares of Rs 100/- each	15,00,000	
		45,00,000

Terms of Payment

	Equity Shares Rs nP	Preference Shares Rs
On application	2.50	25/-
On allotment	2.50	25/-

The balance of Rs 5/- on Equity shares and Rs/ 50/- on Preference shares is payable in two calls as may be determined by the Directors

BOARD OF DIRECTORS

1. Sri M. Harischandra Prasad, M.L.A.	**Director :** The Andhra Sugars Limited Elecon Engineering Co Ltd., etc., Tanuku.
2. Padmasri N. B. Prasad	**Director :** The Andhra Sugars Limited. Oxygen Equipment & Engineering Co (Pvt.) Ltd., etc., Secunderabad.
3. Sri T. Veerabhadra Rao	**Director** The Andhra Bank Limited, etc Hyderabad.
4. Sri B. B. Ramiah	**Director :** The Andhra Sugars Limited, Sree Akkamamba Textiles Ltd etc., Tanuku.
5. Sri B. Hanumantha Rao	**Director :** Republic Forge Co. Ltd., etc., Hyderabad.
6. Sri Khan Bahadur C. B. Taraporvala	**Director :** Sirpur Paper Mills Ltd., Greeves Cotton Co Ltd., Tata Engineering & Locomotive Co Ltd., etc Hyderabad.

MANAGING AGENTS

M/s Harischandra Prasad & Associates, Hyderabad.

BANKERS

The Andhra Bank Ltd., Hyderabad;
The Bank of Baroda Ltd., Hyderabad;
The Canara Bank Ltd., Secunderabad.

AUDITORS

M/s. Brahmayya & Co., Chartered Accountants, Hyderabad

UNDERWRITERS

1) M/s. Industrial Finance Corporation of India, New Delhi.
2) M/s. Life Insurance Corporation of India, Bombay.
3) M/s. Andhra Pradesh Industrial Development Corpn., Hyderabad.
4) M/s. The Andhra Bank Limited, Hyderabad.
5) M/s. The Bank of Barod., Limited, Bombay.
6) M/s Canara Bank Limited, Bangalore.
7) M/s. Oriental Fire & General Insurance Co. Ltd., Bombay.
8) M/s P R Subramanyam & Sons, Bombay.

OFFICIAL BROKERS TO THE ISSUE

Bombay :
1. M/s. P. R Subramanyam and Sons, 70-A, Stock Exchange Building, Apollo St., Bombay-1
2. M/s. Lewis and Jones, Bank of Baroda Bldg., Apollo Street, Bombay-1
3. M/s. A B Pandit & Co., 32, Apollo Street, Bombay-1
4. M/s. Chimanlal J Dalal & Co., 107, Stock Exchange New Building, Dalal Street Bombay-1.
5. M/s R R Nabar & Co., Dalal Street, Bombay-1
6. M/s. Navalchand T. Shah & Co., 15, Union Bank Building, Apollo Street, Bombay-1.

Calcutta :
1. M/s. G. M Pyne, 14, India Exchange. Place, Calcutta-1
2. M/s. Place Siddons and Gough (P) Ltd., 6, Lyons Range, Calcutta

Madras :
1. M/s. Somayajulu & Co., Andhra Insurance Building, Thambu Chetty St., Madras-1.
2. M/s. Paterson & Co., 22, Errabalu Chetty Street, Madras-1.
3. M/s Chitra & Co., 322/23 Linghi Chetty St., Madras-1

New Delhi :
1. M/s. M R Dhawan & Co 4/8, Asaf Ali Road, New Delhi
2. M/s. P Roy Company, 3/8 M.M. Road, Jn. Panchkuin Road, New Delhi.

Bangalore :
1. M/s P R Subramanyam and Sons, 'Shree Siva', 24, Fourth Street, Benson Cross Road, Bangalore-6

Coimbatore :
1. M/s. Chellam & Co Ltd. Bank of Baroda Building Coimbatore-1.

Ahmedabad :
1. M/s. Chinubhai Chimanlal Dalal, Fatehbhai's Haveli Ratanpole, Ahmedabad.

Hyderabad :
1. M/s Kapurchand Shrimal Sultan Bazar, Hyderabad (A.P.)

OBJECTS

The Company was incorporated on 7th October, 1961 and has set up a workshop in Hyderabad where orders are being executed for fabrication of structurals and chemical plant equipment.

The Company now proposes to establish a plant for the manufacture of Cast Iron Spun Pipes and has entered into a collaboration agreement for technical know-how with the well known firms, **M/s Rheinstahl Industrie Planning, G m b H., M/s Rheinstahl Huttenwerke A G.,** in West Germany, for this purpose. The plant will produce 24,000 tons of pipes per year on double shift These pipes are mainly required for water supply schemes and for drainage and sewage schemes. The factory is located at Maula Ali (Hyderabad) The Company is assured of supply of raw materials, power and water The foreign exchange cost of the plant and machinery is being met out of a loan Rs. 37 00 lakhs in foreign exchange sanctioned to the Company by the Industrial Credit & Investment Corporation of India and the balance cost of the project will be met out of this public issue

The subscription list will open at 10 00 A M. on 4th June 1964 and will close at 5 00 P.M on 15th June 1964 or earlier at the discretion of the Directors but not earlier than the close of business on 8th June 1964

Copies of prospectus and application forms can be obtained from Bankers, Underwriters and Brokers to the issue and from the Registered Office of the Company.

THE BANK OF RAJASTHAN LIMITED

(Regd. Office, Udaipur) Central Office, Jaipur

Abridged Balance Sheet as on 31st December, 1963

1962	CAPITAL & LIABILITIES	1963	1962	PROPERTY AND ASSETS	1963
Rs.		Rs.	Rs.		Rs.
19,51,580	Capital & Reserves	23,91,305	1,11,22,355	Cash, Bank Balances and money at call	1,67,25,094
6,26,65,767	Deposits	7,17,81,168	2,21,88,659	Investments	2,03,40,281
10,00,000	Borrowings from Banks ..	12,05,914	3,50,54,127	Advances	4,23,45,769
27,10,131	Bills payable	34,57,642	60,06,205	Contra items	84,48,531
60,06,205	Contra items	84,48,531	23,08,662	Other assets	24,91,016
23,46,325	Other liabilities	30,65,631			
7,66,80,008	TOTAL	9,03,50,691	7,66,80,008	TOTAL	9,03,50,691
(2,34,259)	Net profit	(4,04,721)			

(R. Y. Garg)
General Manager



RECORDS AND STATISTICS

Dhebar Committee Report

AT THE 68th session of the Indian National Congress, held on January 9 and 10, 1964 at Bhubaneswar, a resolution on "Democracy and Socialism" was adopted. The Congress President appointed a Sub-committee in the last week of March to prepare a draft report on the implementation of the resolution. The Sub-committee consisted of Mr. U. N. Dhebar, Mr. C Subramaniam, Mr. Sadiq Ali, Mr. S. N. Mishra and Mr. Bali Ram Bhagat. The report of the Sub-committee was submitted to the Congress President on May 7, 1964. The Working Committee of the party accepted the report of the Sub-committee and placed it before the All-India Congress Committee Session which was held on the 15th, 16th and 17th May, 1964 at Bombay. Full text of this report is reproduced below:

The Bhubaneswar Resolution on Democracy and Socialism has outlined the essential characteristics of the social and economic order that the Nation is determined to build for itself as speedily as possible. The Resolution has in particular stressed the importance of ensuring —

(a) that the essential requirements in respect of food, clothing, housing, education and health of every man, woman and child in the country are satisfied;

(b) that, as a means to the above end as well as because of the intrinsic value that should be attached to social justice in a viable democracy, large disparities that exist in the economic and social status of different sections of the community should be narrowed down;

(c) that necessary fundamental changes in the ways of thinking and in the ways of living of the people be brought about democratically so as to facilitate the full growth of human personality which alone would make it possible for the full utilisation of the enormous human resources which the country is endowed with; and

(d) that the Nation should set before itself the task of realising these objectives substantially by the end of the fifth Plan.

Basic Strategy

The basic strategy that has to be adopted for realising these objectives is adumbrated in the successive five-year Plans. While it is in all conscience a difficult strategy requiring people to practise austerity and undertake sacrifices in the present for the sake of the future, it should be realised that there is no easier course to sustain freedom and to ensure prosperity consistently with the laws of human justice. While we are convinced of the validity of this approach, we feel it necessary to emphasise that the Organisation and the administration have as well to bear in mind the strains and stresses inherent in the situation. They (the Organisation and the administration) carry a moral obligation to ensure that the results bear reasonable relationship to the effort on the part of the people and not only the burdens and sacrifices but also the fruits thereof are equitably distributed.

In concrete terms this requires that national effort be directed towards (a) the attainment of more rapid progress in all sectors of the economic activity so that the targets for the third five-year Plan are realised and the Nation is prepared for the achievement of further acceleration in the fourth and the subsequent Plans; and (b) those in charge of planning and execution direct their efforts towards strengthening the base of the country's economy as also towards widening it so as to reduce the gap between the bottom and the top layers of our society. Given the necessary will and determination, progress in the next few years can be of a nature and character which will yield something of the order of 7 per cent per annum increase in the total national output. This alone, in our opinion, can ensure realisation of the aforesaid objectives.

Shortfall in Implementation

If the results in the past few years have not been commensurate with the country's anticipations, the failure, by and large, is not that of strategy but of implementation. It is to this urgent matter that the country, Government and the Congress organisation have to devote their particular attention at this stage of the country's development effort.

Nowhere has the gulf between promise and fulfilment been of more serious consequences to the material well-being of the common people than in the rural sector, especially agriculture. And nowhere has this failure been so clearly a result of organisational weaknesses and inadequacies. With all possible progress in other areas of economic activity, it still remains indisputable that, for the foreseeable future, the agricultural sector will be the main provider of employment and consumption articles to the mass of the people, and only a sufficiently high level of agricultural production will ensure a higher rate of growth for the economy.

The Committee therefore considers it absolutely necessary that advance in this sector has to be assured in the immediate present as much as over a period and the Planning Commission should set before the country and the Government realisable but firm targets for the remaining two years of the third Plan as also for the ten-year period thereafter. The Committee feels that the target of annual rise of five per cent accepted for the third Plan period is not an over-optimistic target. The sustained annual increase of 5 per cent must be our objective in the fourth and fifth Plan period. In any event agricultural production will have to reach up to 92 to 94 million tons by the end of 1965-66. This would mean an annual increase of 7 per cent to 8 per cent during the next two years. Remedying the human failures that come in the way of ensuring a fast and steady growth in this sector becomes, therefore, a matter of utmost urgency.

The methods to achieve agricultural progress have been indicated in the third five-year Plan. But these themselves will bear little fruit unless a proper atmosphere as well as an adequate organisation and machinery is built up to ensure the most effective application of these aids to larger production. It is principally in this area that we would like to make specific suggestions for action in the following two years. We would like to emphasise once again that what we achieve in the next two years is most crucial.

It is only the effort and enthusiasm of the peasant-cultivator that can transform the rural scene. It would be illogical to expect the peasant-cultivator to put forth his best efforts

if the economic and social order continues to be one in which he is denied his right to security and full enjoyment of the fruits of his labour. The ensuring of this has to be the first concern of the Government and the Congress Organisation.

The essential prerequisite for realizing this objective is the early implementation of the Land Reforms programme. Within the next two years, a determined effort should be made to secure effective implementation of the measures for redistribution of the rights in land — including the abolition of intermediaries, enforcement of ceilings on land ownership, assurance of security of tenures, determination of fair rents, and preparation of proper cadastres and records of right. Necessary steps will have to be taken to enable the tenants to acquire rights of occupancy by payment of compensation.

There is a general feeling in the country that the actual benefit derived by the small cultivators, tenants and agricultural labourers is inadequate taking into account the legislative measures indicated. Many a time we have fixed the dates by which the programme of Land Reforms was to be completed, but in practice those have not been complied with. The time has come for a decisive commitment so that no quarter is given to further procrastination or further frustration.

We, therefore, urge that the AICC should call upon the Government of India and all the State Governments to implement the programme of Land Reforms before the end of the third Plan period. At the political level the Congress Organisation will have to play an active role in seeing that this is done. We suggest that the AICC should forthwith establish its own machinery for assisting and watching the implementation of this programme. This wing of the Organisation should be placed in charge of a very senior leader of the Party who should be assisted by four or five senior members of the Party one from each zone.

Removal of Deficiencies

For each State a Committee of Congress Legislature Party should also be formed to help and assist the Chief Minister as well as the machinery set up at the AICC level for this task. The function of this Wing or Committee of the AICC should include review of the progress made in the implementation of the Land Reforms in each State, making recommendations to the Chief Ministers to remove deficiencies if any in the legislation, making arrangements for educating the peasantry about their legal rights and issuing instructions to the PCCs and through the PCCs to the subordinate Congress Committees about the steps to be taken to assist the State Government and the peasantry.

The target of implementing the Land Reforms within the coming two years is realistic. There are, however, we believe, built-in deficiencies in some of the land legislations which are being exploited by the vested interests to defeat the purpose of Land Reforms. The proposed Committee of the AICC will have to be vested with adequate powers to cope with this aspect of the problem also. We feel convinced that only a very high level political machinery would make for speedy implementation of Land Reforms in the States and clear away at the political level the hurdles in the way.

The above Committee should submit six-monthly reports to the Congress President on the progress of implementation. Similar reports should be invited from the PCCs. Based on these, a comprehensive report should be presented to the AICC every year beginning from May next.

The completion of Land Reforms will mark the end of a chapter in re-organisation of the rural economy. We shall then have provided a sound and stable base to the rural economy, for the peasant will then be sure of getting the fruits of his labour and investment.

Agricultural Development

Simultaneously, in the next two years we should ensure the fulfilment of a target of production of 92 to 94 million tons of foodgrains. With that end in view, the Committee feels that attention should be concentrated on 'Package Programme Areas' in the country. There are now nearly 250 IADP areas in the country. In these Intensive Agricultural Development Areas, adequate facilities in men and material have already been made available. Detailed plans have been drawn up. These areas have been selected in consultation with the States concerned and the targets also have been fixed in consultation with them. There is no reason, therefore, why there should be any failure in achieving the targets unless of course there is total failure of monsoon.

In the same way, in the non-IADP areas, the administration should carry out the tasks that may be fixed in consultation with the Planning Commission and the Government of India in the remaining years of the third five-year Plan.

The implementation of programmes of agricultural reforms and development has in the past been unsatisfactory partly because of a lack of clarity in assignment of the responsibility to carry out defined tasks. It is of the greatest importance to take firm steps to remedy this weakness on the administrative side. We, therefore, suggest that in case of failure to achieve the targets set for the next two years, the Chief Minister and the Minister-in-charge should be held accountable to the Congress Parliamentary Board, and if the Congress Parliamentary Board is not satisfied with the performance, the necessary consequences of failure to discharge the responsibility should follow.

This concept of accountability of the Chief Minister and the Minister concerned for the performance of the Plan target should be considered hereafter to be a normal feature of ministerial responsibility in our Organisation. The holding of office will carry with it the obligation to show the necessary competence which will be reflected in the results achieved. This will also ensure vigilance and alertness as well as allocation of responsibility at all levels.

Other Suggestions

We have a few other suggestions to make, in relation to agriculture, required to be performed by the end of the third Plan:

(i) It was intended to cover the entire country with Service Cooperatives by the year 1962-63. This target must be fulfilled at least by the end of the third Plan. In areas where because of backwardness it is difficult to generate popular initiative, it should be the responsibility of the State Governments to make necessary arrangements to build up co-operative institutions within this period. The Government should locate responsibility on some authority specifically for the due discharge of this responsibility. Timely supply of seeds and credit as well as timely sales of their agricultural products will be difficult unless this net-work of co-operative organisation is completed.

(ii) Common Services programme will also have to be organised in order to help farmers with uneconomic holdings throughout the country to undertake economic cultivation of their land and to make available at moderate cost the services of science and technology. In the initial stages, incentives may have to be given to induce the farmers with uneconomic holdings to undertake Common Services programmes. This should lead ultimately to common planning on the basis of sizable economic units.

(iii) Soil testing equipment should be made available at least in one central place in every Block by the end of the third Plan. This will mark the beginning of scientific agriculture.

(iv) The next two years should also be utilised to organise the manufacture and supply of agricultural implements — the objective being that by the end of the fourth Plan there will be no farmer who cares for improved tools, to go without them.

Regulation of Trade & Prices

The third major task that has to be undertaken in the sphere of agricultural development is that of ensuring a remunerative price to the producers of agricultural commodities viz. the farmers. This is a task which is as complex as it is important, since agricultural products constitute articles of mass consumption and any undue increase in their price affects the poorer sections of the community most severely. A variety of measures to benefit the producer without placing an undue burden on the consumers have been introduced by the Governments in the past few years. But these have not been implemented purposefully, with the result that the prices paid by consumers have tended to be much higher than is warranted by the level of producers' prices.

It is generally appreciated that there can be no equitable sharing of the burden of development if the prices of essential food articles and of textiles are allowed to rise from period to period as has been happening in the past. If the socialist pattern of society that we envisage is to be made a reality, firm measures have to be taken within the next two years for effective regulation of the prices of food articles, particularly foodgrains, and of other articles of common consumption such as textiles. To this end, the Government should acquire before the end of the third Plan a commanding position in trade in foodgrains. Without this, it will be impossible to assure proper prices to the farmers on the one side or the consumers, particularly the more needy sections of a consuming public, on the other. The steps which, in our opinion, should be taken are the following:

(a) Government should fix and publicise widely the minimum support prices which would ensure fair return to the farmer for the principal foodgrains; the Central and State Governments should set up purchasing agencies in all primary markets for unlimited buying of supplies at those prices. This will help to eliminate distress sale.

(b) The Central Government should, after a proper enquiry, fix up a margin to be charged from the producers' point to the consumers' point in the case of each commodity. Such margin should include expenses for processing as well as other charges.

(c) Wholesale traders in foodgrains should be permitted to operate only under a licence; this policy has already been accepted and State Governments should see to it that the policy is effectively implemented.

(d) In the interim period, the maximum prices at which licensed wholesale traders in foodgrains could sell their stock should be specified; at that price all stocks with the traders should be made subject to sale only on government authorisation;

(e) Processing facilities such as rice mills should be brought under close government supervision until they are taken over as a means of regulating processing charges as well as for purposes of facilitating greater control on trading operations. In particular, rice mills in principal rice-growing States should be brought under government control and prohibited from engaging in trading activities.

(f) Simultaneously with the acquisition of a commanding position in the processing and wholesale trade operations, State Governments and the other government agencies should enlarge the number of fair price shops and consumers co-operative stores at which foodgrains would be sold at fixed and reasonable prices to the final consumer; in the establishment of consumer co-operative stores and in the ensuring of a proper code of conduct by authorised fair-price shops, the Congress organisation should assume more substantive responsibilities than in the past.

(g) The Congress organisation should create a machinery of its own to assist the State Governments in the prevention of hoarding and profiteering in foodgrains by private traders as well as in wiping out corruption and inefficiency in State Directorates or State-sponsored agencies at all stages of distribution;

(h) Within the course of the next two years, the Government should see to it that every person dealing with foodgrains displays the prices of foodgrains at which he has purchased it and at which he is selling it to the consumer. Such display should also state the quantity purchased and quantity available for sale.

We believe that these measures, if taken with determination and a concern for the well-being of the poorer sections of the community, will evoke response and co-operation from the general public and make for effective and easier implementation of the other policies suggested for agricultural development.

Animal Husbandry

As in agriculture, specific task for the next two years must be set by each State Government, in consultation with the Government of India and the Planning Commission, for the development of animal husbandry, poultry farming, dairies, fisheries etc. Systematic effort has not so far been made to exploit the vast resources of animal wealth in this country. There is still very scarce realisation of the potential in terms of increases in production and speedy production in this sector. The investment-output ratios in other fields will be far exceeded by the results in this sector, if only close attention is paid to its development. Again, as development proceeds, the demands for the supplementary foods and other raw materials provided by this important sector will rapidly grow. If close attention is given to the scientific development of the natural resources available in this field, the supply of alternative and nutritious foods can be augmented quite rapidly at a minimum investment to the Nation. Above all, it will help the vast population of cattle breeders in the country which numbers millions — a good portion of them nomads who are at the end of their tethers, economically and socially.

Two facets of development of this sector deserve special attention. The first of these is an improvement in the quality

of the animals that are bred, through adoption of scientific methods of selective breeding and of production of fodder and food materials. The second is that of providing adequate marketing facilities for the products of animal husbandry. Both these facets are inter-dependent and have to be harmonised. In the absence of this facility, there will be no incentive to the rural population to develop this wealth of the Nation. We, therefore, attach the highest importance to the formulation and implementation of an adequate policy in this regard.

In order to improve the quality of the animal stock in the country — of which the cattle stock is the most important —we suggest that in the next two years the following tasks should be completed:

(a) assessment of the potential for development of animal husbandry in each Community Development Block;

(b) implementation of the programme of sterilization of cattle of poor quality;

(c) provision for stud-cattle of requisite quality and the necessary breeding facilities, for a group of C. D. Blocks if not in each Block;

(d) speedy conversion of fallow and cultivable waste lands into pastures, and provision for scientific preparation of fodder and feedstuffs;

(e) linking the existing marketing facilities with development work;

(f) settling the breeding policy leading to scientific development and resulting in economising on effort as also the resources of feeds and fodder;

(g) settling the price policy for the products of animal husbandry and saving the people engaged therein from exploitation;

(h) revising the credit policy so as to bring the facilities of cheap credit to the animal husbandry men; and

(i) developing on scientific lines the utilisation of the postmortem remains of the animal.

On the marketing side it is of importance that immediate attention be given to the creation of Government sponsored co-operative agencies for collecting and marketing of products of animal husbandry as well as to the enlargement of cold-storage, canning and other facilities. Transport facilities also need to be augmented. In regard to cold-storage, processing and transport facilities for these products, the general policy should be such that they are prevented from becoming instruments of exploitation of farmers by private capitalistic organisations. Particularly in respect of cold-storage and transport facilities, the State should draw up a programme of expansion of State-sponsored agencies for early implementation.

Agro-Industrial Expansion

Rural industrialisation has now been accepted as one of the major economic and social objectives of the plan of the economic development of the country. As Dr. Gadgil has put it, objective of rural industrialisation implies industrialisation of the country as widely dispersed and as at small a scale with as high an economic potential as is compatible with efficient techniques and the requirements of the process of development. This should mean the utilisation of manpower, agricultural and other raw material resources available in the villages and the deliberate development of processing and consumer goods industries and ancillary industries in the rural areas to the maximum extent possible.

While in theory it is easy to conceive of the widest possible extension of the programme of rural industries, we come up against several fundamental difficulties in actual implementation. Except for village industries that come under the Khadi and Village Industries Commission, there is no organisation that can take charge of this problem. The entrepreneurial class interested in this type of work is relatively insignificant. There is complete chaos in the field of raw material supplies, except perhaps in the field of cotton supplies where there is some organisation. Law and rules relating to credit do not make for any easy or smooth expansion. Marketing organisations do not exist. Any attempt at large scale expansion is out of question unless these hurdles are simultaneously removed.

Programme Outlined

Bearing in mind these difficulties, as in the case of agriculture and animal husbandry, we would like to suggest that the following steps should be taken in earnest in order to place the programme of rural industrialisation on a proper footing as an integral part of the programmes of industrial development of the country:-

(i) It should be realised that in the consumer goods industry sector, there is, at any rate, in a few industries already substantial unutilised capacity. Nevertheless, expansion is proceeding. Such expansion would automatically mean commitment on the part of the Government to the supply of raw materials and other resources to the new units. This will, forever, leave a limited field for rural industrialisation. With heavier investments in the fourth Plan, the position that now obtains may become even more critical. It has to be realised in the context of conditions obtaining in the country that decentralised industry on small and cottage scale will continue to occupy an important place in the economy of the country. There should be no doubt that in the process of social transformation, next to agriculture and animal husbandry, rural industrialisation occupies a high enough place of importance. This is an inescapable conclusion if we are thinking in terms of broadening the base of our economy. A high level policy decision is called for in this regard.

(ii) Secondly, while rural industrialisation is not being conceived in the narrow limited sense of continuing the present techniques of production, it should, however be realised that the rural industrialisation will require in the initial stages the strongest possible support of the Government and the society if it is to hold its own against the organised large scale sector which besides the advantage of higher and superior techniques have other advantages that established concerns generally possess and the competitive economy generally affords. This means the responsibility for sponsoring the scheme of rural industrialisation will have, in the initial stages, to be undertaken by the Government.

(iii) In the next two years, the Government should evolve a suitable pattern of organisation and bring that into position if the problem of unemployment and underemployment and guaranteeing minimum living standards is to be tackled effectively, by the end of the fifth Plan. We are of the opinion that a sponsoring body should be immediately set up. It should be an autonomous body under the Industries Ministry of the Government of India. It will concentrate on the implementation of the programmes of rural industries. As its work develops State bodies and even regional bodies can be set up according to the needs of the situation.

(iv) The rural industries programme should be worked through co-operatives of the artisans or their registered institutions. The artisans will by and large be self-employed people and care will have to be taken that the State's support does not lead to the creation of an exploitative class in between the State and the artisan.

(v) In the matter of finance, electric power and distribution of raw materials and of transport, a relatively high priority will have to be given, if the rural industrialisation programmes have to take the roots without loss of much time. Costing norms especially in relation to supply of electric power will have to be reviewed if the rural industries product have to be economic. Once these are provided for, it should be the responsibility of the sponsoring organisation to draw up plans for the supply of raw materials, credit, improved tools and the technical know-how. Organising research and training programmes as well as manufacture of tools and dissemination of improved tools shall also be the responsibility of the sponsoring organisation.

(iv) and (v) above may mean a review of some of the policies thus far followed in the matter of supply of social and economic overheads on the part of the Government.

We feel that this calls for a bold and imaginative effort in the next two years. The inculcation of scientific practices and new techniques will have a direct effect upon the techniques of production in the agricultural and animal husbandry sector also. It is so very necessary to break through the deep veil of tradition that holds back progress in the rural areas. Expansion of rural industries sector will also help the process of breaking through the veil of tradition that holds back India's progress. Acceptance by the vast rural masses of the need for approaching their problems of production from new angles will emerge. Neither agriculture nor industries in the rural areas will then remain in the stagnant condition in which we find them today.

Industrial Development

Prominence given to agriculture, animal husbandry and rural industries does not detract from the need for rapid industrialisation for achieving the national objectives of raising the level of living of our people, securing continued development and ensuring economic independence. With the menace of external aggression that the country has now to face, this aspect of the strategy for development becomes more important than ever. There is a mistaken view that larger effort in the development of infrastructure and basic industries may make the realization of the objectives of agricultural development, enlargement of employment opportunities and cultural development, and improvement in consumption standards more difficult. In actuality there is no such basic conflict between these two vital sectors of the economy. Indeed, it is the industrial sector that provides fertilizers, better implements, cement, iron and steel, electric power, pumps, motors and so forth to the agricultural sector; without these material aids, agricultural productivity cannot be stepped up at the rate that the country requires. Similarly, an expansion of the industrial sector is essential for adding to the employment opportunities outside of agriculture, and for a widening of the market for both food articles and raw materials. If these inter-relationships between agriculture and industry are not explicitly recognised in developmental policy, the achievement of the national objectives of economic well-being and social justice will be made more difficult than it need be.

The programme for industrial development should, therefore, be such that the country will reach, within the next decade or so, a stage where a high rate of growth and investment can be maintained with minimum reliance on external assistance. This will call for a more rapid change in the structure of the industrial product in the coming years. In particular, it will be necessary to seek speedy expansion in the output of industrial products needed for agricultural development and of oil, metals and machinery needed for reducing the dependence on imports. Once these are secured, the basis will be firmly established for continued growth of a great variety of industries processing agricultural and industrial raw materials — many of which will be potent instruments for decentralisation of economic activity and power. Given these considerations, it follows that for several years to come, a substantial part of annual investment in the economy should be devoted to the building up of intermediate and capital goods industries; and in order that there may be rapid progress towards a socialist society, the major decisions in respect of such investment should rest with the public sector.

Division of Responsibility

The division of responsibility for industrial development between the public and private sectors should be geared to the socialist objective of increasing the proportion of means of production under socialist control. The broad allocation of spheres between the two sectors defined in the Industrial Policy Resolution of the Government is in this context entirely appropriate. In future, however, special attention should be paid to widening the scope of machine-building industries in the public sector. The fulfilment of targets that may be set for these industries is of the utmost importance for economic development; furthermore, an efficient and large machine-building industrial complex operating under public control will facilitate the regulation of other industries to be equipped by them.

Since the enlargement of the public industrial sector is essential for both economic development and social control of the means of production, it is imperative that Government should undertake in full or in a very large measure the responsibility for establishment and efficient operation of all the important intermediate and capital goods industries. In implementing the Industrial Policy Resolution, the paramount consideration should be that of phased fulfilment of targets; adjustments in the relative roles of the public and private sectors should be marginal and relate directly to the avoidance of delay in achieving production targets. In the past, Government has on this consideration allowed the private sector to enter into fields reserved for the public sector with a view to realising the third Plan targets. What is equally necessary is that in the fields allotted to the private sector, Government should be ready to enter when the private sector fails to take steps to implement the projects assigned to it. Furthermore, additional capacities in industries of mass consumption like cloth should be in the co-operative or state sector on a decentralised basis. Production in these units should be regulated to a few items of mass consumption. The existing units may be helped to produce more for exports.

In the sector of consumer goods industries it is very necessary to reorient our ideas. The production should be oriented to the needs of the common man. But we fear that it is getting more and more oriented to the needs of the higher income groups. What is, therefore, necessary is to create a powerful check on multiplicity and sophistication of varieties and to lay emphasis on producing things of mass consumption.

This will reduce cost and divert the resources of nation to the essential channels of production. We think it is high time we accept this as a part of our Industrial Policy.

As the public sector takes more and more responsibility in industrial enterprises, the delays in plan implementation as well as the costs of technical and managerial advices will cumulate unless suitable organisational changes are made within the public sector. These costs are particularly large in industries involving heavy capital investments and long gestation periods; to ensure that these costs are minimised, Government should set up specialised planning and design organisations for major industries like steel, fertilizers and chemicals and so forth, immediately. Such organisations should be able not only to provide expert opinion and advice on matters referred to them but also be made responsible for the detailed planning of the industries placed under their charge. These organisations should also be utilised for judging the suitability of related projects envisaged for development in the private sector.

Control on Private Sector

The objectives of social justice cannot be achieved unless simultaneously with the expansion of the public industrial sector, effective control is exercised on the pace and manner of expansion of the private sector. Measures have to be taken to ensure that projects in the priority industries assigned to the private sector are in fact implemented. While there is no doubt that for this purpose the licensing system will have to continue, it has to be modified in several respects if it is to be a really effective instrument for ensuring adequate performance and deconcentration of economic activity and power. In respect of larger and more important projects, licences should be issued only in cases in which full information is provided on technical as well as economic aspects. At the time the regular licences are issued, the successive steps to be taken by the licensee and the time schedule for these should be clearly defined. And when, despite any assistance that may be provided by Government, there is undue delay in the execution of the project, Government should revoke the licence and the project taken into the public sector for implementation. The policy of revoking licences will work only when the Government has built up the technical and managerial organisations mentioned earlier; revocation of the licence will then mean not an elimination of important planned project but their effective implementation by the public sector.

The tightening of the licensing system should be accompanied by greater insistence on the selection of locations, size of units which are economically viable and conducive to a progressive reduction in costs of production In this context, it is important that the issue of licences to units of an economic size should not result in their being concentrated in large business houses on the grounds that entrepreneurial ability or rupee resources are scarce. This will necessitate a decision on the part of Government not to issue any licences for new projects to existing large industrial concentrations. The relatively smaller business houses should be encouraged to acquire the necessary experience and technical expertise and specialised financial institutions set up under Government auspices should be directed to give preference to such business units. In particular Government should encourage through financial and other assistance enlightened technical and managerial personnel in the private sector to come forward and set up industries on their own. This will not by itself solve the problem of concentration of economic power but it is necessary for preventing the very large business houses from getting even bigger. For a real curtailment of concentration of economic power in private hands, it will be necessary for the Government to intervene more extensively than at present in both financial and distributive activities.

Finally, the tightening of the licensing system in the manner indicated above will necessarily increase the stresses on the administrative machinery connected with operating it. Unless steps are taken to reduce this strain on the agencies administering industrial development policies, the danger of corruption will greatly increase. In general, the approach to controls of this nature should be to specify clearly the high priority sectors or uses and restrict the operation of the quota or the licensing system only to them. Once the needs of such priority industries or uses are met, the others in the private sector should be left to obtain their requirements through competitive bidding for residual supplies. This will reduce the scope for black-marketing operations on the one hand and larger revenues for the Government on the other through the use of appropriate fiscal devices. This type of an arrangement need not necessarily imply that the ultimate consumers will have to pay prices higher than those which they are now being forced to pay to profiteers and black-marketeers.

In the present state of economic development, we have necessarily to seek and obtain assistance from foreign countries to industrialise our economy. Foreign assistance comes as Government to Government credit, private credit and as equity. The Government of India and the Congress have always welcomed the participation of foreign equity capital in selected industries where we lack technical know-how and need large amounts of capital. Foreign exchange that becomes available as equity has to be selectively used in industries where we cannot on our own make headway. We should continue this policy of selective and discriminating encouragement of foreign capital.

Direction of Credit

In order that credit and investible resources are canalised along the lines of national priorities and social purposes, the Reserve Bank should direct the Commercial Banks to go into the question of the end-use of the money they lend and see that borrowers use the money for the purposes for which they borrow it. For this purpose the Reserve Bank should have a proper machinery for detecting cases of abuse and taking suitable action. Further, by means of suitable regulations and use of its powers the Reserve Bank should ensure that the priorities which the Commercial Banks work upon in the matter of lending are in accordance with the accepted national or social priorities in planning. In other words, basic and small industries, new entrepreneurs and agricultural operations which merit financial assistance before others get proper priority in the lending policies of the banks.

In addition to the powers already vested in it, the Reserve Bank of India should have power **suo moto** or after conducting an inspection (a) to order a special audit, (b) to appoint auditors whenever inspection discloses some irregularity; and (c) in suitable cases to replace auditors elected by shareholders.

It should also be a statutory obligation for the Reserve Bank to conduct an annual inspection of the working of Scheduled Banks with paid-up capital and reserve of Rs. 50 lakhs and above.

The Reserve Bank should similarly have full authority and be always prepared to exercise it, to direct that Commercial Banks which enter into undesirable practices of the kinds mentioned below, are either reconstituted with new Boards of Directors or amalgamated with public sector banks or other approved Scheduled Banks or run in any other suitable manner under its overall guidance:

a) if serious irregularities are disclosed at the Reserve Bank's inspection or at the special audit or annual audit conducted by auditors appointed by the Reserve Bank;

b) if the licence of a bank is withdrawn or cancelled;

c) if the registration of a bank under the Deposit Insurance scheme is cancelled or withdrawn;

d) if the directives of the Reserve Bank of India in respect of selective credit control for different types of advances are violated;

e) if the advances against one type of security for one type of business or to one industry exceed half the aggregate of advances.

f) if the advances to undertaking in which directors are concerned except as ordinary shareholders, exceed 1/th of the aggregate of advances;

g) if the bank continues to have on its Board of Directors a person who has been fined or otherwise punished for breach of income-tax, Estate Duty, Sales Tax or Customs or Foreign Exchange Regulations or a default in respect of the payment of dues by way of income-tax, Estate Duty, Sales tax or custom duties;

h) if the bank has on its Board of Directors two or more persons belonging to the same joint families or same group of managing agents;

i) if the banks carry on business with or in a foreign country in violation of directive issued by the Reserve Bank;

j) if the banks continue to lend money without ascertaining the end-use of the money from the borrower and verifying that the declared end-use is in practice adhered to;

k) if the banks carry on activities of any kind which are clearly against the national interest.

Unaccounted Money

Unaccounted money comes into unscrupulous hands in a variety of ways and is used in many different manners for unsocial or anti-social purposes. Among examples may be cited the practice of sale or transfer of import licences etc., rebate in the general insurance trade, the sale, purchase and renting of real property — specially in large cities — smuggling, under-invoicing and over-invoicing of exports and imports and so on.

In dealing with unaccounted money we have to consider two aspects — (i) how to deal with the existing unaccounted money in the community and (ii) to prevent accumulation of unaccounted money in the future.

So far as the first aspect is concerned no argument is needed to emphasize evils and dangers of unaccounted money in the community today. No step in this context can be considered too drastic. These problems, therefore, have to be considered seriously.

For the purpose of preventing the future accumulation of unaccounted money, we have to take into account in what circumstances and environment unaccounted money is generated. The accumulation and unscrupulous use of unaccounted money get a fillip in an inflationary economy. Greater the stability of prices the less scope will there be for accumulating and using unaccounted money. An all-out attempt to eliminate graft and corruption from the Government's machinery of controls, the general insurance field and transfer of real property in cities, will be of help. Better supervision and control by the Reserve Bank of India of the circulation and use of large money through non-banking channels should make for an improvement. The machinery for collection and enforcement of direct and indirect taxes should be under continual scrutiny to see in what respects they can be improved and made effective.

Unless along with measures taken to root out existing unaccounted money steps are taken to prevent accumulation of unaccounted money in the future, we may have to resort to drastic steps every time, disturbing the whole economy Therefore, it is necessary to deal with this problem in all its aspects as a whole.

We have approached the problem thus far from the point of view of increasing incomes at all levels specifically at the lower levels. But the experience of the last 10 years asserts itself that with the increase in the speed of development new types of disparities grow. This process has to be counteracted. The third five-year Plan has accepted the broad objective of progressively reducing the gap between the highest and lowest level incomes to 1:30 times over the next 2 or 3 plan-periods. To this end more purposive fiscal measures should be adopted. However, steps should be taken for incentives for workers with specialised ability, responsibility and risk. Problem of unearned incomes and of disparities between the rural and non-rural incomes have also to be tackled.

Labour Policy

As a factor of production labour has no less importance than capital. A high rate of economic growth requires carefully considered labour policy and its proper implementation. Increased production and increased productivity can be achieved only if labour takes keen interest in the problems of economic growth. In a socialist society, this has to be achieved by associating labour increasingly with management.

These aims have to be viewed against the present restive state of labour relations, particularly in the key industrial units of the public sector. Trade unions belonging to different political persuasions have carried to the shop floor political conflicts and internal and interunion rivalries. In this discipline has been the first casualty leading to loss of production in vital and important sectors. In the bid for popularity, each political faction in trade unions has tried to outbid the other. Each faction has put forward demands some of which are becoming more and more unreasonable. This competitive struggle between the labour unions has spread strife in many places. A radical reconsideration of the attitude of political parties to the problems of trade unions is necessary if industrial progress is to be secure and stable.

All political parties in the country have been responsible for the idea of trade unions growing up attached themselves. The time has come for us to decide the future of this link between trade unions and political parties which has had unfortunate repercussions from the point of view of economic growth. The country has to evolve a new policy towards labour which alone would enable a disciplined use of our working force, without at the same time doing violence to the freedom of association of labour. One line of development which the country should consider is to elect by secret ballot in each industrial unit a representative body of labour which will be the only authorised body to negotiate and represent the labour force in the factory. This will go a long way to restore discipline in our factories at the same time ensuring adequate and responsible representation. Such an approach will also enable participation by labour increasingly in management.

This problem calls for an immediate study and methods should be evolved to improve the situation in industrial re-

lations leading to association of labour more and more in management of industries.

While the Committee has emphasised in the preceding paragraphs the basic development programmes which alone can make possible the early fulfilment of the pledge given in the Bhubaneswar Resolution, it would like to be more definite about aspects of minimum needs and social security. They have special significance of their own. They require to be specifically mentioned.

Drinking Water

We suggest that a phased programme should be worked out to provide to the people of the country in cities, towns and villages potable drinking water all the year round, in all seasons. It is necessary to underline the need for potable water as also for its supply the year round in all seasons, as it is sometimes not realised that the arrangements usually fail in summer and draught. There must be assured water supply.

The resources for water supply must come from the Central Government, State Governments and Local Bodies. It may also be possible to invite donations for this noble purpose. It may be possible to receive popular help in kind or in the form of labour. There are so many agencies which deal with the problem of water. For instance, the Irrigation Department has its own schemes for agricultural purposes. Power Boards have their own schemes for Hydraulic power. Even Mining Deptt. and mining concerns have to deal with the problems of surplus water. In the oil and gas projects, in the initial stages, this question of disposal of surplus water sometimes becomes a problem. There was at one time a proposal mooted before the Government of India to form a Water Board. We think the idea is sound and it should be revived. A machinery with the necessary powers for co-ordination and execution should be immediately set up both at the Centre and in the States. We also feel that the fulfilment of this phased programme, like the fulfilment of the targets of agricultural development, should be given the highest importance and the Chief Minister and the Minister in-charge held accountable in case of default.

It is very necessary to realise that the problem of providing water is not as easy as it appears. There are still big cities, modern in every sense — cities like Bombay, Madras, Calcutta — where the outlying areas are still not provided with adequate facilities for water supply. The programme will require heavy investment. It will require, when water is to be led through pipelines, large quantities of iron, steel and cement. In many places water will have to be raised to higher levels by electricity. Due provision for all these should be made in evolving the phased programme. Fulfilment of this programme will, no doubt, take some time but the very fact that earnest endeavours are being made for a systematic implementation of the programme will convince the people that this is not a hollow promise.

Housing and House Sites

This is another difficult item. Both in the rural and urban areas there is much of congestion. Rural areas have this difficulty too. There is no lack of non-arable land but the house sites for the expanding population in the villages have to be generally provided in close vicinity of the village and the non-arable areas may be far away. The cultivable lands near the village sites may be very costly. In such cases, the question of establishing new villages may also arise. In the towns, the mounting pressure of new entrants is resulting in shooting up of rents as also the price of land. There is so much of abuse on the part of landlords as well as the tenants that all kinds of tensions mount up. Moreover, it is difficult to get housing material; the timber is getting more and more costly; even the domestically produced bricks and mortar are getting costlier.

We feel that the spirit of socialism should be reflected in the attitude of the Government and the Local Bodies in providing necessary facilities to the lower income groups and the weaker sections in meeting their minimum housing needs. For this purpose, the following steps appear to be immediately called for:

(1) A survey should be undertaken to ascertain the number of families without a homestead. A phased programme to provide house sites to these families before the end of the fourth Plan should be finalised within a year. The agency of Community Development Blocks should be utilised for this purpose.

(2) The life insurance schemes should be linked with services and housing programmes. The people will not mind compulsory life insurance if it is once accepted that the funds available with the Life Insurance Corporation would be utilised for health and housing by and large.

(3) A phased programme should be worked out for providing house sites and housing material to those who are in bad need of housing accommodation. A family with less than 2-room accommodation if it falls within the category of low-income groups or belongs to the Scheduled Tribes and Scheduled Castes should come in that category. Loans should be made available to them, repayable in easy instalments and at concessional rates of interest.

(4) The Government should assist the Local Bodies, the industrial units — both public and private — and the Panchayat Samitis in undertaking housing programmes for their staff and workers.

(5) Easy procedures should be laid down for utilization of Government fallow land for the purpose of manufacturing bricks and for the purpose of house sites and house construction.

(6) Owners of vacant plots of land in towns, cities and rural areas should be called upon to undertake construction within a reasonable time. In default, the land should be forfeited to the State, Municipality or the Panchayat as the case may be. This will go a great way in reducing pressure on accommodation, bringing down rents and even to a certain extent the land prices. It is also necessary in the thickly populated townships and cities to fix up not only the maximum limit for construction but the minimum limit for it also so that land may be as economically used as possible and housing in these areas may make rapid progress.

(7) Genuine Housing Co-operative Societies for low-income groups, labour, peasants, Harijans and Tribals should receive suitable priority in the matter of financial assistance and housing material as also in the matter of allocation of house sites.

Health and Education

Children should be the first concern of the nation so far as health and education are concerned. Equality of opportunity should begin with the birth of the child. Its nutrition, its healthy growth, its education, are, in one sense, a social insurance against the possible deterioration of the nation. Children of the under-privileged in this context, should require special help to bring them somewhere nearer those of the privileged.

By the end of the fifth Plan primary education should be free and compulsory for all; the secondary education should be free for all the children whose parents earn less than the national average family incomes and the higher education should be free for all promising children. Free education should include free books, mid-day meals as well as clothing for the children of the Scheduled Tribes and Scheduled Castes, especially for girls. In the higher category, free education should include free books and hostel charges. The benefit of free education should be extended to the children who go for Certificate or Diploma Courses in technical lines, in case of their parents earning less than the average national family incomes.

Agricultural Labour

In our scheme of increasing agricultural output we have never given attention to the quality of labour. It is usually forgotten that the quality of labour determines in a big way the output from land. The training and equipment of the agricultural labour thus becomes important from the point of view of developing agriculture and introduction of new scientific practices. It is also necessary to reduce the pressure on land. From this point of view also the agricultural labour has to be trained for new techniques in the fields of village industries of both processing and consumer goods type as well as ancillary.

We suggest, therefore, a two-pronged attack upon this problem:

1. Re-settlement of agricultural labour on agricultural wastes and its training for improved techniques in agricultural production, and

2. Training and recruitment of agricultural labour for rural industrialisation.

Both these approaches will have to be simultaneously adopted if this problem is to be satisfactorily solved. In the coming two years we suggest that a basis should be laid for this approach. Settlement of agricultural labour together with the training, as mentioned above, will help fulfilment of the agricultural targets and training and equipment of the labour for rural industrialisation will go to reduce pressure on land.

While this is attempted the Minimum Wages Act should be enforced so as to improve even in the intervening period the condition of the agricultural labour.

Organisation

A number of drawbacks and deficiencies have crept into the organisation. The historically inevitable entry of the Congress into office has tended to take the senior leadership away from the rank and file; electoral processes have thrown up many persons who while they may be good in their own ways, have little or no emotional regard for the goals and objectives for which the party stands; and there has been a constant narrowing of the organisational base so far as the mass of the people are concerned.

It is high time the party applied its mind to this question. We would suggest:

(i) Revival of its mass base by drawing a good bulk of its cadres from the peasant and the working classes. The Organisation should become the real representative of the actual tillers of the soil, of the agricultural labour, the factory labour and the like. Members of the Intelligentsia who are engaged in dealing with their problems have no doubt a vital role to play and should be encouraged to participate increasingly in the Organisation. The character of the Organisation must undergo a revolutionary change if the Congress is to reflect the mass urges and to mobilise mass effort. A worker who has roots in the masses should have preference in the matter of selection for representative institutions including legislatures. The test of selection should be work among masses.

(ii) Genuine democracy should prevail in the Party. It should be the general rule that all decisions involving formulation of policies and all important programmes should be discussed within the Party and the members should be given fullest opportunity to have their say. Once the decision is taken it must be accepted and implemented. This is possible only if discussions of policies and programmes are made absolutely indispensable and free. This will assist in the clarification of issues and make for better understanding and cohesive functioning.

(iii) Finally, no party, more so a progressive party, can escape public criticism. Sometimes such criticism is prompted by ignorance of facts or issues. More often it is prompted by vested interests who stand to lose because of the progressive policies. All this is a part of the game. But compromise on fundamentals with an eye on elections cannot be excused. On certain fundamental issues such as land reforms, concentration of economic power, communal harmony and programmes and policies affecting the underprivileged classes there could be no possible compromise. The Congress must be prepared to stand or fall on these issues. This will give a character to the Organisation and determine its composition and strength.

Training of Cadres

This is a long felt need. We would suggest the following minimum steps to be taken in the next two years:

(i) AICC should set up a centre for organising research and for training and education of workers.

(ii) To begin with we should have small handbooks written and printed on select subjects of importance. They may be priced. Every active member should be required to read these handbooks. There should be lecture-cum-discussions organised.

(iii) We should have at least one person in each Commissioner's Division to explain the Party's policies and programmes to the workers, to answer questions arising out of them and to provide to them talking points. We may select such persons from the MPs and MLAs. This should be easy if at the time of the selection of candidates such persons who have special aptitude for the kind of work are given a special preference.

The most important aspect of Congress activity in the next decade would be mobilisation of resources in the villages for the development of agriculture, animal husbandry and rural industries, including cottage and village industries.

Tasks should be assigned to every Active Member to render his contribution in the development of these. This must be the test of his eligibility and his loyalty for recognition to the organisation.

Both at the AICC and the State level there should be permanent Committees concerned with the implementation of the Plan and the fulfilment of the promises in the Election Manifesto. They will submit their reports annually to the AICC and PCC as the case may be. These reports will be fully discussed in these bodies.

Greater attention needs to be paid to the departments of youth, women, labour, peasant and weaker sections at the AICC level with a view to activising them. It will be necessary to pay special attention to the programmes affecting them so as to generate their interest in the Organisation.

The Committee feels strongly that there should be a Parliamentary Committee composed of the members of Parliament to watch the progress of the Plans. There should be similar committees at the State level to watch progress of the State Plans. These Committees should be analogous in status to the Public Accounts Committees.

The Congress has a role to play in fighting corruption. The Government of India is evolving programmes for it. It has to be helped in the task. Admission of failure on its part will greatly affect the structure of this organisaion. A mass drive must be undertaken for eradication of corruption.

It is only a clean administration that will be able to exercise with confidence and strength the regulatory powers so very much needed for successful implementation of the Plans. The people will also trust only such an administration with wide powers. Fighting corruption thus is one of the key tasks.

Conclusion

The acid test of Indian politics is its capacity to awaken people to their new responsibilities as much as to their opportunities and to harness them in the national endeavour. It will not be possible to evolve a new social order unless the people consciously accept it and make it their own responsibility. Absence of this consciousness on the part of the people has in more ways than one hindered our progress. The democratic attitude with its emphasis on the dignity and freedom of man, the socialist approach with its stress on equality of opportunity and the scientific temper of the present age of technological revolution — all these have to permeate the Indian political consciousness That these and the message of non-violence and purity of means which Mahatmaji gave us should be a part of the nation's way of thinking, its attitude and its way of life is dependent upon many factors including the way our planning and our educational programmes work. But above all, the Party is primarily responsible to give lead to the people and show them the way. This and this alone is the surest way to success.

Income Tax Payable at Selected Income Levels

IN THE light of the changes in the Finance Bill recently passed by Parliament, the Finance Ministry has issued a number of statements showing the amount of tax payable at selected levels of income by individuals in different circumstances (unmarried, married but with no child, with one child and with more than one child) on earned income and on unearned income. These statements show the tax liability without allowing any rebate of tax admissible in respect of contributions to provident funds, payments of life insurance premiums, charitable donations etc.

TAX PAYABLE ON WHOLLY EARNED INCOME

(In Rupees)

Income	Married individual with more than one dependent	Married individual with one dependent child	Married individual with no dependent child	Unmarried individual
3,600	..	..	24.00	156.00
4,200	12.00	36.00	60.00	192.00
4,800	48.00	72.00	96.00	228.00
5,000	60.00	84.00	108.00	240.00
6,000	160.00	184.00	208.00	340 00
7,200	280.00	304.00	328.00	460.00
8,400	445.00	469.00	493.00	625.00
9,600	625.00	649.00	763.00	805.00
10,000	685.00	709.00	733.00	865 00
12,000	985.00	1,009.00	1,033.00	1,165.00
13,200	1,200.00	1,224.00	1,248.00	1,380.00
14,400	1,440.00	1,464.00	1,488.00	1,620.00
15,000	1,560.00	1,584.00	1,608.00	1,740.00

TAX PAYABLE ON WHOLLY UNEARNED INCOME

(In Rupees)

Income	Married individual with more than one dependent	Married individual with one dependent child	Married individual with no dependent child	Unmarried individual
3,600	..	.	24.00	156.00
4,200	12.00	36.00	60.00	192.00
4,800	48.00	72.00	96 00	228.00
5,000	60.00	84.00	108.00	240 00
6,000	160.00	184.00	208.00	340.00
7,200	280.00	304.00	328.00	460.00
8,400	445.00	469.00	493.00	625.00
9,600	625.00	649.00	673.00	805.00
10,000	685.00	709.00	733.00	865.00
12,000	1.108.12	1,135.12	1,162.12	1,310 62
13.200	1,350.00	1,377.00	1,404,00	1,552.50
14.400	1,620.00	1,647.00	1,674 00	1,822.50
15,000	1,755.00	1,782.00	1,809.00	1,957.50

INCOME TAX PAYABLE AT SELECTED INCOME LEVELS (Contd.)

TOTAL LIABILITY OF A MARRIED INDIVIDUAL WITH MORE THAN ONE DEPENDENT CHILD

(In Rupees)

(Wholly Earned Income)

Income	Annuity Deposit	Tax on income as reduced by Annuity Deposit	Total (Tax plus Annuity Deposit)
15,000	..	1,560	1,560
16,000	500	1,660	2,160
16,800	840	1,752	2,592
18,000	900	1,980	2,880
19,000	950	2,170	3,120
20,000	1,000	2,360	3.360
21,000	1,500	2,460	3,960
22,000	1,650	2,862	4,512
23,000	1,725	3,186	4,911
24,000	1,800	3,510	5,310
25,000	1,875	3,834	5,709

(Wholly Unearned Income)

Income	Annuity Deposit	Tax on income as reduced by Annuity Deposit	Total (Tax plus Annuity Deposit)
15,000	..	1,755	1,755
16,000	500	1,867	2,367
16,800	840	1,971	2,811
18,000	900	2,227	3,127
19,000	950	2,441	3,391
20,000	1,000	2,655	3,655
21,000	1,500	2,767	4,267
22,000	1,650	3,220	4,870
23,000	1,725	3,584	5,309
24,000	1,800	3,949	5.749
25,000	1,875	4,313	6,188

TOTAL LIABILITY OF A MARRIED INDIVIDUAL WITH ONE DEPENDENT CHILD

(In Rupees)

(Wholly Earned Income)

Income	Annuity Deposit	Tax on income as reduced by Annuity Deposit	Total (Tax plus Annuity Deposit)
15,000	..	1,584	1,584
16,000	500	1,684	2,184
16,800	840	1,776	2,616
18,000	900	2,004	2,904
19,000	950	2,194	3,144
20,000	1,000	2,384	3,384
21,000	1,500	2,484	3,984
22,000	1,650	2,862	4,512
23,000	1,725	3,186	4,911
24,000	1,800	3,510	5,310
25,000	1,875	3,834	5,709

(Wholly Unearned Income)

Income	Annuity Deposit	Tax on income as reduced by Annuity Deposit	Total (Tax plus Annuity Deposit)
15,000	..	1,782	1,782
16,000	500	1,894	2,394
16,800	840	1,998	2,838
18,000	900	2,254	3,154
19,000	950	2,468	3,418
20,000	1,000	2,682	3,682
21,000	1,500	2,794	4,294
22,000	1,650	3,220	4,870
23,000	1,725	3,584	5,309
24,000	1,800	3,949	5,749
25,000	1,875	4,313	6,188

TOTAL LIABILITY OF AN UNMARRIED INDIVIDUAL

(In Rupees)

(Wholly Earned Income)

Income	Annuity Deposit	Tax on income as reduced by Annuity Deposit	Total (Tax plus Annuity Deposit)
15,000	..	1,740	1,740
16,000	500	1,840	2,340
16,800	840	1,932	2,772
18,000	900	2,160	3,060
19,000	950	2,350	3.300
20,000	1,000	2.540	3,540
21,000	1,500	2,640	4,140
22,000	1,652	2,862	4 512
23,000	1,725	3,186	4,911
24,000	1.800	3,510	5.310
25,000	1,875	3,834	5,709

(Wholly Unearned Income)

Income	Annuity Deposit	Tax on income as reduced by Annuity Deposit	Total (Tax plus Annuity Deposit)
15,000	..	1,957	1,957
16,000	500	2,070	2,570
16,800	840	2,173	3,013
18,000	900	2,430	3,330
19,000	950	2,644	3,594
20,000	1,000	2,857	3,857
21,000	1,500	2,970	4,470
22,000	1,650	3,220	4,870
23,000	1,725	3,584	5.309
24,000	1,800	3,949	5,749
25,000	1,875	4,313	6,188

WAGONS LOADED ON BROAD AND METRE GAUGES: 1962-63—1963-64

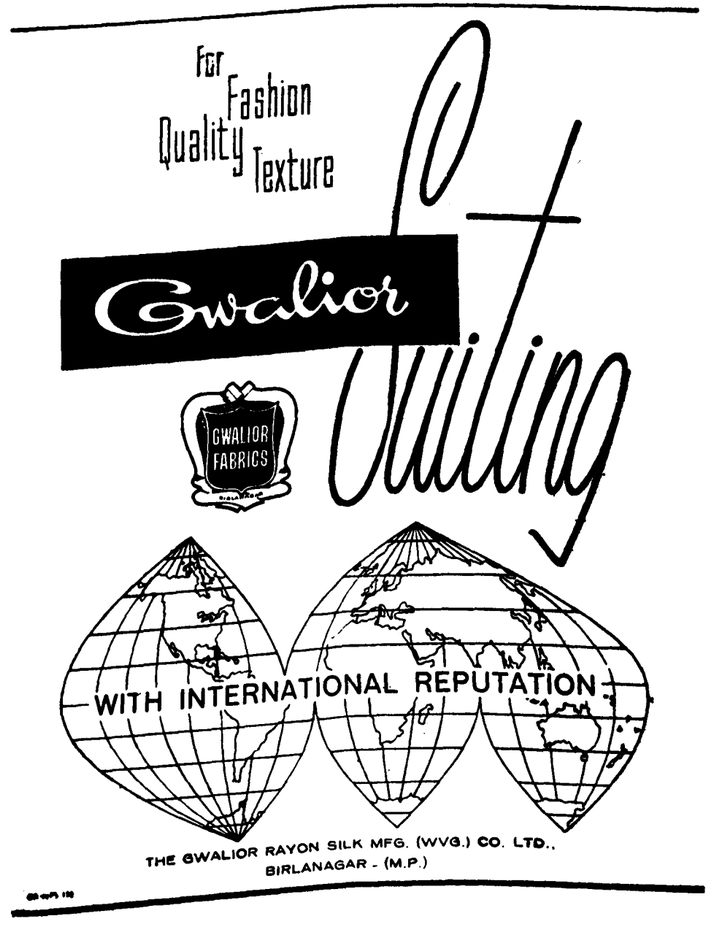
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(In terms of four-wheelers)

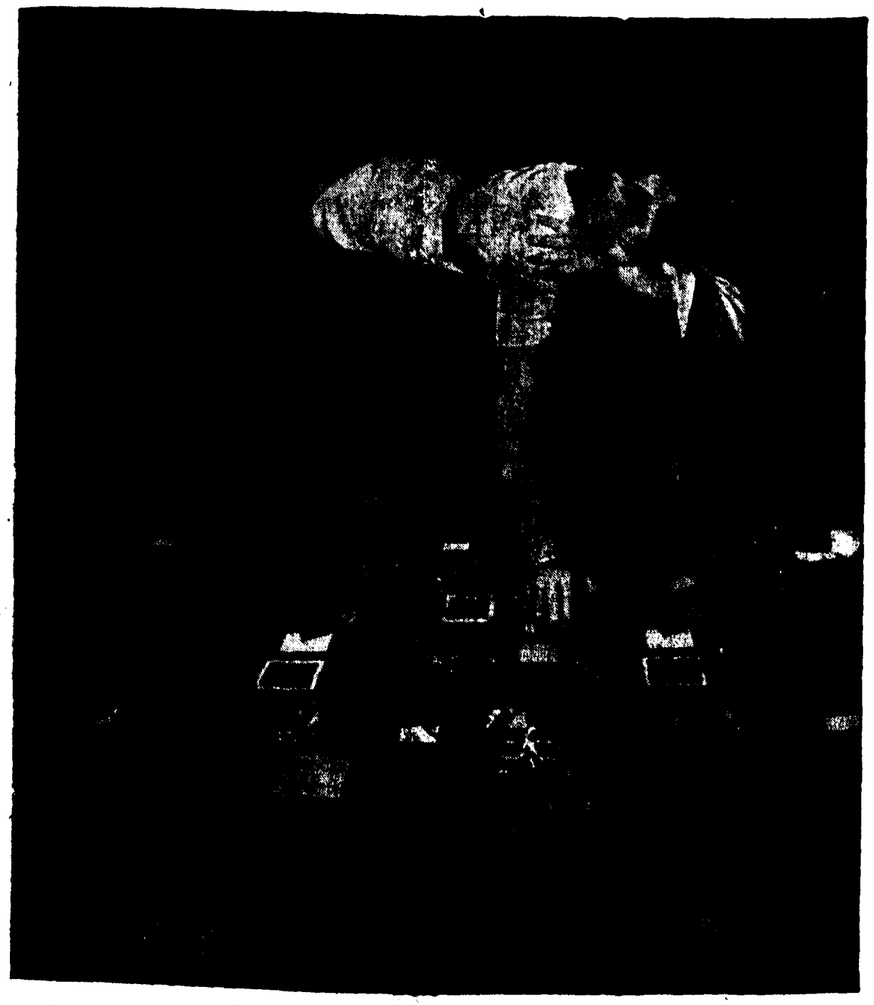
	1962-63	1963-64	% Inc. or Dec. (2) over (1)	1962-63	1963-64	% Inc. or Dec. (5) over (4)
	(1)	(2)	(3)	(4)	(5)	(6)
	Broad Gauge			Metre Gauge		
Revenue Earning Traffic:						
1. Coal and coke for public (including Non-Government Railways	1,839,720	1,771,339	+ 8.03	283,593	308,661	+ 8.34
2. Grains and pulses	427,201	506,442	+18.5	365,178	406,960	+11.4
3. Oil seeds	59,552	63,842	+ 7.20	65,360	72,031	+10.2
4. (a) Cotton Raw	23,465	22,433	— 4.40	19,825	18,567	— 6.35
(b) Cotton Manufactured	10,828	9,898	— 8.59	3,009	2,761	— 8.24
5. (a) Jute Raw	76,252	75,130	— 1.47	74,354	68,408	— 8.00
(b) Jute Manufactured	7,528	7,131	— 5.25	6,535	5,175	—20.8
6. (a) Sugar	67,046	59,366	—11.5	76,332	65,326	—14.4
(b) Sugarcane	48,902	38,029	—22.2	201,711	135,244	—33.0
*7. Cement	208,972	226,477	+ 8.38	175,017	186,798	+ 6.19
8. Iron and steel						
(a) Pig iron	47,259	49,437	+ 4.61	6,516	8,113	+24.5
(b) Others	359,287	417,052	+16.1	74,352	75,617	+ 1.70
9. Tea	13,156	12,339	— 6.21	19,103	17,735	— 7.16
10. Metallic ore						
(a) Manganese ore	58,814	52,116	—11.4	15,949	12,551	—21.3
(b) Iron ore	623,902	650,403	+ 4.25	76,951	99,700	+29.6
(c) Others	30,536	30,550	+ 0.05	24,390	18,361	—24.7
11. Lime Stone and Dolomite	274,641	253,053	— 7.86	77,558	76,900	— 0.85
12. Miscellaneous Full Wagons	1,705,736	1,878,612	+10.1	1,282,000	1,398,617	+ 9.10
13. Miscellaneous Smalls	330,037	335,631	+ 1.69	271,123	271,364	+ 0.09
Non-Revenue Traffic:						
14. Railway coal and materials:						
(a) Coal for home line	306,098	320,874	+ 4.83	267.951	267.104	— 0.32
(b) Coal for other Government Rlys. mfg. units	513,155	521,455	+ 1.62	28,241	42,811	+51.5
(c) Other stores	217,975	268,420	+23.1	162,230	224,898	+38.6
15. TOTAL	7,050,060	7,570,029	+ 7.38	3,570,178	3,783,702	+ 5.74

*NOTE: Regarding Non-Revenue loadings, it should be observed that the number of wagons loaded shown in this table excludes departmental wagons loaded by the owning departments and vehicles loaned or lent to the Engineering or other departments for carriage of departmental stores or used in ballast trains, etc.

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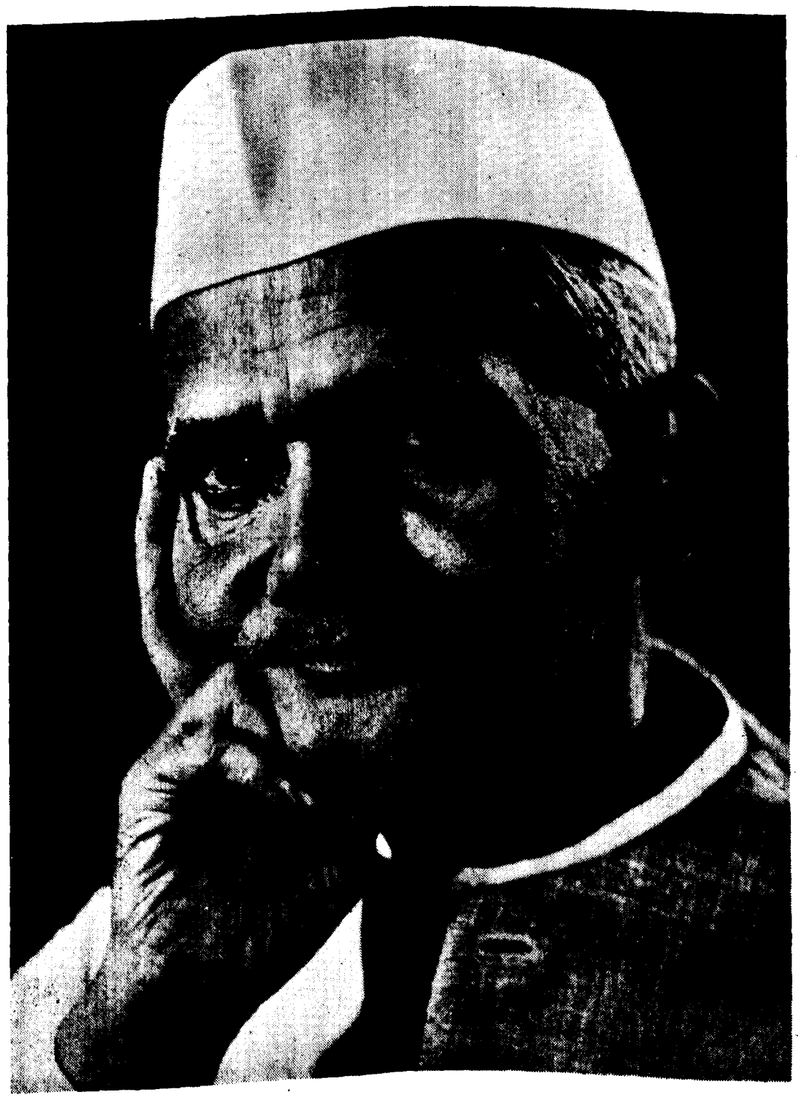
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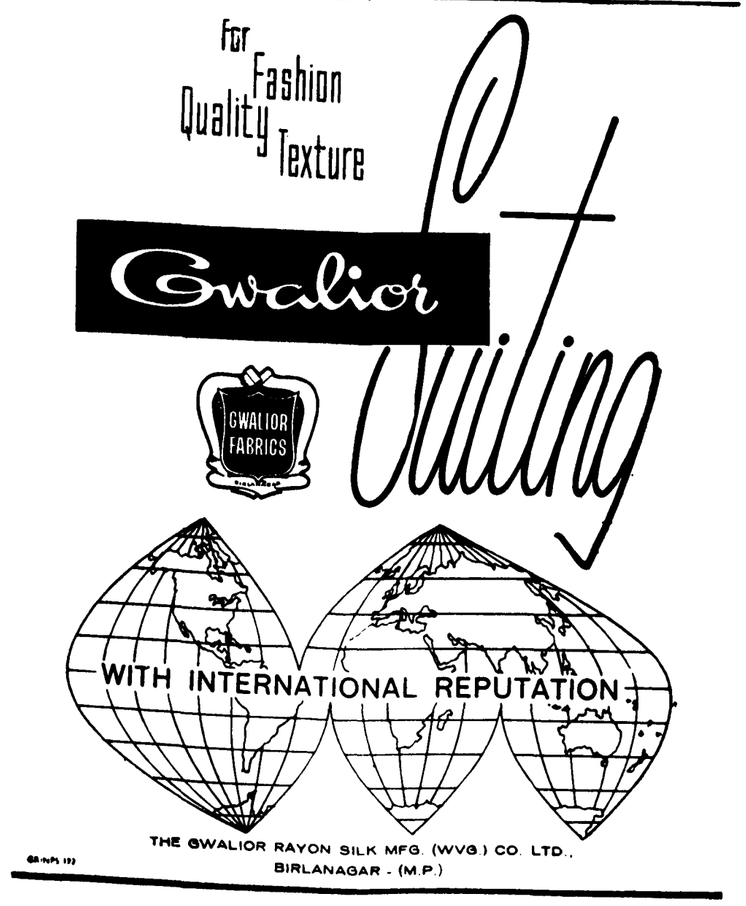
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The Best Prime Minister We Have

AS MUCH IN the peak hours of his political power and glory as in the waning phase of his failing health, Jawaharlal Nehru had kept the world confronted with two interrogatives of Delphic complexity: "After Nehru, Who?" and "After Nehru, What?". Of those questions, if the second was much the more important, the first was clearly the more urgent. The credit for finding for the country a solution for the problem of "who?" must be shared equally by the Congress President, Mr. Kamaraj, and Mr. Morarji Desai, the man on whom fell, more than on anyone else, the agonizing responsibility for deciding whether the succession was to be publicly contested on the party platform or not.

The role which the Congress President has played with such amazing fairness and finesse in the five days following Jawaharlal Nehru's death has deservedly won national admiration. It had, of course, been clear for some time now that the Congress President and some of his close colleagues and associates in the party had more or less definite ideas on who was to succeed Jawaharlal Nehru as Prime Minister when the need arose. It was no secret either that this powerful grouping within the Congress organisation had picked up Mr. Lal Bahadur and would work for his acceptance and nomination as the leader of the Congress Parliamentary Party when that post fell vacant. In the circumstances it had again always been clear that any rival contender for the succession would have to reckon with the authority and resources of the Congress presidency being thrown into the battle against him. Mr. Morarji Desai, no doubt, was aware of this and yet it was never in doubt — and it became increasingly evident as the hours of those fateful five days went by — that he could and did command considerable strength and support within the party and, let it be added, from directions that cut into some very surprising sources. If in the end, Mr. Desai decided not to press his candidature to voting point, it could not have been so much because he was disappointed with the extent of support that he or those who worked for him were able to mobilize as because, as he himself put it, he chose to act as a disciplined soldier of the Congress and accepted the verdict of the party when the Congress President, acting on the authority of the Working Committee, ascertained and declared the consensus in the Congress organisation to be in favour of Mr. Lal Bahadur. As a result, Mr. Lal Bahadur has been elected as the leader of the Congress Parliamentary Party without a contest. But it cannot certainly be claimed that the party has unanimously chosen him. In fact, it would have been surprising if it had done so, for Mr. Lal Bahadur certainly does not have that positive personality which could compel unanimity in his behalf. As a matter of fact, if the general view of the party has been found to support him, it is essentially because, in the opinion of majority of Congressmen, there is more to be said against other candidates, actual or potential, than to be said for Mr. Lal Bahadur. In this sense, the country has now been placed in the philosophic position of contemplating Mr. Lal Bahadur as, to borrow a historic phrase, "the best Prime Minister we have".

It is possible that nobody realizes this more clearly than Mr. Lal Bahadur himself. It is, of course, easy enough to mark and put down his major limitations and inadequacies for the role of Prime Minister, and in fairness to him and the country, it is necessary that this should be done. For a man who, by the nature of his office, must wield the most effective political authority in the country, Mr. Lal Bahadur is lacking in the will to power. This is not to say that he has not been nursing political ambitions, but this is certainly to suggest that by himself he

would never have found the drive and the determination to pursue those ambitions effectively. There is, secondly, the fact that Mr. Lal Bahadur has never enjoyed the prestigious status of a national leader, even to the extent to which the late Mr. Gobind Vallabh Pant managed to do in his late years. In fact, he cannot claim even the secondary, but nevertheless substantial, standing of being the most powerful or even the most influential leader in his home State. On the contrary, among the major weaknesses in his candidature for Prime Ministership has been that in the Congress politics of Uttar Pradesh, Mr. Lal Bahadur has at best been one among warring equals.

It is true, however, that he has had a certain amount of political training in one of the most politically conscious of the States in the country, and it is also true that he has had considerable administrative experience. But it remains to be seen whether either of this has been enough to sow in him the seeds of capacity for leadership at higher levels. Jawaharlal Nehru, of course, seemed always to find him useful and reliable. But if that made him more of a confidant, it certainly rendered him less of a colleague. Whether Mr. Lal Bahadur has any positive ideas on domestic economic policies or whether he has any ideas at all on international affairs only his actual tenure as Prime Minister will reveal. For the present it is not unfair to suggest that he is probably not sufficiently educated in either of these important fields. In economic affairs, at any rate, his spell as Minister for Commerce and Industry (from March, 1958 to April, 1961) was not particularly distinguished either for imaginativeness or for executive competence.

There is no need to stretch out this catalogue, since enough has been said to suggest that the country cannot be expected to be widely enthusiastic over Mr Lal Bahadur as Prime Minister. But the country has certainly cause for comfort. This is because many more points, although naturally different ones, could be made against any of the possible alternatives to Mr. Lal Bahadur. It is, however, unnecessary to list the limitations of those who have after all failed in the bid (or even to make a bid) for Prime Ministership. It would be more to the point to indicate whether Mr. Lal Bahadur, despite his lack of pretensions to outstanding excellence in any particular respect, would still, in the circumstances in which he will be Prime Minister, be of benefit to the nation. In our view, what is nationally the most important thing to be said in his favour is that he, more than any other possible successor to Nehru, seems suited by training and temperament to the vital task of carrying the bulk of Congress opinion with him in the difficult days ahead. This is no mean political qualification for, even as many Opposition spokesmen have been found to confess in the wake of Jawaharlal Nehru's death, it is important that the Congress party should continue to function for some years to come as an effective national organization if political stability and national unity are to be maintained in the post-Nehru phase.

But when we suggest that Mr. Lal Bahadur is most likely to be able to preserve unity in Congress ranks, we have in mind not so much his ideological position which has been described as being neither to the Right nor to the far Left as to the more practical consideration that it has so happened that among the candidates, declared or undeclared, for Prime Ministership, he seems to be the one to command the confidence and support of the most coherent and purposive grouping of leadership within the Congress organisation. If the candidature of Mr. Lal Bahadur has succeeded as smoothly as it has done it is largely because there has come to be enlisted in his favour group action of the most clear-headed and skilful kind. While there is no need to challenge the Congress President's finding that the consensus in the party was clearly in favour of Mr. Lal Bahadur as Prime Minister, it is certainly proper and pertinent to point out that this consensus was created, organized and put to political purpose by the determined action of a group of leadership within the party. As a

Eastern Economist 20 Years Ago

JUNE 2, 1944

FEW RETIRED British officials have had better understanding of or deeper insight into Indian political and economic problems than Sir George Schuster, lately Finance Member of the Government of India. His comments on the Bombay Plan, published by the 'Indian Express', are therefore worth much more than all the criticisms of the British journals and publicists which suffer mostly from ignorance or prejudice. Sir George has firstly, driven the nail on the stupid idea as he calls it of regarding India's problems as economic rather than political. Emphasizing the dangers and absurdity of this attempt at side-tracking the issue, he says: "Man is a political animal, as Aristotle has said. Political problems come first; unless they can be solved, there is no solution for economic problems." This is the answer to all those of the Government of India who fondly hope that through economic lines of attack the essentially political problems can be solved or that economic questions so called can be satisfactorily handled except through political settlement. His view that the target of the Bombay Plan is not fixed too high and that it is "really quite a modest plan" is in consonance with the prevailing public opinion in India and will, we hope, dispel the doubts and fears injected into the Government of India by their experts. He has no doubt himself that to aim at doubling the national income in a period of about 20 years (allowing 5 years for preparation) is not unreasonable. Underlining what Mr. G. D. Birla had pointed out in his address to the Federation of Indian Chambers in March, Sir George points out that the problem is essentially human and political and that for the success of the plan we want great numbers of engineers, managers and skilled foremen. "We must think of the problem not in terms of financial obstacles but in terms of organizing human effort."

consequence, Mr. Lal Bahadur will have the invaluable backing and support of the dominant influences within the Congress party in discharging his responsibilities as Prime Minister. This development could have immense significance of a beneficial quality to India's evolving democracy. Hitherto Jawaharlal Nehru's unique personality was largely sufficient in itself in mobilizing the people or public opinion behind the policies and decisions of the Government. This was the fact which gave to India in the crucial years after Independence the twin blessings of political stability and continuity of administration. This was how India hitherto was made and kept safe for democracy. Now that Jawaharlal Nehru is no more, the Congress party must take over and fulfil this responsibility for an effective partnership between the rulers and the ruled. In Mr. Lal Bahadur the Congress party may well hope to find the best Prime Minister we have for assisting [illegible] further success of this distinctively Indian experiment in democracy.

Consortium's Candid Co-operation

AT THE TENTH meeting in Washington of the Consortium of Governments and institutions interested in assistance to India held under the auspices of the World Bank, a decision was taken on May 26, 1964 to pledge for the year 1964-65 — the fourth year of the third Plan — aid to the extent of $1,028 million as against a request for $1,110 million. As the table at the end of the article shows, the total volume of assistance to this country added up, for the first four years of the Plan, to $4,445 million, though there has been a slow decline in aid from $1,295 million in 1961-62 to $1,028 million in 1964-65. Since the total requirements of external assistance from all sources, including non-Consortium countries, and private foreign investments have been estimated at $5,460 million, the demands of this country for aid to finance the development projects have, by and large, been met; a relatively smaller volume of aid will be needed for 1965-66.

An outstanding feature of the aid promised this year is that nearly half of it will be untied. India had requested that the ratio of the non-project aid should be raised from 40 per cent to 50 per cent. This request has been acceded to, in view of the slow manner in which aid already authorised has been recently utilised. A special committee under the chairmanship of Dr. V. K. R. V. Rao had recently indicated that the ratio of disbursements to the volume of sanctioned aid fluctuated between 55 and 59 per cent during the last 12 years. The committee also listed the causes for the lag in the utilisation of this assistance, highlighting the fact that the non-project loans could be utilised speedier than aid tied to specific projects. Again, it is necessary to continue to feed the present industries with the requisite materials so as to make full use of the available installed capacity. This could be achieved only if a large percentage of the pledged aid was not tied to projects.

While this country is grateful to the Consortium for support in meeting our broad needs of external assistance, it needs to be emphasised that the loans in future should be in terms of longer periods and lower rates of interest. This is essential as the burden of repayments is likely to gather momentum in the coming years. It is estimated that even during the third Plan period the total repayments will amount to about $[illegible] million. [illegible] capacity of the economy to shoulder [illegible] has not increased sufficiently, especially in terms of foreign exchange. A gesture of goodwill in this regard is of vital significance at the present moment. On its own, this country has already realised that the climate will have to be created to encourage a free flow of private foreign capital since government-to-government assistance may not meet all its requirements. Mr. T. T. Krishnamachari, the Union Finance Minister, has taken measures in the latest budget to improve the climate for private foreign capital and has reduced the tax burden on foreign companies and has provided certain other incentives to foreign companies and has also provided incentives to foreign personnel working in India. Recently, he has also brought about some modifications in the terms of collaboration with foreign firms. He has, for example, permitted majority participation of foreign capital under certain conditions. Broadly, if a project comes under the category of the highest priority in the Plan and no alternative sources of foreign exchange are available to meet the cost of the import content, the collaborator would be allowed to hold the majority share. This liberal outlook is expected to enlarge the volume of private capital entering this country.

There is no doubt that continued political stability and economic prosperity coupled with a fair rate of return are the necessary conditions for relatively free availability of private foreign capital. The death of India's first Prime Minister, it was feared, would create conditions of instability for some time. But happily, wise counsels have prevailed with the leaders of the Congress party who have elected, without contest or much controversy, the person most likely to be able to keep the party together, viz., Mr. Lal Bahadur, as Mr. Nehru's successor. This will certainly create great confidence at home and abroad and will help discount the forecasts of the prophets of doom.

The climate for government-to-government aid has not been very favourable in recent years despite the satisfactory state of affairs in regard to the aid promised

to India by the Aid-India Club. There has been a cut in the US aid appropriations which is only an indicator of the shape of things to come. India will have to fall back upon its own capacity to earn additional foreign exchange by increasing exports. It is to be conceded that in the short period there are limitations to the increasing of exports, though some hope has been raised by the performance of India's exports in 1963-64 which very nearly touched the all-time peak of Rs. 800 crores. Unfortunately, most of this increase has been brought about in trade with the rupee payment countries, notably the Soviet Union and other East European countries. We have not been able to cut much ice with the Western countries. Unless the current Geneva Conference shows ways and means of expanding India's exports, the possibility of raising our foreign exchange earnings in the future may not be very bright. In the Ministry of International Trade, efforts are being made to explore new possibilities in both the traditional and the new markets. New techniques are being tried and an Institute of Foreign Trade has just been established, while market surveys are being conducted abroad, commodity-wise and country-wise, to locate the weak spots in our export strategy. All these factors will, it is hoped, produce some tangible results.

The fourth five-year Plan is being drafted on an ambitious scale with the result that the demand for external assistance will be much larger than that of the third Plan. As against the estimate of Rs. 2,600 crores of external assistance for the third Plan, it is computed that the corresponding figure in the fourth Plan may be around Rs. 5,000 crores. Will the Aid-India Club be willing or able to step up its efforts correspondingly? It is feared that the volume of aid in the next Plan may not be much larger than provided in the third Plan. Whatever the gap, it will have to be filled by providing greater incentives to private capital, by expanding India's foreign trade by all possible means, by restraining the use of foreign exchange to the minimum possible and by encouraging import substitution wherever feasible. While the Consortium has co-operated in a splendid manner in the current year, the generosity of the members should not be taken for granted for all time to come.

FUNDS PLEDGED BY THE AID-INDIA CLUB

(Dollars Million Equivalent)

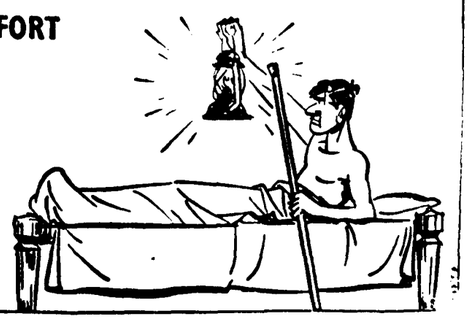
	1961-62	1962-63	1963-64	1964-65	4-year total
Austria	..	5	7	1	13
Belgium	..	10	10	..	20
Canada	28	33	30½	41	132½
France	15	45	20	20	100
Germany	225	139	99½	95	558½
Italy	..	53	45	36	134
Japan	50	55	65	60	230
Netherlands	..	11	11	11	33
United Kingdom	182	84	84	84	434
United States	545	435	435	435	1850
World Bank & IDA	250	200	245	245	940
TOTAL	1295	1070	1052	1028	4445

freedom is in peril, defend it with all your might —Jawaharlal Nehru

DEFENCE OF THE COUNTRY NEEDS CONTINUOUS EFFORT

The external danger that faces us is not of today only. It may last for a considerable time. So the nation will always have to be on its guard. There can be no complacency, no slackening of effort to strengthen defence in every way.

WORK RESOLUTELY



Highlights of the Week

POLICYHOLDER NEGLECTED

WHEN IT comes to the question of utilising the funds of the Life Insurance Corporation, so much seems to be taken for granted, especially by public sector interests and institutions like Industrial Finance Corporations, that it has become necessary for those in charge of the LIC to speak out their mind on the subject. Mr. B. K. Kaul, Chairman of the Life Insurance Corporation, has been at once clear and courageous in the stand he has taken in a special communication on the question which he has sent to the Planning Commission.

Anyone who is reasonably conversant with the working of the LIC will readily endorse the point made by Mr. Kaul that nothing should be done that would adversely affect the profitable functioning of the Corporation, whilst also fulfilling its primary responsibilities to policy-holders and playing its legitimate role in national development. This is certainly a more positive and practical approach than the one urged by some misguided enthusiasts of the public sector who demand that more funds of the LIC should be placed at the disposal of the public sector and State financial bodies. It is amazing that these are unable to appreciate that, even with the existing percentage of funds earmarked for investment in Government securities, the public sector stands to benefit more when the Corporation is dynamic and growing than with a higher percentage of such funds when it is static and its business starts shrinking. This is as simple a thesis as the statement that 50 per cent of Rs. 1,000 crores is less than 55 per cent of Rs. 900 crores. In other words, when the Corporation is making good progress, even with the earmarking of 50 per cent of the LIC funds, the public sector stands to benefit more than with a relatively higher percentage when the LIC ceases to make progress and its business begins to decline. The funds of institutional investors, especially a life insurance undertaking, must be invested in a precise and pre-planned manner, bearing in mind certain obligations. For instance, the LIC owes it to its policy-holders to ensure that a certain average rate of interest is obtainable on its investments.

There is point, again, in the contention of the LIC's Chairman that it is high time that the notion that "the LIC is a purveyor of cheap credit and a pre-emptive source of aid" is dispelled. Institutions like the Industrial Finance Corporation, State Finance Corporations, State Electricity Boards and State Housing Boards, it is said, feel that whatever the rate of interest they may charge to their clients — the LIC must provide them with funds at no higher than 4¾ per cent. And if the LIC does not oblige them, they charge it with coming in the way of the fulfilment of the objectives of the Plan! While not necessarily wanting the monetary authorities to regulate their policy to suit the Corporation's convenience, it is noteworthy, Mr. Kaul has not been sparing in his criticism of the manner in which some of these financial institutions have been raising funds through medium-term loans and demoralising the medium-term loan market in the process. He is perfectly justified in making this criticism in view of the resultant adverse effect on Government loans which constitute the single largest portfolio of the LIC's investments. In adopting this attitude, Mr. Kaul cannot be said to be unmindful of the requirements of these institutional investors. Only he is intent — and rightly so — on bringing about a change in the 'modus operandi' of raising their requirements by resort to medium-term loans. For one thing, he wants these institutions to raise medium-term loans only to the extent of their bare or genuine needs. For the rest, he says, they could approach the LIC and obtain their requirements by private negotiations, that is in a business-like way by offering satisfactory terms. It is unfair on the part of these financial bodies, to say the least, to expect the LIC to provide them funds at low rates of interest even when they can very well afford to pay relatively higher rates of interest and they themselves have no qualms in lending at very much higher rates — as much as 7 to 7½ per cent — to their customers.

The LIC Chairman has also ably countered the argument about the Corporation's investments in shares of companies in the private sector. He has made it clear that it is not the LIC's business to support, nor is it interested in supporting,

> **"I have received so much love and affection from the Indian people that nothing that I can do can repay even a small fraction of it, and indeed there can be no repayment of so precious a thing as affection. Many have been admired, some have been revered, but the affection of all classes of the Indian people has come to me in such abundant measure that I have been overwhelmed by it. I can only express the hope that in the remaining years I may live, I shall not be unworthy of my people and their affection."**
>
> —From the Will and Testament of Jawaharlal Nehru.

stock exchanges or speculators in shares. The investment policy of the LIC is designed to ensure the best possible yield over a given period. It is this consideration which makes it imperative for the LIC to be extremely selective in the purchase of shares. If the LIC is obliged to invest only in new companies, as has been suggested, it has to forget about yields on at least a part of its investments for quite some years and, what is worse, risk a sharp fall in the total return on its investments in shares. Needless to say, this would upset all actuarial calculations of yield.

No one can take exception to the contention of Mr. Kaul that the interests of policy-holders are, and must remain, supreme. Nor can anyone question the soundness of his preference that, if the Corporation takes good care of the interests of policy-holders, it will be able to command ample resources to the benefit not only of other institutional investors but also of national development generally.

SMALL BANKS

IN THE MIDST of cries of nationalisation, on the one hand, and pleas for more mergers of banks, on the other, one would be quite justified in asking whether there is going to be a place at all for small banks in the future. Yet things do not seem to be so hopeless for the small banks. Otherwise, it is difficult to appreciate all the care and trouble that the Reserve Bank of India has been taking to arrange periodical seminars of chief executives of small and medium-sized banks in the country. Last year alone, three such seminars were held. All these seminars were held in Madras, although Mr. P. C. Bhattacharyya, Governor of the Reserve Bank, stated, when he inaugurated the first seminar in Madras, that it was the Reserve Bank's intention "to have similar seminars in the other areas in due course." The preponderance of small-sized banks in Madras was given as the explanation for holding the first seminar there. Evidently, conditions in other areas

as, for instance, West Bengal, where subsequent seminars might have been held, have been far from normal. But it should not have been difficult for the Reserve Bank to fix some other venue. The idea of rotating the venue is to lend a touch of novelty, if not variety, which is eminently sensible.

Correct Approach

But the venue is the least important aspect of these seminars. What is really important is the discussions that take place at these meetings. It is from these discussions that one comes to form some idea of the peculiar problems facing the small banker in his place. Obviously, it is not the big banker in cities only that has to face problems like advances to directors and loans against shares. What is noteworthy is that the seminar discussions on these issues proceeded purely on a practical plane, which is the correct approach of a banker, and not on ideological lines. Take, for instance, this gist of the discussion on advances to directors: "A director by his association with the bank is expected to give it prestige and thus assist in attracting good business. There can be no general objection to such business as is brought by a director, including business from companies and concerns in which he is interested. In accepting business in which a director is interested, it is, however, necessary to ensure that the business is acceptable on the basis of standards normally adhered to by the bank and that there could be no reason to think that the director had used his influence in securing any special terms which would not have been granted to other parties." This is absolutely unexceptionable.

Take, again, the position of small banks, following the promulgation of the Gold Control Order. It is well known that, in the case of most of these small banks, advances against gold ornaments constituted the main line of business. According to Mr. Bhattacharyya himself, personal loans generally against the security of gold ornaments formed about two-fifths of the total advances of non-scheduled banks. With this avenue barred, these banks have naturally to look out for other avenues to employ their surplus funds, but then there are genuine difficulties in the way. Either the opportunities for making advances against usual commercial banking securities are restricted in their areas of operation, or the banks do not have the staff with the requisite special knowledge and experience to venture into other fields. And there are also differences as between the older small banks and the younger ones, the former tending to view the present conditions only as a passing phase and the latter not quite subscribing to it. This probably also explains the approach of the two schools to the question of amalgamation or merger. But it is gratifying to note that the consensus of opinion among all is that a well-conducted, small-sized bank with growth potential does not present any problem. And it is to ensure this precisely that these seminars were conceived and are being held. "We in this country", as Prof. Karve has observed, "have refused to be drawn into the ideological controversy between branch banking and unit banking. A bank which satisfies the requirements of sound and progressive banking has a right to exist. Again, to recall Prof. Karve's words, at the present stage of development in the country, it is extremely important to offer to as many bankers, especially those in charge of small and medium-sized banks, as possible, opportunities to keep their banking knowledge, of law and procedure, quite up-to-date and to learn lessons of other peoples' experience. The Reserve Bank is to be congratulated on having thought of and arranging these seminars, largely at its own expense, we understand.



FROM THE PRESS GALLERY

Gloom in Parliament

By Our Parliamentary Correspondent

NEW DELHI:

WHEN EARLY this month, the President ordered that the two Houses of Parliament should meet in special session on May 27 to legislate the Constitution (Nineteenth Amendment) Bill, no one could imagine that one of the first tasks that the Parliamentarians would have to perform would be to mourn the demise of India's first Prime Minister, Mr. Jawaharlal Nehru. The two Houses had hardly assembled on that fateful morning when they were given the sad tidings of Mr. Nehru having been taken seriously ill and that his condition was causing anxiety. This was enough to make the two Houses deserted places, even though business for the day was carried on for some time in fond hope that, as in the past, the Prime Minister would pull through. But Providence wilt otherwise. Shortly after 2 p.m. on that fateful day, the news was broken to the stunned and dazed Lok Sabha that Mr. Nehru was no more. The following day's sittings of the Parliament were washed out by the tears of the nation. The two Houses met again on May 29 for a short while to pay homage to the departed leader. Inevitably a vacuum was felt as everyone turned to the Prime Minister's seat which had been adorned by Mr. Nehru for the past 17 years. Paying of tributes by the leaders of various parties and groups in the Parliament was no easy task; words failed to reflect the mental agony each of them was feeling. In the Lok Sabha, Mr. G. L. Nanda, who had been catapult to Prime Ministership after the death of Mr. Nehru, confessed that he found it "difficult to speak on this occasion". Mr. Hiren Mukerjee described Mr. Nehru as a gem of a man who never stooped to pettiness —a lover of children, animals, life and laughter, a gentle colossus who no longer strode the Indian scene. The Speaker, Mr. Hukam Singh, spoke of Mr. Nehru as a parliamentarian and democrat. In the Rajya Sabha, the Education Minister, Mr. M. C. Chagla observed: "Who are we to pay tribute to Jawaharlal Nehru? He bestrode the world like a colossus and we petty men can only remember his greatness and give him our tears from stricken hearts. The 17 years of Mr. Nehru's stewardship of the country will be known as the 'Nehru Age.' India and the world will never be the same without Nehru." The Chairman, Dr. Zakir Hussain, spoke of Mr. Nehru as the guiding genius of our young democracy. The two Houses resolved to strive for the ideals of world peace and progress, and national unity, solidarity and prosperity to which Mr. Nehru had dedicated himself throughout his life.

Land Reforms Act

The regular business was taken up in the two Houses on June 1. The Lok Sabha debated the controversial Constitution (Nineteenth Amendment) Bill and adopted it by 389 to 30 votes after accepting an official amendment to style the measure as the Constitution (Seventeenth Amendment) Bill. The Bill seeks to provide protection to various State land reform Acts from being challenged in the courts of law and enlarges the definition of "estate" in Section 31-A of the Constitution. An identical Bill — the original Constitution (Seventeenth Amendment) Bill — had fallen through during the budget session of the Lok Sabha for want of simple majority of the total membership of the House, although it fulfilled the other constitutional requirement of securing two-thirds majority of the members voting. This time the Treasury Benches could muster the requisite strength.

Despite the fact that this constitutional amendment had been deliberated upon at length during the budget session, the debate during the current session continued to be acrimonious with the Swatantra Party never relenting in its opposition to the move. The independent member, Mr. J. B. Kripalani, even questioned the wisdom of proceeding with this legislation in the face of a new Government being formed soon. The Swatantra Party spokesmen characterised the Bill as an expropriative measure and alleged that the motive behind it was to deprive the small land-owners of their holdings and to drive them into co-operative, collective farming. The Jan Sangh members also opposed the move on similar grounds. Their leader, Mr. U. M. Trivedi, thought that the Government should have studied the land and agrarian reforms in other countries before coming up with this bill. He, however, considered the abolition of zamindari and jagirdari system as a step in the right direction. The Bill was also opposed by many an independent member. Mr. Kripalani objected to it on the score that it was not proper to rush with amendments to the Constitution as soon as the judiciary expressed itself against any enactment. Frequent changes in the law of the land, he opined, would not solve the food problem. Dr. L. M. Singhvi wished that the Government drew up its land policy on scientific lines. He deplored that no methodical survey of the land resources of the country had been undertaken by the Government so far. What was needed, he said, was practical steps to improve agriculture. The Government thinking on land reforms, he felt, was embedded in economic orthodoxy. Dr. M. S. Aney also opposed the measure and objected to Parliament revalidating the State enactments after they had been held ultra vires by the courts.

Technical Obstructions

Replying to the general debate on the Bill, the Union Law Minister, Mr. Asoke Sen, stated that the Government was determined to remove all technical obstructions in the way of agrarian reforms which aimed at providing minimum acreage of land to the tiller; excess land possessed by some had to be taken away from them. The Bill, he added simply sought to facilitate and expedite this process. He denied that by bringing forth this measure, the Government meant any disrespect to the judiciary; no affront was involved, he argued, if the enactments struck down by courts were put on the statute book after suitable amendments. Mr. Sen did not agree with the Swatantra Party's view that compensation at full market rates should be paid for the excess land taken away from the big land-owners.

The Rajya Sabha discussed the revised rules of procedure and conduct of business in that House as recommended by a Committee appointed in 1962. It approved the new rules aimed at removing divergence between the rules of procedure

GROW MORE

SAVE MORE

WORK MORE

of the two Houses of Parliament. The revised rules provide for Question Hour in the Rajya Sabha also on every Friday and half an hour discussion on any day of the sitting of this House as in the Lok Sabha.

Question Hour

Cane Prices: The Minister of State for Food, Mr. A. M. Thomas, told the Lok Sabha on June 2, that no change was contemplated in the price structure of sugarcane for the next crushing season. The Governments of U.P. and Bihar had requested the Central Government to fix cane price for 1964-65 at a flat rate of Rs. 2 per maund, instead of linking it with the sucrose content. But the Union Government adhered to the view that the price already announced was appropriate and no change was called for in it. The Union Food and Agriculture Minister, Mr. Swaran Singh, added that there was no opposition from any State to the recovery-based formula for fixing cane prices; this formula had worked well. He opposed the move to raise the minimum price of cane to Rs. 2 per maund on the ground that it would have wide implications and might push up sugar price further. Mr. Swaran Singh indicated that if the weather conditions did not play havoc, there was every possibility of an improvement in the sugar supply position next year. Mr. Thomas agreed that the machinery for distribution of sugar had not functioned satisfactorily, but refuted the allegation that black marketing in this commodity was rampant. Mr. Swaran Singh opined that in view of the urgent need to earn foreign exchange, it was not desirable to stop sugar exports altogether. Exports during the current year, he added, would, however, be not more than 250,000 tonnes, as against 500,000 tonnes last year.

Cochin Shipyard: The Minister for Transport, Mr. Raj Bahadur, told the Lok Sabha on June 2 that an official delegation would be leaving for Tokyo shortly for discussions with the Mitsubishi group of industries to finalize the agreement for setting up the second shipyard at Cochin. He indicated that total cost of this project would be around Rs. 8.87 crores. Of this, a sum of Rs. 2.7 crores would have to be spent in foreign exchange.

Tourist Corporation: Mr. Raj Bahadur revealed in the Rajya Sabha on June 1 that the proposed Tourist Corporation, in the public sector, was expected to be set up within the next three months. The Corporation was intended to handle certain commercial activities connected with tourism, such as provision of hotel and road transport facilities. Regarding the development of the hotel industry, Mr. Raj Bahadur stated that the Government policy was to encourage foreign participation in this industry mainly with a view to attracting foreign tourists. The ownership and control of hotels in India was proposed to be retained in Indian hands. This, however, was not a rigid policy. Each case of foreign participation would be decided on merits. The Minister indicated that India had to build by the end of 1968, hotel accommodation to the tune of at least 5,500 rooms. This was expected to cost Rs. 25 crores.

Shortfall in Locos: The Deputy Minister for Railways, Mr. Shah Nawaz Khan, told the Rajya Sabha on June 1 that the indigenous production of locomotives during third Plan period was expected to fall short of expectations by about 565 diesel and 1221 electric locomotives

Bonus Commission's Report: The Deputy Minister for Labour and Employment, Mr. R. K. Malaviya told the Lok Sabha on June 1 that the recommendations made by the Bonus Commission were still being considered. The Union Government was consulting the State Governments and the employing Ministries at the Centre on the implications of the report. Some States had already sent their comments. The remaining ones were expected to do so shortly. Decisions on the Commission's report would be taken as expeditiously as possible.

Textile Mills: The Minister for Industries, Mr. Nityanand Kanungo, told the Rajya Sabha on June 2 that the Union Government had rejected the demand of the Indian National Textile Workers' Federation for setting up a corporation to take over mismanaged and uneconomic textile units. The Government, he added, was of the view that it was neither necessary nor desirable to set up such a corporation. The existing arrangements for taking over mills which had closed down or had become uneconomic were considered to be adequate.

Tea Exports: The Minister for International Trade, Mr. Manubhai Shah, stated in the Lok Sabha on June 1 that tea exports from India during 1963-64 declined by 11.5 million kgs. The decline was witnessed in exports to the United Kingdom, Ireland, Iran, Turkey, Sudan, the USA and Australia. The closure for 10 to 12 days of tea auctions and exports during January, 1964, due to civil disturbances, Mr. Shah added, had cost the country about 10/12 crores. The production of tea last year was also lower due to adverse weather conditions. This reduced the availability of this beverage.

Alloy Steel Plant: The Minister for Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, revealed in the Lok Sabha on June 1 that a private party of Kanpur had been licensed to set up an alloy and special steels plant. The licensee had entered into technical collaboration with a French firm. The capital goods requirements of this venture were covered by the French Credit. No financial or technical help was being given for the project by the Central Government.

IAC: The Deputy Minister for Transport, Mr. Ahmed Mohiuddin, told the Lok Sabha on June 2 that the Central Government had approved the purchase of the fourth Caravelle jet aircraft by the Indian Airlines Corporation on credit. The terms of purchase were being negotiated.

Family Planning: The Minister for Health, Dr. Sushila Nayar, revealed in the Rajya Sabha on June 2 that the proposal to regularise abortions by amending the present Act, made by the Family Planning Research Centre, Bombay, would be considered by the Central Family Planning Board at its next meeting. Personally, she said, she did not favour legislation of abortions entirely. Abortions in India, she added, have been allowed so far only on medical grounds.

Khadakvasla Dam: The Minister for Irrigation and Power, Dr. K. L. Rao, told the Rajya Sabha on June 2 that the Union Government had advised the Maharashtra Government to reconstruct the existing Khadakvasla Dam near Poona with the provision of suitable earth backing. This recommendation, he added, had been made in preference to the State Government's proposal for constructing a new masonry dam about 200 feet downstream of the existing dam. The cost of the new dam proposed by the Maharashtra Government was estimated at Rs. 4.1 crores and its completion would take about five years. The cost of the scheme recommended by the Union Government, however, would be only Rs. 1.5 crores and this scheme could be completed within two years.

Resettlement of DPs: The Minister for Rehabilitation, Mr. Mahavir Tyagi, told the Rajya Sabha on June 2 that the Madhya Pradesh Government's scheme for reclaiming about 45,000 acres of ravine land in Bhind and Morena districts for initially providing work to the displaced persons from East Pakistan and ultimately resettling about five to six thousand refugee families there, was being considered.

The Weakness of the Indian Rupee

B. R. SHENOY

A STOCK exchange scrip or a commodity is deemed to be "strong" when its price is firm and moves upward. When the price sags, it is deemed to be "weak". This concept of strength and weakness applies to currencies as well. A currency is strong or weak according as its exchange rate rises or declines. But unlike the case of scrips or commodities, the exchange value of a currency cannot rise or fall unlimitedly. Under a gold standard, a currency cannot rise above the gold import point. When it touches this point gold will flow into the country and the currency reserves will grow. The gold inflow will arrest any further rise in the exchange value of the currency. In place of the rising exchange rate, the country will take gold. Conversely, a weak currency cannot fall below the gold export point. When it touches this point gold will flow out of the country and the currency reserves will decline. The gold outflow will arrest any further decline in the exchange value of the currency. In place of the falling exchange rate, the country will lose gold.

The rise in the price of a stock exchange scrip or of a commodity is the consequence of an increase in the demand for it. The same applies to the rise in the exchange value of a currency. It is the consequence of an increase in the demand for the currency. And the increase in the demand for the currency is the reflex of an increase in the exports of the country. The one is a counterpart of the other. The larger exports cause a corresponding increase in the demand for the currency to pay for the exports.

Basic Strength

The basic index of the strength of a currency, then, is the strength of the exports of the country. If exports are high and rising the currency will be strong as well—unless non-economic factors vitiate the situation by undue capital exports. In the foreign exchange market, this strength will be manifested in a firm or rising exchange rate; under a gold standard, the exchange rate — seasonal or other temporary variations apart — is apt to be above par and the currency reserves may grow. Rising exports may cause rising imports or, alternatively, rising capital exports; and the currency reserves may rise less than exports, or may not rise at all. The reserves will reflect the balance of payments position. Whether it is the exchange rate, reserves, imports or capital exports that keep rising and in what measure of each is a matter of the collective effects of the relative decisions of individuals; of the decisions of the monetary authority; and of the trade and fiscal policy of the government. These are but the several alternative ways of using the benefits of strong exports. The essential point is that the strength of the currency depends on the export position and the latter provides the basic index of the strength of the currency.

This takes us to the question, what is the criterion of the strength of a country's exports? If exports are deemed to be strong, they cannot lag behind the overall tempo of the economic life of the community. And perhaps the best index of this overall tempo is the rate of increase of the national product. It follows that for the export position of a country to be deemed strong, the expansion of its exports must at least keep pace with the expansion of the national product. The ratio of exports to the national product may remain steady or rise. Since a strong export position will be attended by a healthy balance of payments position it follows, too, that the expansion of exports will generally keep pace with the expansion of imports. The ratio of exports to imports may remain steady or rise.

In periods of heavy capital imports, imports may jump up correspondingly. In such situations, due adjustments must be made for the rise in imports from foreign aid or other capital imports, before comparing the expansion of exports to the expansion of imports. When, however, the export position of a country is strong though in the early stages of development it may import capital as the economy develops, it is apt to repay more than borrow afresh and eventually become a capital exporter.

By the same reasoning, for the export position of a country to be deemed strong in the world context, the expansion of its exports must at least keep pace with the expansion of world exports. The ratio of the exports of the country to world exports must remain steady or rise.

Conversely, the basic index of the weakness of a currency is the weakness of the exports of the country. The world's demand for the currency to pay for the exports of the country will be less than the supply of the currency placed on the world markets, representing the country's imports and the possible flight of capital from it. The ratio of exports to the national product, to the imports of the country and to the world exports will decline. In the foreign exchange market, the weakness of the currency will be manifested in a falling exchange rate. Under a gold standard, the exchange rate — seasonal or other temporary variations apart — is apt to be below par and the currency reserves may decline.

Judged by these tests, the Indian rupee would seem to be among the weakest currencies in the world. As a ratio of national income, Indian exports fluctuated downward from 6.30 per cent in 1950-51, the immediate pre-plan year, to 4.53 per cent in 1961-62; as a ratio of world exports they fluctuated downward from 2.03 per cent in 1950-51 to 1.06 per cent in 1962-63 and as a ratio of imports they fluctuated downward from 92.5 per cent in 1950-51 to 64.3 per cent in 1962-63.

Overvalued Rupee

The decline in our exports as a ratio of world exports may be even larger than indicated by the relative percentages quoted above. The rupee being over-valued, the US dollar equivalent of Indian exports gets exaggerated by the extent of the over-valuation; and the ratio of Indian exports to world exports, both stated in US dollars, gets correspondingly overstated, too.

The ratio of Indian exports to Indian imports are vitiated by two factors. On the one hand, imports are kept at an unduly low level by rigorous licensing and exchange controls; in the absence of these restrictions imports would be larger. The ratio of exports to imports in the context of import controls might be, therefore, larger than what the ratio might be in the absence of these controls. On the other hand, some of the imports represent inflows of capital, as foreign aid or equity capital; this calls for an adjustment in these ratios in the opposite direction. It is not possible to say to what extent these opposite adjustments would cancel one another.

The evidence of the weakness of the rupee provided by the declining percentage of Indian exports to the Indian national income is free from any of these obvious limitations. Though Indian national income rose by 47 per cent from 1950-51 to 1961-62, Indian exports stagnated, being at Rs. 647 crores in 1950-51 and at Rs. 668 crores in 1961-62 so that expressed as a ratio of the national income exports declined significantly. In the case of countries with convertible currencies — Article VIII countries under the IMF classification

— whose convertibility seems secure, as may be seen from the table below, the export position, as indexed by the ratio of exports to national income, has been strong.

RATIO (PERCENTAGE) OF EXPORTS TO NATIONAL INCOME

	1953	1962
Austria	20.5	23.1
Belgium	33.8	42.2
Canada	22.5	20.9
France	11.6	15.4
Germany	16.6	20.3
India	5.1	4.5
Ireland	26.7	31.5
Italy	10.0	15.1
Mexico	10.8	7.9
Netherlands	42.5	42.3
Peru	20.2	28.3
Sweden	21.0	22.6
U.K.	19.6	17.4
U.S.A.	4.0	4.4

It will be seen that as between 1953 and 1962 with the exception of Canada, Mexico and the United Kingdom, the ratio of exports to national income has remained steady (Netherlands) or has gone up.

And why are India's exports so low? The answer is threefold. First, the Indian exchange rate has remained unchanged in terms of the US dollar since September 1949, when it was devalued by 31 per cent to 21 US cents per Re. 1; and in terms of sterling since before 1927, when we adopted statutorily the exchange rate of Re. 1 = 1s. 6d. An inflationary rise in prices in the context of a rigid exchange rate meant a corresponding rise in the prices of Indian exports in terms of foreign currencies to the buyers of Indian exports abroad. The latter, as a consequence, switched over to rival producers whose currencies were not over-valued; or to substitute goods. This acted as a hurdle to the expansion of Indian exports; and the latter lagged behind in a background of continued uptrend of world output and world exports. This contributed to a fall in the ratio of exports to the national product.

Secondly, the exchange barrier in the way of exports which prevented exports from expanding, was accompanied by complementary changes in the domestic market. On the one hand, import restrictions denuded it of the much needed import goods. On the other, the aggregate domestic demand, being fed by inflation, increased. In particular, inflation and corrupt incomes (born of controls) produced a bulge of demand for goods consumed by the upper-income groups. In ordinary times this demand bulge would be met by larger imports. Severe import restrictions rendered this impossible. Potential export producers hit by the retarded demand for exports were, therefore, easily able to switch over to production for the home market to fill the vacuum caused by the import cuts and to meet the surging demand for fancy goods. Every rise in domestic prices reduced the profits from exports and added to the relative attractiveness of the home market, especially, since the comparative control of inflation in the great trading countries of the world. The rise in the costs incidental to the new and unfamiliar lines of manufacture did not deter this switch-over of production; the scarcity of supplies caused by import restrictions and inflation drove prices up perhaps more than sufficiently to cover the higher costs. Trade and industry had little to worry from the retarding exports. This merely meant a shift of production from exports to the home market. The national product continued to move up, though perhaps at a slower pace because of the wastage of resources involved; only exports lagged behind.

Thirdly, the enormous sums invested under planning in heavy industries, on power projects, on irrigation and on consumer goods industries created a correspondingly enormous demand for goods of all kinds to meet the needs of these development projects. Imports being severely limited, this offered opportunities of manufacture on a scale undreamt of before. Plan investments rose from Rs. 3,760 crores in the first plan to Rs. 12,350 crores in the third. This made possible almost indiscriminate fabrication at home of all varieties of goods wellnigh regardless of costs or quality. If production in a given line was technologically feasible, entrepreneurs could go full steam ahead. The administration was ever ready to provide the requisite market for the output through adjusting the amount of the import licences for the corresponding items of imports from abroad. Such production was hailed and welcomed as yielding a "saving" on foreign exchange, while at the same time contributing to economic development. Resource wastages were deemed of secondary consideration even if this aspect of the matter received any attention.

Deleterious Effect

The outcome of this misguided policy has been the production at home of goods — stray exceptions here and there apart — which are mostly unsalable abroad because of the high cost and poor quality. To cite some illustrations, the cost of production in India as against the cost of imports is over three times in the case of sugar, over ten times in the case of penicillin, over three times in the case of refrigerators, over twice to four times in the case of automobiles and over 1½ times in the case of oil engines. This category of Indian manufactures can have little chance in the world markets unless their prices are drastically reduced in terms of foreign currencies through an appropriate devaluation of the rupee.

This raises the question, what is the appropriate measure of the devaluation? The purchasing power parity theory can provide no answer. A comparison of the trends of prices and inflation at home and abroad suggest the incorrect inference that the rupee is not very much over-valued, after all. The purchasing power parity is powerless to explain the low level of Indian exports — the root cause of the weakness of the rupee — since this is not due to relative inflation and relative price trends alone. The weakness of the exports and the weakness of the rupee are due also to non-monetary factors — the policies of production in defiance of the doctrine of comparative costs.

Nor do the free market quotations for the rupee provide a dependable measure of its over-valuation. The free market quotations are vitiated by a complex of factors and are, therefore, misleading. An examination of these issues and the question of a reliable guide to the extent of the over-valuation of the rupee must be deferred to a later article.

(To be concluded)



THE AUTOMOBILE INDUSTRY . . . .

lends a hand to food grain production

In order to achieve self-sufficiency in foodgrains and to attain the present target of 100 million tons or a per capita consumption of 17.5 oz. a day, we need expand our irrigation system, conserve soil, produce improved agricultural implements, introduce modern techniques of farming, manufacture more fertilisers, build warehouses and storage godowns, provide facilities for marketing and distribution operations.

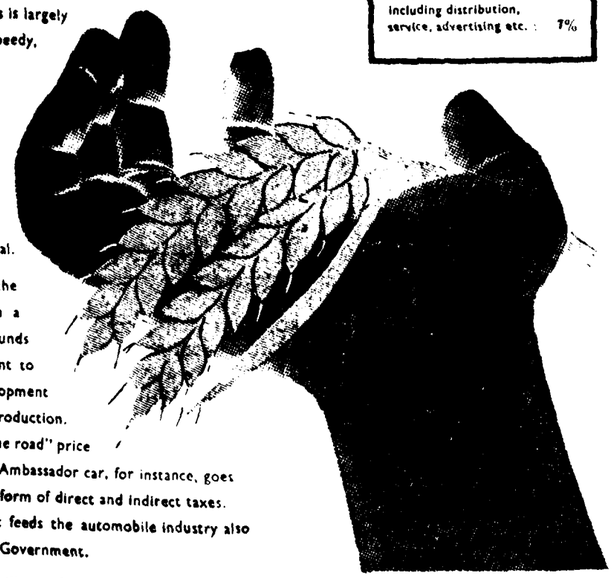
Every one of these operations is largely dependent on the efficient, speedy, economic form of transport provided by the motor vehicle. In the construction of dams and canals or the building of factories and warehouses, road transport helps the quick movement of men and material.

Each vehicle produced by the industry also contributes in a large measure towards the funds required by the Government to meet the cost of the development programme of agricultural production. Fully one third of the "on the road" price in Calcutta of a Hindusthan Ambassador car, for instance, goes to the Government in the form of direct and indirect taxes. Every ancillary industry that feeds the automobile industry also contributes its share to the Government.

Thus the automobile and ancillary industries help meet one of the country's prime needs—food production.

CAR PRICE STRUCTURE:

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



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WINDOW ON THE WORLD

Lessons of the Moselle Canal

From our Special Correspondent

LUXEMBURG :

THERE WAS no representative of the European Communities at the inauguration this week of the Moselle canal, one of the biggest hydro projects ever completed in Europe and certainly the biggest technical project undertaken here by several nations. Yet President de Gaulle made the journey, his first since a recent operation, to join with President Lubke of Germany and the Grand Duchess Charlotte in opening this "liquid staircase" 170 miles long. For the successful completion of this century-old project illustrates Gaullist ideas about European unification. A great international project, whose benefits are not equally shared among participants but favour one more than the other, has been carried through without any concession to supranationalism, by traditional negotiations between sovereign states. More than that, a supranational community was at hand and should have been interested (the Coal and Steel Community, CECA) but was unable to contribute to the task exactly because it lacked the attributes of sovereignty.

The late Robert Schuman used to say that the canalisation of the Moselle would be a "test" for European unity. After 17 years of arduous negotiations, it has passed the test but not by the means recommended by the supranationalists. One understands why the Gaullists, who made no special contribution to the job, wish to take the Moselle as a test-case for the methods of European unification. But first one must recall the economic significance of the new waterway.

Ruhr Vs Lorrain

Germany's iron and steel industry arose along the Rhine River, and on the tributary called the Ruhr, and thus always enjoyed direct, cheap connections with the North Sea (Rotterdam, the world's biggest port, is on the delta of the Rhine). The heart of France's industry, in contrast, was in Lorrain near the iron ore deposits, on the banks of a southern tributary of the Rhine, the Moselle River. It happens that the Moselle was not navigable between Coblence, where it enters the Rhine, and Lorrain. It flows in a deep gorge that marks the frontier between Luxembourg and Germany, and drops 300 feet between Thionville in France and Coblence in Germany. The result was that the French industry was isolated from the Rhine, hence from the North Sea, and had to rely on the railways for its supplies and despatches. The railways in question were largely foreign, the German system, and had no particular interest in helping Lorrain compete with Ruhr, so freight rates were as high as the traffic would bear. The idea of canalising the Moselle between Lorrain and the Rhine was, therefore, put forward soon after the industry arose.

Most of the work required to make the river navigable would have to be done on the German side of the border, and yet the only gainer would be the French steel industry. The gorges on the German side are too narrow to allow of industrial installations and will probably always remain given over to the vine, as now. Gaining nothing, the Germans would lose on two scores: loss of traffic for their railways, and loss of a competitive advantage for the Ruhr. So even when Lorrain was part of Germany (between 1871 and 1918, and again between 1940 and 1944), the Germans let the Moselle-canal file gather dust. More than that, when the Coal and Steel Community was formed, the Ruhr's opposition sufficed to prevent that international organisation taking any interest in the project. This was curious, because the major (at first, the only) traffic on the canalised Moselle would obviously be ore, coal and steel, and the transport of those commodities is CECA's concern. It was clear that a conflict of interests between two powerful industries could not be arbitrated by supranational bureaucrats, but required an agreement between states.

The agreement was obtained by traditional diplomacy, in its worst sense, that is by horse-trading between nation-states. France had occupied the Saar at the end of the last war but obviously could not stay there forever, a referendum having shown that a majority of the population wanted the territory to return to Germany. It is the task of diplomats to extract rewards even for inevitable sacrifices, and the French sought compensation for evacuating the Saar. They got it in the shape of certain economic rights in that territory, to continue after its return to Germany, plus German agreement to the canalisation of the Moselle. That West Europe's biggest international project since the war has this origin is perhaps regretted by the apostles of supranationalism, who imagine that an infant super-state would be able to over-ride vested interests. It is simple realism, however, to see that the centres of effective power remain (and will for many years) the historical states and nothing can be achieved without them, even less against them. The Gaullist doctrine of the "Europe des patries" says nothing else.

The present illustration is especially interesting because the opposition that had to be overcome was not only private industry, the Ruhr, but also governmental enterprises, the railways — and in France as well as in Germany. The railways in both countries fought tooth and nail against the Moselle project. Apart from noting that the influence of the railways is today generally retrograde (witness their successful throttling of road transport and of such projects as the Channel Bridge from England to France), one sees that only an agreement between governments could overcome the opposition of such substantial government departments as the railways; one cannot envisage a super-state issuing orders to the national rail corporations.

Encouraging Experience

The building of the canal was itself an instructive experiment in international co-operation, and an encouraging one in that it showed how much could be achieved by two nations without surrender of sovereignty in a third organisation. The International Moselle Company was registered in Germany, its capital was 49 per cent German, 49 per cent French and 2 per cent Luxemburger, it had a German manager and a French manager, with a board representing the three nations. Of the funds needed to execute its large task, two-thirds were provided by France (who, as we saw, stood to gain most) and one-third by Germany. Incidentally, as with most immense projects, the actual costs far exceeded the estimates: there were 400 million francs, but in the end the work absorb-

ed 975 millions. National, not to say nationalist, susceptibilities were respected throughout the construction work; all plans were approved three times over, by the national administrations and then by the International Company, and there were always technicians from both countries on the site. Now that its work is done, the International Company will be wound up. The national river-navigation services will administer their respective sections of the canal. Navigation across the frontier is free but within national borders domestic carriers have a monopoly.

The economic consequences of the linking of eastern France to the sea will be considerable, given the saving in transport costs of bulk materials. Even before transferring their custom from the railways to the barges, the French steel mills have been offered freight reductions of 20 to 40 per cent by the German railways, whose stranglehold is broken. The Lorrain thus finds itself with transport charges equal to those of the Ruhr and the Belgian regions of Liege and Charleroi. The further industrialisation of the region will be powerfully promoted, and this applies as much to the nearby parts of Luxemburg and the Saar as to Lorrain. Needless to say the 13 barrages and locks built along the Moselle to permit river traffic take advantage of the potential energy of the 300-foot descent to generate electricity: ten stations will obtain 850 million kWh yearly from these installations. Thus the region's power of attraction is enhanced, and a major steel mill is the first new project to exemplify this.

Perhaps the thing that most deserves Indian attention is that two of the world's most industrialised nations should choose, in this day of modern transportation, to spend almost Rs. 100 crores in order to open the way into the heart of Europe to lumbering barges of 1500 tons. Despite the spectacular progress of the railways on the Continent, with electrification and dieselisation, and the extension of road transportation, the slow, quaint old barges hold their own as the most economical form of carriage, not only for bulk commodities but also for automobiles and many other manufactures. Indeed, the Moselle canal is just the first (though probably the most difficult, both technically and potentially) step in a more grandiose project: a canal from the North Sea to the Mediterranean, which will exist once the Rhine is linked to the Rhone. The section opened this week by the three heads of state stops at Thionville in France, but by next year the French will extend the channel (40 yards wide, nine feet deep) upstream as far as Metz, and then start work on the section to Nancy. By that point, which should be attained before 1970, the whole of north Europe will be covered by a network of big canals, and the junction with the Rhone, opening the way to the Mediterranean, will be in sight. Colossal sums are being invested in this prosaic and old-fashioned means of transport, and the tolls (where tolls are collected) will not amortise them, for they never exceed one naya paise per ton-kilometer. That the Common Market should choose this unromantic field for its first major venture contains a lesson for countries that neglect the possibilities of river transport.

Taxation Without Tears

JOSSLEYN HENNESSY

LONDON:

"IF A MAN earns, he has to pay a heavy income tax. If he spends, he has to pay expenditure tax. If he gives money away, there is a high gift tax. If he dies leaving any savings, he has to pay a heavy estate duty". Thus was Mr. K. K. Birla recently reported in "Eastern Economist" to have told the Indian Chamber of Commerce.

Although the U.K. has not yet attained the heights of taxation reached in India, public expenditure rises spectacularly all the time — particularly on education, health, hospitals, roads, publicly supported housing and, not least, defence — and both political parties — the Conservatives regretfully, the Socialists blandly — declare that the prospects for tax reductions are nil: the problem is which taxes should be raised.

Narrowing Scope

Although no party leader has admitted it in public, there is a growing feeling in informed economic circles, which influence opinion, that the scope for increasing direct taxation is narrowing. Apart from economic arguments, one political reason is that, as incomes rise, more voters are becoming income-tax conscious.

On the other hand, until recently, the orthodox view has prevailed that to increase indirect taxes — sales taxes, excise duties, etc. — is "regressive", i.e., it puts a proportionately higher burden on the mass of lower incomes, and does not hit the "rich" so hard, and that this is "socially unjust". But what to do? New universities and new roads cannot be had for nothing.

In these circumstances, British economists have been looking around to see what lessons, if any, can be learned from the experience of other countries, notably Germany.

German Government investment constitutes 30 per cent of total gross investment, 32 per cent of GNP goes in taxation, and social security benefits absorb 40 per cent of those taxes. But the basic difference between the "dirigisme" of a social market economy and state intervention in a planned economy is that the planner takes the initiative in injecting funds into investments of the government's choice, whereas the dirigist seeks to encourage investment leaving the choice as far as possible to private enterprise — a method which ensures expansion without a significant increase of government debt.

In 1948, Erhard rejected the British diagnosis that Germany's economic paralysis was an "under consumption" depression, of the interwar type, to be cured by Keynesian credit creation. He pointed out that what was lacking was not buying power, of which there was an inflationary surplus, but goods to buy, and that this, together with war's devastations, rendered the production of sufficient goods impossible. In other words, Germany was suffering from "under investment". Investment would not come from further creation of credit. It could only come by, first restoring real values and the price mechanism by a currency reform, and thereafter clamping down on consumption to divert resources to investment. This could be done by providing innumerable encouragements to plough back profits and by maintaining high rates of interests to promote the efficient use of resources. The abolition of price controls and the pent up demand for goods, in fact, enable high profits to be made. Aided by high taxes and low expenditure (notably for defence), the government used the budget surpluses thus obtained to invest in housing, public utilities, and the nationalised industries. It is, however, important to note that (1) this investment came not from deficit financing but from savings out of current revenue, and (2) Germany's government enterprises are expected to make profits, so that Germany does not suffer from the misallocation of resources experienced in countries where the nationalised industries are governed by social (sic) aims.

Erhard's policy of boosting public investment by budget surpluses, and private investment by inducements to plough profits back, got Germany prosperously onto its feet. Nevertheless, as time went on, certain disadvantages emerged. Government investment originally went primarily into roads, schools, hospitals, and other social overheads, but it then began to compete with the free market and the steady growth of the public sector alarmed public opinion (including the Socialists) as undesirable concentration of economic power. In the private sector, also, ploughing back was similarly leading to ever greater concentrations. Erhard therefore inaugurated a second phase, with a new "share the wealth" policy (also approved by the Socialists), the aim of which was not so much to redistribute income as to spread the ownership of capital. How? By (a) leaving as much of a man's earnings in his pocket as possible and (b) encouraging him to save rather than to spend. Erhard achieved (a) by reducing income tax from a maximum of 95 per cent to 55 per cent, and (b) by raising his revenues more and more from transaction, sales, and consumption taxes, so that whereas in the 1960's income tax provides over half of budget revenue in the U.K., it stays around one-third in Germany.

Whereas the U.K. government mulcts the taxpayer for schools, hospitals, roads etc. and what is left is, as it were, his pocket money, the German government leaves him with a comfortable cash balance and encourages the feeling that how it is spent is his decision and not that of some bureaucrat. A wide battery of permissible tax deductions to encourage saving includes: insurance premia (in toto), savings banked for five years or over; sums invested out of income in securities, shares, investment trusts, and building societies; bonuses for inventions and for suggestions for improvements; and many others.

Germany, in effect, abondoned progression in income tax and increasingly went over to taxes on expenditure. The tax structure bears lightly on the creation of income (income taxes) and the possession of wealth (property taxes) and weighs heavily on the use of income (business transaction, sales, consumption taxes). Note that German tax authorities object to a capital gains tax, because it slows down changes in investments, whereas the object of a capital market is to be immediately sensitive to opportunities for the more profitable re-allocation of savings.

All this explains why Germany consumes 72 per cent of GNP, compared with 82.3 per cent in the U.K.

But while Germany thus goes all out to favour investment and decrease consumption, the all embracing social security system counteracts the regressiveness of taxation. Already in 1957 benefit expenditure was £3,200 million, or 21 per cent of total consumption expenditure, compared with £2,155 million, or 11.2 per cent in the U.K.

The American Miracle

PAUL BAREAU

THE TERM "economic miracle" has tended in the recent past to be applied to the expansion that has been achieved in a number of countries on the Continent of Europe. Germany, France and Italy have each had the honour of having that title bestowed upon them and one commentator with less than the appropriate measure of sympathy to France and Italy, said recently, "the German miracle was the result of hard work, efficiency and discipline; the other two were genuine miracles". The other two are certainly looking somewhat tarnished today, given the symptoms of inflation that have begun to appear in each of those countries.

It is, however, time that this somewhat abused expression were applied to the United States. In that country there has been a genuine miracle in that a boom which has persisted for close on three years has been accompanied by virtual stability in the purchasing power of the currency. The theme of "expansion without inflation" has often been intoned on this side of the Atlantic as the expression of an ideal that must always be out of reach of a free Parliamentary democracy. This is because in these days every government has put full employment and the maximisation of expansion at the head of its list of priorities and cannot withstand the electorate's pressure in favour of spending and economic growth. And yet the United States have over the past three years provided a solid and sustained illustration of the way in which these highly desirable objectives can be reconciled. Moreover they have done so without a planning commission or an openly declared incomes policy.

One might claim that Keynesian revolution has found a more adept follower in the United States than in any other country. And yet the name of the late Lord Keynes is not one to conjure with in every sphere of political and economic opinion in the United States. It would nonetheless be fair to say that in the purposive intervention of the State in an attempt to create an appropriate economic climate while leaving the operation of commerce and industry to private enterprise, the United States have applied the Keynesian principles to better purpose than any other country. It may have been done involuntarily; but what is important is that the objective has been achieved. Moreover, it is still being put into active operation if one may judge from the substantial reductions in taxation which have recently been put into effect, not by reason of immediate budgetary considerations but as a means of influencing the general economic situation.

Beneficial Consequences

This achievement has tremendous consequences for the rest of the world. The fact that the United States are now economically the most powerful nation in the world, the largest importers of raw materials and manufactured goods and the largest exporters of capital, gives them a dominant influence over the world economy. It used to be said "when America sneezes, Europe catches pneumonia"; the reverse also applies. When America booms, as it is now doing, there is likely to be an infection of happy buoyancy in the whole world economy.

There can be no doubt as to the boom. President Johnson in a recent press conference pointed out that the gross national product had reached a rate of over $608,000 million, an expansion of nearly 6 per cent on the figure for the year previously; corporation profits declared this year show an increase of nearly 10 per cent over the comparable figure for 1963 (no apologies were offered for this); price stability had been maintained. Since the end of 1961 the cost of living in the United States has risen by only 3½ per cent, wages by 7 per cent, while on balance there has been no change at all in the level of dollar wholesale prices. This absence of price increases in the United States over a period when there have been sharp rises in Western Europe has played an all-im-

portant part in the improvement that has occurred in the United States balance of payments.

This improvement in the US balance of payments derives in part from the ability which that country has shown in controlling wages, costs and prices at a time when others have been less successful. It is also a result of the measures that have been applied to discourage the export of capital from the United States to all but developing countries. Although the levies applied on foreign issues in the New York market and on purchases of foreign securities by US citizens have only recently been enacted, they were made retrospective and, therefore, the required deterrent effect became apparent from the moment the new legislation was tabled in mid-1963.

Whatever the causes of the improvement in the US balance of payments, it has undoubtedly taken the pressure off the dollar and has removed one major cloud that had persisted for so long on the economic horizon of the United States.

At the same time this phenomenon has raised some serious problems for the rest of the world. It awakens unpleasant echoes of the dollar shortage of the immediate post-war years. The balance of payments deficit in the United States has over the past twelve years done a great deal of good to the world at large by providing the additional volume of international reserves required to underpin the expansion of world trade. They have fed the dollar balances held in the reserves of foreign central banks. If this flow is to be diminished, or even reversed, the problem of world liquidity, which is now being considered by several international committees in anticipation of the International Monetary Fund meeting in Tokyo next September, will acquire an entirely new and somewhat more menacing aspect. As far as the United States is concerned, there is no doubt that for the near future the improvement in the balance of payments is a favourable point and one which promises a happy continuation of the existing boom, since no domestic corrective measures will be required for external reasons.

There is, however, one darker stain on this picture. It lies in the fact that during these three years of "economic miracle" unemployment in the United States has varied between 5½ and 6 per cent. This is a high rate, judged by West European standards. The cynics will argue that this relatively high level of unemployment must in part at least be responsible for the stability of wages, costs and prices over this period. On the other hand it could be contended that the rate of economic expansion in the United States would have been more impressive still had the available manpower been more fully used.

Unemployment in the United States is in large part a technological phenomenon: the result of automation and of the consequent reduction in the demand for unskilled labour. The American authorities are aware of the problem and are taking steps to deal with it. The recently announced tax cuts are part of a programme to stimulate the economy to still greater efforts of production. The campaign against poverty which President Johnson has launched is another facet of this attempt to achieve the full realisation of the Keynesian revolution: expansion without inflation but also with full employment.

Private Investment Aids Exports

GUY SIMS FITCH

WASHINGTON:

NUMEROUS AND well-documented *case studies* attest to the contributions that private investment can make to a nation's economic growth and development. Not so well-known, perhaps, is the extent to which these investments, through their promotion of industrial progress, help build up a developing land's export potential, and thus enhance its capacity to earn its way in the world. A particular case in point is Puerto Rico, autonomous and self-governing island commonwealth freely associated with the United States. Under the auspices of its economic development administration—popularly known as FOMENTO — Puerto Rico has undertaken a vast and highly successful self-help industrialization programme, one that has attracted many new industries from the United States and other countries.

Improved Standard

Since world war II, roughly a thousand new factories have been built in Puerto Rico, providing some 135,000 jobs with a total payroll of $250 million. This has paid off handsomely in improved living levels for the people, despite the island's population growth. In the past decade alone, Puerto Rico's per capita output of goods and services has doubled, and its per capita income has climbed from $401 to $740 a year. In the process, Puerto Rico in the post-war period has been transformed from a generally poor and predominantly agricultural society to a bustling community with an industrially dynamic economy.

There has been no let-up in the Puerto Rican effort to bring in more new industry and investment. But recently, with the industrial base established and growing, the island's Government has started the development campaign into a new phase. This has involved increased local participation in industrial development, and a research for new and larger export markets for the products of the island's expanding industries. Particular attention is being paid to export markets for local manufactures. This export campaign, which is being promoted by a FOMENTO subsidiary called Markets Development Corporation is bringing a number of Puerto Rican firms into the export business for the first time. It is opening new export markets not only in the United States, which is the island's principal buyer as well as supplier of goods, but throughout all of Latin America. Plans also are under way to explore export opportunities in Europe, Africa and other parts of the world. Already a new unit of Puerto Rico's Department of Commerce has begun to survey and analyse foreign markets with an eye to expanding the island's exports.

The many new products made in Puerto Rico today, which reflect the substantial growth of the island's own domestic markets, offer promising opportunities for export expansion. Among them, for instance, are leather goods, plastics, electrical products, chinaware and pharmaceuticals. These are in addition, of course, to such traditional Puerto Rican products as cigars and agricultural items. The importance of export expansion to Puerto Rico derives from the ever-present need to earn more foreign exchange to help sustain the remarkable economic progress, and from the fact that Puerto Rico's island economy is heavily dependent on trade and must import many of the industrial and consumer products it uses.

While Puerto Rico's exports have been growing, they reached a total of $845 million last year. Helping to offset the deficit has been Puerto Rico's rise as a major tourist centre. All in all, Puerto Rico offers an exciting example of a developing land which has made substantial economic strides through a combination of enlightened government programmes and a vigorous private sector.

LISTENING POSTS

The Tasks Before Mr. Shastri

By Our Special Correspondent

NEW DELHI:

THE ADROIT handling by the Congress President, Mr. K. Kamaraj, of the succession issue has dispelled the fears entertained in some quarters that Mr. Nehru's failure to name his successor might lead to political instability and a fierce battle of succession in India. No doubt, the battle of succession did rage and there was hectic activity last week-end for canvassing support for the two main contenders to Mr. Nehru's mantle — Mr. Lal Bahadur Shastri and Mr. Morarji Desai. But the situation changed suddenly when the Congress Working Committee on Sunday authorised Mr. Kamaraj to name the new leader after having a consensus on who among the possible candidates in the Congress top brass commanded a majority in the Parliamentary Party. The consensus threw up Mr. Lal Bahadur Shastri as the new leader. It goes to the credit of Mr. Morarji Desai and his supporters that they did not create any fuss after the result of the consensus was known. At the Parliamentary Party's meeting on Tuesday, Mr. Shastri's name was proposed by Mr. Gulzari Lal Nanda, who temporarily succeeded Mr. Nehru. Mr. Desai supported the proposal. With no other candidate in the field, Mr. Shastri was elected as the new leader of the Congress Parliamentary Party unanimously. The choice of this liberal politician raises hopes that democracy will steadily get firmly rooted in this country. Mr. Shastri is expected to be sworn in as the new Prime Minister on June 9. When he hopes to finalise his Cabinet.

Addressing the Congress legislators after his election, Mr. Shastri reiterated his faith in non-alignment and socialism and declared that he woud carry the country forward on the path carved out by Mr. Nehru.

In an informal meeting with the Press in the evening on that day, Mr. Shastri expressed the view that the task before his Government was: (1) building up expeditiously the defences of the country; (2) holding the price line; (3) the development of the economy and eradication of poverty; and (4) furtherance of national integration. The economic issues, Mr. Shastri stated, were as vital as the safeguarding of independence; eradication of poverty was no less important than strengthening of the country's defences.

Holding the Price Line

Mr. Shastri announced that he proposed to have consultations soon with the Ministers of Food and Finance and the Planning Commission on what practical measures could be taken to contain the price spiral which had been hitting particularly hard the poorer and the middle classes.

While talking of national integration, Mr. Shastri said that national interests would have to take precedence over regional, caste or community considerations. He emphasised that the interests of minorities had to be fully preserved so that the country could remain united. The language question, which came in the way of national integration, Mr. Shastri added, would also have to be tackled effectively.

Mr. Shastri welcomed the latest statement of the Pakistan President, Mr. Ayub Khan, and stressed that India wanted to develop the friendliest ties with all countries — of course, without involving herself in power blocs. The policy of non-alignment, initiated by the late Prime Minister, Mr. Shastri stated, was beneficial for the country.

Mr. Shastri also dwelt at some length on the situation in Laos and expressed the view that this problem could not be solved satisfactorily unless another conference of the 14 nations charged with the task of bringing about peace to this strife-torn South-East Asian country was held. India, he added, had agreed to the British proposal for an informal meeting of ambassadors in Vientiane. The suggestions of the USSR Government for resolving this tangle, he continued, were also receiving the considerations of the Government of India. Since the situation in Laos was taking a serious turn, this problem, he opined, had to be dealt with immediately. India would try to carry with her the United Kingdom, the United States and the Soviet Union and strive for maintenance of the 'status quo' till conditions were restored in which things could move smoothly and without creating any kind of irritation or conflict.

In a message to the nation, Mr. Shastri said that the country must stand as one people and tackle its problems as effectively and as quickly as possible. "Those who are in power", Mr. Shastri emphasied, "have to realise fully the great responsibilities we have been charged with after the departure of Mr. Nehru. We must work hard and try to co-operate with each other".

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In its paper on the fourth and the fifth Plans, the Perspective Planning Division has estimated that the demand for petroleum products in India will go up to 14.84 million tonnes by 1965-66, 26.74 million tonnes by 1970-71 and 41.98 million tonnes by 1975-76. It has, accordingly, suggested that refining capacity of the order of 30 million tonnes should be established during the fourth Plan period.

The production from the existing refineries and from those being set up currently is expected to reach 14 million tonnes by 1965-66. Its broad break-up will be: (in '000 tonnes): Gasoline 2,314; Kerosene (including ATF) 2,513; High Speed Diesel 2,801; Light Speed Diesel 755; Furnace Oil 3,505; Lubricants 55; Bitumen 663; miscellaneous products 494. The demand for these products in 1965-66 (in '000 tonnes) is estimated at: Gasoline 1,665; Kerosene (including ATF) 3,200; High Speed Diesel 3,000; light diesel 760; furnace oil 4,700; lubricants 485; bitumen 580; miscellaneous products 450. The domestic production will, thus, fall short of the requirements in the case of kerosene (687,000 tonnes), high speed diesel (199,000 tonnes), light diesel (5,000 tonnes), furnace oil (1,195 tonnes) and lubricants (430,000 tonnes). It will on the other hand, exceed the demand for gasoline (649,000 tonnes), bitumen (83,000 tonnes) and miscellaneous products (44,000 tonnes).

The 1970-71 and 1975-76 demand estimates for the various petroleum products are as follows

('000 tonnes)

Product	1970-71 Demand	1975-76 Demand
Gasoline	4,185	7,000
Kerosene	5,285	8,400
High Speed Diesel	6,195	10,250
Light Speed Diesel	1,040	1,200
Furnace Oil	7,535	11,600
Lubricants	800	1,280
Bitumen	1,000	1,300
Miscellaneous	700	950

The production pattern anticipated on the basis of a 30

million tonnes and 45 million tonnes refinery capacity being stablished by 1970-71 and 1975-76, respectively, is as follows:

('000 tonnes)

Product	1970-71 Production	1975-76 Production
Gasoline	4,780	7,300
Kerosene	5,575	8,725
High Speed Diesel	6,405	10,345
Light Speed Diesel	810	1,010
Furnace Oil	7,410	11,600
Lubricants	806	1,266
Bitumen	1,100	1,300
Miscellaneous	609	754

For establishing 30 million tonnes refining capacity by 1970-71, the Perspective Planning Division favours expansion of all the existing refineries, except the Digboi Refinery, and setting up of the three projected refineries at Madras (2.5 million tonnes), Haldia (2.5 million tonnes) and somewhere in North-West India (3.5 million tonnes). The existing refineries, it has been suggested, should be expanded to the following capacities:

Private Sector Refineries: Burmah-Shell (Trombay) 4.75 million tonnes; Esso (Trombay) 3.5 million tonnes; Caltex (Visakhapatnam) 1.55 million tonnes.

Public Sector Refineries: Barauni 3 million tonnes; Koyali 3 million tonnes; Nunmati 1 million tonnes. The expansion proposed for the Cochin Refinery is to a capacity of 3.5 million tonnes.

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The Perspective Planning Division has suggested that if India's economic development has to be made less and less dependent on foreign assistance, the country must develop in future machine-building industries at a much faster rate than had been the case hitherto. Particular emphasis has been placed by the Perspective Planning Division on the development of the capacity to manufacture cotton textile machinery, sugar machinery, cement machinery, paper and printing machinery, equipment for chemical industries, heavy plates and vessels, metallurgical equipment, power boilers, industrial boilers, air compressors, machine tools, road-construction equipment, etc., during the fourth Plan period. The following capacity and production targets have been suggested for 1970-71 and 1975-76. The figures in brackets indicate the capacity and production likely to be achieved by 1965-66.

Industry	Capacity 1970-71	Capacity 1975-76	Production 1970-71	Production 1975-76
Machinery				
1. Coal & other mining machinery ('000 tonnes)	75 (45)	100	65 (15)	90
2. Cotton textile machinery (Rs. million)	500 (200)	600	400 (200)	500
3. Jute textile machinery (Rs. million)	35 (35)	45	35 (27)	40
4. Sugar machinery (Rs. million)	250 (120)	300	200 (120)	250
5. Cement machinery (Rs. million)	160 (80)	300	150 (45)	250
6. Paper machinery (Rs. million)	250 (80)	400	160 (70)	350
7. Printing machinery (Rs. million)	100 (30)	200	80 (5)	180
8. Equipment for chemical industry (Rs. million)	450 (90)	1,000	360 (80)	800
9. Heavy plate & vessel works ('000 tonnes)	70 (30)	150	60 (23)	120
10. Metallurgical & other heavy equipment ('000 tonnes)	160 (80)	240	140 (60)	200
11. Dairy machinery (Rs. million)	50 (25)	100	50 (25)	90
12. Tea processing machinery (Rs. million)	50 (25)	60	45 (23)	60
13. Building & Road Construction machinery (Rs. million)	90 (60)	160	75 (40)	150
14. Power Boilers (tons st./hr.)	10,000 (2,500)	16,000	8,000 (2,000)	14,000
15. Industrial boilers (Rs. million)	300 (150)	500	250 (100)	400
16. Tractors ('000 nos.)	60 (14.5)	200	50 (10)	150
17. Diesel engines ('000 nos.)	140 (72)	150	110 (66)	140
18. Power drive pumps ('000 nos.)	300 (180)	400	250 (150)	350
19. Air compressors (Rs. million)	200 (300)	300	160 (250)	250
20. Machine tools (Rs. million)	1,000 (300)	1,800	1,000 (250)	1,600
21. Road rollers (Nos.)	1,500 (1,100)	2,200	1,200 (900)	2,000
22. Crawler tractors (Nos.)	1,200 (600)	1,600	1,000 (500)	1,300
23. Shovels (Nos.)	250 (100)	400	200 (100)	300
24. Dumpers and scrapers (Nos.)	1,200 (600)	1,600	1,200 (500)	1,300
25. Grinding wheels ('000 tonnes)	12 (5.5)	25	10 (4.5)	20
26. Precision instruments (Rs. million)	700 (200)	1,200	550 (140)	1,000
27. Ball and Roller Bearings (Million Nos.)	50 (12)	80	40 (15)	70
28. Surgical instruments and X-ray equipment (Rs. million)	120 (n.a.)	250	100 (50)	250
29. Bolts, nuts & rivets ('000 tonnes)	n.a. (n.a.)	200	120 (70)	180
30. Cranes ('000 tonnes)	120 (60)	180	100 (30)	150
31. Typewriters ('000 nos.)	120 (68)	200	120 (68)	200
32. Sewing machines ('000 nos.)	1,200 (600)	2,000	1,100 (600)	1,800
33. Watches, clocks and time-pieces ('000 nos.)	3,500 (2,568)	7,000	3,500 (1,080)	6,000

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The Union Government has banned, with effect from June 1, 1964, forward trading in (1) groundnuts, (2) groundnut oil, (3) mustardseeds, including taramiraseeds, (4) rapeseeds or toria, (5) groundnut oilcake, (6) mustard oilcake, including taramira oilcake, (7) methi, (8) coriianderseeds, (9) cottonseed oilcake, (10 sesamum oilcake, (11) rapeseed oilcake, (12) aniseeds, (13) arhar chuni, (14) mung chuni. All the outstanding forward contracts in these commodities, it has been directed, should be closed and settled at the rates prevailing at the close of business on June 1, 1964.

The step has been taken in view of the recent increase in the prices of these essential commodities and owing to the fact that the measures taken by the Forward Markets Commission for preventing speculative activity in them had proved of little avail.

Millions Mourn Nehru in Bombay

From Our Correspondent

BOMBAY:

BOMBAY WAS plunged in grief, with the rest of India, over the irreparable loss sustained by the nation, in the passing away of the guiding genius and spirit of India, Mr. Jawaharlal Nehru. It has been a week of homage and tribute to the great departed leader. Practically all the company meetings and important social functions have been postponed.

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Gujarat's plan of development over the 10-year period envisages a total investment of over Rs. 1,792 crores. The projections indicate an increase in the State's income from Rs. 674 crores in 1960-61 to Rs. 923 crores at the end of third Plan, Rs. 1,265 crores at the end of the fourth Plan and Rs. 1,733 crores at the end of 1975-76. The per capita income is expected to increase from Rs. 327 in 1960-61 to Rs. 401 in 1965-66, Rs. 490 in 1970-71 and Rs. 612 in 1975-76.

This is revealed by the working paper of the State's planners. The figures of outlay indicate the amount of Central assistance available on certain assumptions at Rs. 947 crores. The private sector investment in the fourth Plan would be higher by 30 per cent over the period of the third Plan and by about 40 per cent in the fifth Plan over the fourth Plan level. At this rate, the total investment in the private sector over the period of 15 years would be of the order of Rs. 648 crores. The working paper has suggested certain changes in the Plan strategy and the pattern of priorities for the fourth and fifth Plan periods. While agriculture would claim a larger allocation of 52 per cent in the fourth Plan outlay against 47 per cent in the current Plan, the amount would go down to 33 per cent in the fifth Plan. It has pointed out the inherent limitations of an agricultural economy and has suggested that self-sufficiency in food should not become a dogma in Gujarat. While every effort should be made to reduce the quantum of food imported into Gujarat to meet the deficit, the future of the State depends in laying a strong basis for large-scale and small-scale industrialisation. In terms of the physical targets in the agricultural sector, the paper envisages a substantial increase in the production of food, from 2.9 million tons at the end of the third Plan to 4.8 million tons at the end of fifth Plan. Cotton production would be of the order of 2.3 million bales and that of groundnut would be 2.8 million tons. The irrigated area would increase to over 6 million acres.

In the industrial sector, the investment is proposed to be increased from over Rs. 7 crores in the third Plan to over Rs. 20 crores in the fourth Plan, and over Rs. 60 crores in the fifth Plan. Similarly, the outlay on power and transport would be stepped up from over Rs. 68 crores in the third Plan to Rs. 120 crores in the fourth Plan and Rs. 297 crores in the fifth Plan. As regards social services, the expenditure is proposed to be kept at 18 per cent of the total outlay. The projections for the growth of population place the increase of population at a reduced rate of 2 per cent in the fifth Plan period from 2.68 per cent per annum for the decade 1951-61.

The planners have felt that a bold attempt will have to be made for providing an increased volume of gainful employment. It is estimated that 37 per cent of the additional population that will come into existence in March, 1968, will be about 800,000. The total labour force that would need to be absorbed during 1961-66 will be 11,82,000, while the employment likely to be created during the same period will be of the order of 800,000, leaving a backlog of 382,000 as unemployed. During the fifth Plan period, the size of the labour force that would have to be absorbed would be of the order of Rs. 14,32,000, including the backlog of 382,000. It is hoped that the entire labour force will be gainfully employed and the unemployment problem will have been nearly liquidated by the end of the fifth Plan. Nevertheless, it is probable that unemployment of 3 to 4 per cent of the educated labour force may emerge at the end of the fifth Plan.

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Mr. S. G. Barve, State Minister for Industries and Power, in Maharashtra inaugurated the third branch of the Maharashtra Financial Corporation, at Miraj. Mr. Purushottam Banjibhai, chairman of the Corporation said that, during the nine years since the inception of the Corporation, as many as 842 applications for loans, totalling Rs. 12 crores, had been received. Loans to the tune of Rs. 7 crores had been sanctioned. Sangli, Kolhapur and Satara districts had been granted loan amounting to nearly Rs. 35 lakhs during the period. The main purpose of the Corporation was to provide funds for small-scale and medium-scale industries and expressed the hope that industrialists of the area would avail of the facilities provided by the branch of the Corporation.

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An elaborate study of the economics of raw sugar production — a comparatively new field being tapped by sugar factories for export markets — undertaken by technologists of the Shriram Sahakari Sakhar Karkhana Sangh, Phaltan, (Satara), has revealed great advantages for the industry. The study has reported the following advantages as compared to white sugar production operation: Increase in factory capacity by 15 to 20 per cent; saving in power and labour; increase in the duration of every run from one week to three weeks, saving chemicals for cleaning: saving in chemicals; reduction in consumption; increase in recovery from cane of 0.4 to 0.5 per cent; saving in steam consumption

and of 4,000 tons of bagasse in 80 days; savings in interest on the usually locked up capital as a result of quick clearance for exports. On the debit side were two disadvantages, viz. extra good conditioning of godowns and increased work load for hamals.

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Gujarat is making a massive effort to develop the chemical and fertiliser industrial complex of the State. The Rs. 33-crore Gujarat Fertiliser and Chemical Project, which is being set up six miles from Baroda has been planned to scale down substantially the investment cost, the cost of production and the retail cost of fertilizers. The authorities have integrated the project for utilising various intermediates and by-products for the production of methanol and formaldehyde at a later stage, production of technical grade urea for the manufacture of urea formaldehyde and the excess annual capacity of 21,000 to 25,000 tons of ammonia for the manufacture of various amides, amines caprolactum and nitrites. They are also planning for the disposal of the by-product calcium carbonate and gypsum. They will also provide utility and other services such as common supply of gas, feed stock and fuel, water and drainage. The Gujarat project will produce: (1) Ammonia, 150,000 tons per year (largest plant in India); (2) Urea, 1,00,000 tons per year; (3) Technical Grade Urea, 3,200 tons per year; (4) Sulphuric Acid, 470 tons per day (largest in India; (5) Phosphoric Acid, 165 tons per day; (6) Ammonium Sulphate, 475 tons per day; (7) Diamonium Phosphate, 341 tons per day.

Facilities have been provided also for granulating into chemical compound the diamonium phosphate and ammonium sulphate and annually produce 256,000 of ammonium sulphate phosphate (19.5 : 19.5). The project will have a capacity to produce 1,20,000 tons of nitrogen, with 96,000 tons of nitrogen as fertilizers and the rest as technical grade urea and ammonia and 50,000 tons of P2O5. The investment in this project for an output of 96,000 tons of nitrogen as fertilizers and 24,000 tons of nitrogen as technical grade urea and ammonia should work out to Rs. 34.35 crores. For the production of 50,000 tons of P2O5, the total investment will be Rs. 9 crores. Thus, the total cost of the project under the conventional methods of planning will be Rs. 43.44 crores. The authorised capital of the company is Rs. 15 crores — Rs. 12 crores equity and Rs 3 crores preference. The project requires a further amount of Rs. 17.5 crores of which Rs. 14 crores will be provided by the Aid India Club from Japan and France. The balance of Rs. 3.5 crores is to be raised by 1966 from indigenous loans. The company has, therefore kept the equity borrowings ratio around 1:2 which has been approved by the Government of India. The capacity production is expected to be reached within 20 months after the project is complete although the project authorities have scheduled to reach only 60 per cent of production capacity during the first six months.

Soaring Prices of Wheat

From Our Correspondent

LUCKNOW :

THE HOPE that the food prices would show signs of relaxation after the harvesting period has been belied. The Food and Civil Supplies Minister, Mr. Jagmohan Negi, complained recently of the "persistent trend" of wheat prices to run high in the State. According to him, compared to the corresponding period last year, the price of wheat was higher by 2 to 3 rupees, averaging at Rs. 22 per maund. The Minister attributed this tendency to the poor arrivals of wheat in the 'mandis'. Again, a part of the pressure was caused by the lack of a ban on the movement of gram outside the State and the higher price of gram as compared to wheat. As a result of this, both the traders and the producers devoted more attention to gram than to wheat. The Minister, however, seemed to miss the basic cause, that is, the relatively poor crops this year because of the adverse weather conditions in many parts of the State. The Minister went on to point out that the high level of prices, due to poor arrivals in the 'mandis', created an adverse psychological effect. A silver streak in the otherwise cloudy picture is the increased offtake of imported wheat and flour from the fair price shops, which stands at three times the quantity cleared at the corresponding, period last year.

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Recently, the Chief Minister, Mrs. Sucheta Kripalani stated that Uttar Pradesh stands in need of an industrial structure, broadly based on rural industries, to provide job opportunities to the masses. To make a beginning in this direction, she announced that the U.P. Government proposed to set up small factories involving an investment of Rs. 2 to 3 lakhs at the block level directly under the charge of the block development committees in the rural areas of the State. She said that these industries would not involve the use of imported raw materials and would be selected out of the list approved by the Directorate of Industries. In this connection, she stressed the need for evolving a new administrative and supervisory machinery for giving an accelerated tempo to the development of agro-industrial complex in the State.

Presiding over the meeting of the State-level Co-ordination Committee on agro-industrial projects, she exhorted the officials to cut down procedural delays and entrust the work of ago-industrial projects to those endowed with initiative and aptitude. It was because of the absence of such qualities at the executive level that the blame for the slow implementation of these programmes was laid at their door. She, however, noted with satisfaction that the pilot agro-industrial projects, being run for the last two years at many a place by the Planning Research and Action Institute, had made a dent in rural unempoyment situation. The third five-year Plan of the State had expected that nearly 4,000,000 people would be without jobs in 1965-66 despite the fact that as many as 2,300,000 new job opportunities would be created in the State during the current Plan period. This brings out the enormity of the rural employment problem in the State.

Referring to the marketing problem of the cottage industrial units, she suggested that the rules regarding government purchases, particularly at the district level, should immediately be relaxed to provide impetus to cottage industries.

In this bleak picture of the employment situation, particularly in the rural areas, there is one redeeming feature. This is in connection with the training programme of skilled craftsmen in the State. According to a press release of the State Government, it has achieved almost two years ahead of the scheme the target of 200 per cent increase in the outturn of skilled craftsmen which it had set before itself. As many as 9536 persons have already been admitted for training in 26 engineering and 12 non-engineering trades in different institutions. As against the target of 10,632 additional skilled workers during the Plan period, the State would now be turning out 16,000 skilled craftsmen every 18 months. The target is also accomplished with regard to bringing the number of industrial training institutes in the State to 44 during the third Plan. Buildings have already been constructed for 15 institutes while building construction is going on for 12 more institutions. The institutes are more or less fully equipped. Skilled workers are in great demand everywhere and are readily absorbed both in the public and the private sectors.

Calcutta Stunned by Nehru's Death

From Our Correspondent

CALCUTTA :

LIFE IN Calcutta stood still for practically three days due to the shocking news from Delhi. The grief over the Prime Minister's death was spontaneous and it immediately expressed itself in the people of this huge city withdrawing into their homes and ponder over the tragedy which has befallen this country. Among the institutions which took the lead in suspending their activities as a mark of respect for the departed great was Calcutta Stock Exchange, which closed its operations for the rest of the week. Homage apart, operators feel deeply disturbed by the sudden removal of what the President in his broadcast called the all-pervasive leadership which during the past 17 years had ensured the stability of India's democratic institutions and the parliamentary form of Government. Mr. Nehru believed in socialism, but he also believed in the rule of law, fairplay and justice. Mr. G. L. Nanda has assured that the late Prime Minister's policies in all their aspects would be continued, but the operators apparently prefer to wait and watch.

Mr. Nehru's death came at a time when stock market investors were already beginning to feel worried about the declining profit margins in industry. Most industries have been reporting higher gross sales, but the profit margin in most cases has been squeezed by higher production costs. The stock markets have been sluggish because of the cautious investor attitude, although companies like Braithwaite have declared bigger dividends in the meanwhile.

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Rice gets scarcer in Calcutta and its neighbourhood as the West Bengal Government takes one measure after another in its attempt to defeat the "nefarious game of profiteers and hoarders". The latest of the measures under the Government's contemplation is to send any consumer to jail who pays more for his rice than the rates fixed for him by the Government. But rice has disappeared from many of Calcutta's retail markets and the consumer does not know where to get his rice from. Under the modified rationing scheme only a part of the people of Calcutta used to get rice from fair price shops. The Government has doubled the supply to these shops to cover 2 million people. That leaves 4 million still of the total population of the Greater Calcutta area who have to get their supplies from the open market.

It looks as if the Government has invited trouble by over-estimating West Bengal's rice crop during the current year. According to official statistics, West Bengal has produced 5.2 million tons of rice — a much better crop than during the previous year and only about 1 million tons short of the State's total food requirements. Since a greater number of Bengalees are now taking to wheat in place of rice, the Government has felt that with 1 million tons of wheat from the Centre, there should be no cause for anxiety on account of the food situation at any time until the next harvest. Consequently, it confidently fixed prices for different grades of rice early this year, at which wholesalers and retailers have to sell the cereal throughout the year. But as prices have spurted much above the officially prescribed rates, the Government feels clueless as to where the root of the problem lies.

A committee appointed by the Government some time ago under the chairmanship of Dr. Bhabatosh Dutta, a well known economist who has now been appointed a member of the Fourth Finance Commission, enquired into the various causes of the unchecked price rise in this State. Appointed about a year ago, the committee has now submitted its report. It points out with great emphasis that rice holds the key to the problem. No startingly novel conclusion this, but some of the recommendations which the committee makes to tackle the problem are rather startling. For example, it recommends the Government to control the rice trade at all stages — including the take-over of the rice mills and acquisition of the entire marketable surplus. Discussing the administrative measures to implement such a policy, the Committee has suggested that the Government should license producers, importers, wholesalers and retailers in all areas; markets should be regulated mainly at the wholesale stage; there should be buffer stocks and price advisory committees; and finally, all surplus areas should be cordoned off and statutory rationing introduced in all industrial areas.

From the press reports which have appeared, it is not clear what the committee means by the licensing of producers. Is it visualised that each farmer must take out a licence before he sows seeds in his fields? Even if this is ordered, what useful purpose will it serve? Secondly, how will the Government determine the marketable surplus? How much will it take from each producer and who will determine the quantity to be taken? The Government cannot do that equitably without making it compulsory that no person or agency should trade in rice other than a Government organisation. Is the State Government in a position to set up an agency which can handle millions of tons of rice? The sheer enormity of the problem of procuring paddy from millions of farmers from all parts of the State, storing and transporting it to the mills mostly located in Calcutta and other urban centres and the huge amount of finance involved, would make a government much better equipped and more resourceful than West Bengal's think many times before it dares to embark on such a venture.

Govt. Failures

Without going the whole hog, the Government of the State has already been trying to implement the committee's recommendations on a limited scale. In fact, just now its officials are busy procuring paddy from the farmers in the surplus districts. But the operation is by no means proving outstanding success. If the Government is not succeeding, it is because the procurement is still called voluntary and the procurement officials are finding it difficult to determine rich farmers' surpluses. The best thing for the Government would be to build an adequate buffer stock, and it must persuade the Centre to provide a substantial quantity of wheat and rice for that purpose. It can then ensure regular and sufficient supplies for the urban population through its modified ration shops in times of stress such as the one being experienced at present. Once the rich farmers or wholesalers know this, they will not hoard or withhold supplies from the market. At present, it is the rich farmers who are mainly responsible for the rice crisis. They have been refusing to part with their produce at prices fixed by the Government; the mills have no option but to suspend their operations. Even if the mills were nationalised, what could managements do if the farmers sold them no paddy? If the rice mills are to be taken over, then State trading in foodgrains on an exclusive basis will have to be introduced. It has already been pointed out that the West Bengal Government has no such resources at its disposal. It needs to be pointed out here that whatever good it may or may not do to the consuming public and to the price structure, it will at once take away from millions of self-employed people their only means of livelihood.

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The Union Government's decision to decontrol the distribution of soft coke for domestic consumption and grades II and III non-coking coal from July 1 this year is calculated to increase the consumption of these coals, and hence a step in the right direction. It has been known for some time that

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the output of the lower grades of the fuel is currently in excess of consumption requirements and that a large stock has accumulated at the pitheads. If something is not immediately done to stimulate consumption, then the producers will feel obliged to curtail output, and in fact, some are reported to have already been doing this. (The production of grade II coal was 9.64 million tonnes in 1960-61, it declined to 8.26 million tonnes in the following year and recovered sharply back to 11.01 million tonnes in 1962-63. Likewise, the production of grade III was 5.47 million tonnes in 1960-61, it remained more or less at the same level in 1961-62 and rose to 7.29 million tonnes in the following year). Conflicting opinions have been expressed about the nature of the coal surplus and on the assessment of the demand for the commodity. But there can be no doubt that the Government itself did not know what the actual demand was likely to be at various stages of the third Plan. It rather misled the industry by a frequent revision of the demand targets and the current over-production in the lower grades of coal can be partly attributed to this. However, the decontrol decision has been welcomed by consumers, but whether it will benefit the collieries concerned remains to be seen. But then it is hard to think of any other solution for the problem at the moment.

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Importers of chemicals are now passing through hard days, mainly because of the Government's policy to canalise more and more imports through the State Trading Corporation. Even established importers are getting squeezed out. Voicing the difficulties of this trade, Mr. Atma Ram Kajaria, President of the Indian Chemical Merchants' Association, said at the body's annual general meeting in Calcutta last week that because of the STC's growing incursions, chemical merchants are now in a sad plight. The STC is not only participating in the import and export trade of chemicals, but it is now handling a fair part of internal distribution as well. In the circumstances, a large body of self-employed people are threatened with the loss of their livelihood. His suggestion for a compromise was that the STC might import chemicals in those cases where the reason for it was obvious, but the internal distribution after the import should be left to esatblished trade channels. This would hurt the trade much less. If the Government was anxious to ensure that the distribution and prices in the domestic market should be according to the norms prescribed by it, the trade would always co-operate with any arrangement that might be devised for the purpose. Mr. Kajaria also felt that the sales policy of domestic manufacturers of chemicals needed to be broad-based so that the distributive trade could benefit to some extent. As the industrialisation of the economy progresses, the demand for chemicals keeps rising, but if the consumer is to derive sufficient benefit from rising internal production, the distributive trade must be helped to play its proper part.

Nehru Was the Symbol of Unity

From Our Correspondent

MADRAS :

PRIME MINISTER NEHRU'S death on Wednesday last week shocked the nation and for nearly three days life was at a standstill in every part of the country. It had been assumed that Mr. Nehru would be at the helm of affairs for at least another five years which are regarded as crucial from the political as well as the economic angle. It took nearly two days to get over the initial shock. Later, the thought slowly dawned that the nation had to get on and that the work of integrated development of the country, and achieving emotional integration also at the highest level, should be carried on with the same vigour as before. The ideals laid down by the late Prime Minister have to be scrupulously followed while the task of economic planning should be implemented with zeal and without interruption There is naturally anxiety that the new leadership should be able to evolve policies which will have general acceptance and which will allay particularly the fears of the people in the southern States. There are now fears that Hindi imperialism will assert itself and that not much attention may be paid to the development of the industrial potential of the southern States. There may not be really any warrant for these fears as the senior leaders can be expected to be responsible enough and act wisely. The fears now prevailing, however, provide an indication of how new problems will arise in the absence of towering leadership like that made available by the late Prime Minister. There is still faith that the Indian people are essentially constructive in their outlook. The economic development of the country has been so striking in recent years that the self-generating stage is not far off. If in the next five years the planning of new schemes and their implementation can be effective, the take-off stage could be reached by the end of the fourth Plan. There will necessarily have to be greater concentration on economic planning, in the next few years and a stable administration both at the Centre and in the States is necessary for the purpose. And talking of regional planning, in order to eliminate the backwardness of some areas and bring about a dispersal of industrial capacity with a view to securing the maximum results, it has been emphasised that the southern States can play a vital part in the further development of the steel industry. Andhra Pradesh can house a large-sized steel plant at Visakhapatnam. Iron ore in large quantities can be obtained from the Baladillah region which is now being developed for stepping up exports of this mineral to Japan. Coal can be brought from areas in West Bengal or Bihar by the sea or rail route. In the Goa area also a large plant can be erected as ore from the Bellary-Hospet region can be used while the required quantities can be imported, if necessary, as a large number of bulk carriers will be calling at the port of Marmagao for transporting huge quantities of iron ore. The Salem Steel Project, of course, will have to be accorded the highest priority as there will be no problem of iron ore or fuel supplies. It is expected that the project report will be submitted by the consultants shortly and the question now relates to whether the project should start initially as a pig iron unit or whether alloy steel should be manufactured even from the beginning. As the Bhadravathi unit is being developed in a big way for the manufacture of alloy and special steels, it may have to be decided that pig iron will be produced in the early stages at least to the extent of five lakh metric tons annually. As there is such an acute shortage of this basic product and concurrently with an increase in the consumption of steel there will also be increase in the consumption of pig iron an early decision should be taken regarding the implementation of this project so that pig iron in large quantities can be made available from this source. There will be no serious problem of transport either in handling raw materials or the finished product as lignite and iron ore are available from nearby areas. The marketing of pig iron will be easy as the needs of consumers in this part of the country can be taken care of, to a great extent, by this unit.

As regards the Bhadravathi Steel Project, it has been indicated by the Mysore State's Industries Minister, Mr. Mallappa, that the draft of the agreement for purchasing plant and machinery from West Germany, on the basis of credit

provided by a bank in that country, has been got ready and is now with the Central Government for their scrutiny and approval. Demag of West Germany will be collaborating with the Bhadravathi Steel Works in the expansion scheme for manufacturing special and alloy steels and it is estimated that this project will cost Rs. 12 crores out of the total expenditure of Rs. 17 crores. It may be recalled that it was at the instance of Mr. C. Subramaniam, Union Minister for Steel and Heavy Industries, that it was decided to convert the project for producing additional quantities of steel and pig iron into a scheme for producing special and alloy steels. Apart from considerably improving the economics of the proposition, it was felt that badly needed supplies of alloy steel could be made available at an early date with the implementation of this scheme. It is stated that the value of the ouput after the completion of this scheme will be Rs. 50 crores annually. Mr. Mallappa has also stated that there is a proposal to erect a third pig iron plant having a capacity of 400 tons daily at a cost of Rs. 1.5 crores.

With the prospect of large quantities of power being available in the near future, when the various units in the Sharavathy project are commissioned, there is anxiety to undertake industrialisation of the Mysore State in a big way. Efforts are being made to start a plant for producing Silicon Carbide and Corundam with Czechoslovakian assistance. That country has agreed to provide the necessary technical assistance and finance. It is also being examined whether for manufacturing chip boards a unit can be started with the help of a West German firm.

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As there will be large movement of raw materials and finished products with the development of the steel and engineering industries and it is also the policy to connect major ports with broad gauge railway systems, it is proposed to convert some metre gauge lines into broad gauge lines. It may ultimately be decided to construct the Mangalore-Hassan railway line as a broad gauge line while the proposal of the Madras Government regarding a broad gauge track between Tiruchirapalli and Tuticorin port is being seriously considered and may even be included in the fourth Plan. Mr. S. V. Ramaswami has actually stated that the cost of construction of the broad gauge line between these two centres will be less than that of the Mangalore - Hassan line and that the hinterland of the Tuticorin port would be well served thereby. The railway line connecting Virudhunagar, and Manamadurai has also been completed and opened for traffic. This metre gauge track also will be useful in developing a backward area besides helping the Tuticorin port. At the same time the Deputy Railway Minister has stated that the Salem-Bangalore link will be ready by the end of next year. It is also felt that the Guntkal-Renigunta link should be converted into broad gauge instead of the proposal to double the railway track, in order to handle the increasing volume of iron ore traffic. The cost of conversion will be much cheaper than the doubling scheme and diesel locomotives can be expected to handle the growing volume of traffic. The position is expected to become difficult after the mechanical handling equipment is installed at Madras. It is then expected that iron ore exports through the Madras port can be increased to over three million tons annually.

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The automobile and ancillary industries in the Madras State have been doing better latterly though it has been complained that the producer of cars has had to contend against serious difficulties. With control over selling prices and the rising cost of components and parts, it has been difficult to maintain profitability. It has actually been complained that even under the new dispensation, difficulty is being experienced in importing vital components and that the rate of production might be affected in the coming months by delayed shipments. It is, however, hoped that there will be a distinct improvement in working conditions once the press under construction begins operating. There is also a programme for manufacturing one-ton trucks. The company has been granted a licence to produce 1,500 units annually. As it has been stipulated in the industrial licence that there should be an indigenous content of 70 per cent right from the start elaborate tooling arrangements are being completed It is expected that the actual production of trucks and delivery vans will start towards the end of the year and full rated output achieved by the middle of next year. When the pressing of bodies is undertaken in the factory premises and the truck programme also gets under way, it is hoped that the margin of profit on sales will improve considerably. In 1963, there was a decline in sales to Rs. 3.52 crores from Rs. 3.66 crores in the previous year on account of a lower output of cars. But a decline in earnings before depreciation was averted because there were larger sales of spare parts and job work also was undertaken on behalf of outside parties. It was possible, therefore, to provide a larger sum towards depreciation and development rebate. The dividend on ordinary shares has, however, been maintained at six per cent though with a transfer of Rs. 1.3 lakhs from dividend equalisation reserve.

Encouraging Performance

Enfield India Limited, however, has presented an encouraging balance-sheet for 1963. Apart from the fact that the company has started deriving full benefit out of the large development expenditure incurred in recent years, the company has been selling nearly the whole of its output of heavy-duty motor cycles to the Defence Services. Until recently there were practically no sales of this type of motor cycle to the civilian market. Indeed, the output of the light-weight model had to be suspended while the manufacture of scooters could not be undertaken on a large scale. It is expected that during the current year a new light-weight will be introduced while the output of scooters will be stepped up. The manufacture of Villiers engines in larger numbers, with the help of the components and parts provided by the units functioning in the Sundaram Industrial Estate, is expected to be helpful. There are 20 units in this Estate and it is hoped that they will be working up to rated capacity in the next few months. As a result of the larger output of industrial engines, motor cycles and scooters, it is estimated that there will be an increase in sales during the current year by a further 25 per cent. The company's products have already an indigenous content of 82 per cent and this is expected to go up to 90 per cent when the manufacture of another vital component, which is not normally taken up by the main producer, will be produced by Enfield India. The remaining are proprietary parts which are also expected to be available from indigenous sources before long.

In 1963, there was a big increase in sales to Rs. 222 39 lakhs from Rs. 140.50 lakhs in the previous year. There has been a consistent increase in sales in the past few years and therefore, a new record has been set every time. It is expected that in 1964 sales would amount to Rs. 2.70 crores and in the next year the Rs. 3-crore mark will be comfortably exceeded. Indeed, it is claimed that the proposal to double the capacity in the fourth Plan period can be achieved without any large capital expenditure and the outlook for the company in the coming years is exceedingly satisfactory. The net profit for 1963, before taxation and depreciation, amounted to Rs. 26.25 lakhs against Rs. 15.60 lakhs in 1962. It was naturally necessary to set aside the larger sum of Rs. 13 85 lakhs towards depreciation against Rs 8 57 lakhs on the earlier occasion besides writing off deferred revenue expenditure to the extent of Rs. 44,832. The development rebate reserve gets Rs. 2 44 lakhs against Rs. 1.16 lakhs while the provision for taxation is Rs. 4.97 lakhs against Rs. 2.93 lakhs. The dividend has been nearly doubled to 7½ per cent, taxable, from 4 per cent, taxable.

The moving finger writes

I MUST confess that I did not share the excitement of many of my colleagues in the press over Mr. Kamaraj's quest for a "consensus" during the days between May 27 and June 2. Somehow I had always expected Mr. Lal Bahadur to succeed Nehru and I had been saying so even when Pandit Pant was alive. Had Pandit Pant outlived Mr. Nehru, he would certainly have been promptly chosen as the successor. But very few would (or could) have thought it at all likely that Nehru would pre-decease Pandit Pant who, besides being two years older, was certainly not in anything like a comparable physical condition. There had certainly been speculation of greater or less respectability all along about the prospects of, say, Mr. Krishna Menon or Mrs. Indira Gandhi. But I for one had always regarded Mr. Menon as the last person to be a democratically chosen Prime Minister of India and as for suggestions that a coup, military or other, might put him into power, I had too much faith in Mr. Krishna Menon's ability not to get on with anybody to imagine that there could ever be a group of people who would really choose to go to all that trouble merely for his benefit.

Possibilities regarding Mrs. Indira Gandhi were, of course, much more serious. But there too, I could never really believe that Nehru would bring himself to exerting his authority or prestige in the cause of keeping the Prime Ministership within the family. For this reason, I was always inclined to rule out the likelihood of Mrs. Indira Gandhi succeeding her father during the latter's lifetime. There was, however, always a faint possibility that once Mr. Nehru had passed away, his daughter might have been carried into the Prime Minister's office on a tide of popular or party sentiment. But I was, nevertheless, cynical enough to recognise that there would be enough hardened politicians in the higher echelons of the Congress hierarchy to ensure that a political rather than an emotional decision was taken on the issue of succession.

Mr. Jagjivan Ram's pretensions I never could take seriously, and as for Mr. Nanda, his brief tenure of Prime Ministership is just one of those silly little jokes which Cleo occasionally likes to permit herself. Mr Morarji Desai, however, is a different kettle of fish. It was always apparent that his would be a very considerable challenge. If, nevertheless, I had still made up my own mind long years back that after Nehru it would most likely be Lal Bahadur, it was for the reason that I was inclined to suspect that, among the top Congress leaders who would, in effect, settle the succession, there would be a strong disposition to keep away from controversial figures. In other words, I was convinced from the beginning that Nehru's successor would be chosen by a process of elimination; and the possibilities of that process pointed most definitely towards Mr. Lal Bahadur. To me, consequentially, if there was at all a problem of succession, it was only whether Mr. Lal Bahadur would win the nomination without a contest or as a result of one.

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The impromptu press conference on the lawns of the residence of the Prime Minister-designate on the evening of the very day on which the Congress Parliamentary Party had elected him as its leader, was undoubtedly and wholly worthwhile. Mr. Lal Bahadur, as he told us, had merely agreed to meet journalists informally — and for a few minutes — just to exchange a "hello". If, however, he permitted a regular flow of questions and answers to develop, it was surely as much because of his politician's instinct as because of his obliging nature. Mr. Lal Bahadur was quick to sense the feelings of curiosity and expectancy that were in the air and the desire of pressmen to get to know him and the workings of his mind better at the earliest possible moment; and the shrewd public man that he was, he seemed to have decided then and there that there was nothing to be lost and perhaps a great deal to be gained by permitting the questions to come along while choosing to answer only those he wanted to. That, at his first confrontation with the press as Nehru's successor, he indeed did exceedingly well is a happy thought and one which could be expressed without any suggestion of condescension. While it is true that he often took his own time in formulating his ideas or finding the words in which to convey them, he succeeded to a surprising degree, in creating an impression of spontaneity and the image of a man who was prepared to trust and be trusted.

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Among the news that emerged from the meeting between the Prime Minister-designate and the press was the information that Mr. Lal Bahadur had decided to attend the forthcoming Conference of Commonwealth Prime Ministers in London. This is certainly a wise decision. Enough excuses could certainly have been found for Mr. Lal Bahadur staying away. That he did not succumb to the temptation is a point in his favour. His appearance at an important international gathering early after his assumption of the Prime Ministership will surely do more than anything else to reassure the world that India, after Nehru, is once again settling down to the routine and regular processes of governmental and public activity. For Mr. Lal Bahadur himself, his London visit should be a major exercise in political education. Meanwhile, it was rather amusing to hear Mr. Lal Bahadur call for a "bold" policy on the part of the Government of India with regard to Laos while his further statement that this country hoped to have the co-operation of the United States, Britain and the Soviet Union in solving the problem of Laos was certainly most intriguing. Even granted that India has a special status or responsibility in Laos by virtue of its Chairmanship of the International Commission, the Government of India ought surely to be careful not to bite off more than it can chew. It is possible, however, that the Prime Minister-designate was only reacting to speculations abroad that, with the passing away of Mr. Nehru, India's capacity to influence the so-called "third world" might diminish or disappear.

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It was an interesting aspect of the Prime Minister-designate's first press conference that he seemed anxious to impress on the public his personal interest in economic affairs. Mr. Lal Bahadur spoke of the high importance of steps being taken immediately and effectively to arrest the tendency of prices to go up and up. He also swore by a new social order in which wealth would not be with the few but would be available for all. I have no quarrel with him for having said what he did, but I do have a quarrel with him for not adding something more which would have been so very relevant to all that he did say. I am referring here to the elementary proposition that prices are not going to be kept down, nor can the welfare of the mass of the people be increased, unless there is more production. I wish the Prime Minister-designate had indicated that he understood this.

V. B.

Trade Winds

RANIPUR HEAVY ELECTRICALS

ON MAY 23, 1964, contracts ior Rs. 23.5 crores were signed in New Delhi between the Heavy Electricals (India) Ltd., a Government of India Undertaking, and V/O "Prommash-export", Moscow, for the delivery of equipment, materials and the working drawings for the Heavy Electricals Equipment Plant at Ranipur (Hardwar). The contracts also provide for technical assistance by Soviet specialists during construction, erection of equipment and commissioning of the project. This will be the biggest heavy electrical equipment unit in South-East Asia and one of the largest in the world. It has been designed for the manufacture of units up to 300,000 kW for thermal power stations, up to 100,000 kW units for hydro power stations, and 'electric drives' up to 10,000 kW for use in Heavy Machine Building Plant, Ranchi, Coal Mining Machinery Plant, Durgapur, steel plants, etc. The total manufacturing capacity for steam and hydro turbo-units will be 2.7 million kWs and of electric machines 515,000 kWs annually. The yearly output at full production is estimated at Rs. 40 crores. Its importance to the national economy is evident from the fact that while a total of 7 million kW of generating capacity will be installed during the third five-year Plan period, this plant alone will provide a potential of 2.7 million kWs of power generating units annually.

The total supply of equipment for the project from indigenous sources, including 25,000 tons of structural steel, will be worth about Rs. 13 crores. Over 30 per cent of the equipment and practically all the construction materials will be secured locally. Over 7,000 workmen including about 1,400 engineers and technicians will be employed at the plant, which has already been equipped with a training school and workshop for building up the requisite force of technicians and artisans for production.

RISE IN GROUNDNUT PRODUCTION

The All-India final estimate of groundnut for 1963-64, released by the Directorate of Economics and Statistics of the Ministry of Food and Agriculture, puts the area under groundnut for the year at 16,814,000 acres. As compared with the partially revised estimates of 16,962,000 acres and 4,821,200 tonnes of nuts for 1962-63, the estimates for 1963-64 show a decline of 148,000 acres or 0.9 per cent in area and an increase of 469,400 tonnes or 9.7 per cent in production. The yield per acre during 1963-64 works out to 694 lbs., an increase of 10 7 per cent over the yield of 627 lbs. per acre in 1962-63. The increase in production was recorded in almost all the producing States except Rajasthan where the rainfall was deficient and erratic. The decline in area during 1963-64 occurred mainly in Gujarat, Andhra Pradesh and Madhya Pradesh where the rainfall was late and insufficient. This decline was, however, off-set by increases in areas in Madras, Punjab, Uttar Pradesh and Maharashtra where climatic conditions were favourable at the time of sowing. Expansion of the area under the Integrated Oilseeds Development Scheme in Madras was another reason for increase in the area under groundnut in that State.

PRICE SUPPORT FOR LEMONGRASS OIL

During the last two years the world prices of lemongrass oil have been declining heavily because of the synthetic production of citral and severe competition from cheaper lemongrass oil from Guatemala and other countries. With a view to give price support to the numerous small producers of lemongrass oil in the State of Kerala, large-scale purchase and price support operations were undertaken by the State Trading Corporation last year at the instance of the Union Government. The State Trading Corporation had to purchase the bulk of the lemongrass oil (nearly 1,000 tons out of the total annual production of about 1,300 tons in the Kerala State) but it was able to export a large portion thereof. As the production of cheap synthetic citral is continuing to reduce the prices, the Government has decided that for the new crop the State Trading Corporation should give the price support and purchase lemongrass oil in the coming season from the first week of June and onwards at prices of Rs. 11 per kg. for lemongrass oil containing not less than 78 per cent of citral and Rs. 12 per kg. of lemongrass oil containing not less than 82 per cent of citral. The prices have been fixed in consultation with Kerala Government. With a view to earning the maximum of foreign exchange the exports of lemongrass oil will be canalised through the State Trading Corporation. The floor prices for exports announced last year are being withdrawn and Rs. 12 per kg. of lemongrass oil containing not less than 82 per cent of citral. The prices have been fixed in consultation with the Kerala Government. With a view to earning the maxition will open depots at various places, viz., Cochin, Alwaye, Calicut, Tellicherry, Muvattupuzha, Kuruppumpady, Manatvady, Meenagadi, Taliparamba, Adimali, Kothamangalam and Piravam, where the producers can bring their oil up to certain limits fixed for each of the depots during a month. The Corporation will purchase in the coming 5 to 6 months lemongrass oil up to a quantity of 750 tons.

TIN PLATE

The first electrolytic tinning line on the continent of Asia is to be erected in the Rourkela Iron and Steelworks, India. DEMAG was awarded the supply contract for the first expansion stage last year, and is now to supply the machines for the second expansion stage together with the main order. On commissioning, the plant will have an annual capacity of 150,000 tons of tin plate, which makes it one of the largest in the world. India will then be able to produce and process more tin plate. This plant, which is designed for a maximum strip width of 1,040 mm, strip gauges of 0.15 to 0.31 mm and coil weights of max. 15 tons, belongs to the "Processing Line" sector.

EXPORTS OF SPICES

Exports of spices during the financial year 1963-64 totalled 51,179 tonnes valued at Rs. 15 3 crores compared to 48,340 tonnes valued at Rs. 13.3 crores in 1962-63. The increase was notable in respect of chillies, the export of which amounted to over 12,000 tonnes valued at Rs. 2.8 crores in 1963-64 against 4,876 tonnes valued at Rs. 0.9 crores in 1962-63. The significant decline, both in quantity and value, occurred in the case of black pepper. Against 20,868 tonnes of pepper valued at Rs. 6.5 crores exported in 1962-63, exports during 1963-64 totalled only 18,935 tonnes valued at Rs. 5.8 crores. The decline in pepper exports is attributed, by the Spices Export Promotion Council, to the general fall in international prices while the substantial increase in the export of chillies is ascribed to the impact of the visit of the Spices Trade Delegation to Ceylon and the quality control standards introduced by the Council.

"ONE PER CENT" PLAN

The UN World Trade Conference in Geneva has approved, by an overwhelming majority, the "one per cent" plan under which the industrialised nations are to set aside one per cent of their gross national income for the developing countries. While all the 71 developing nations represented at the Geneva meeting and most of the Western industrialised nations voted in favour of the idea the West German delegation abstained. The German attitude was received with astonishment and misgivings by both the developing countries and the Western countries. However, it is not clear yet whether West Germany will retain this reserve in the final voting at the end of the conference.

JUTE MILL MACHINERY

Addressing the inaugural function of the Jute Machinery Manufacturers Association on May 21, 1964 in Calcutta, Mr. S. C. Kela pointed out that 70 per cent of the requirements of jute mill machinery are now being met by indigenous production. The following table shows the actual production of jute machinery industry since the year 1956-57:

Year	Production in Rupees Lakhs
1956-57 ..	37.83
1957-58 ..	70 81
1958-59 ..	90.21
1959-60 ..	178.43
1960-61 ..	174.04
1961-62 ..	211.54
1962-63 ..	308.70
1963-64 ..	375.00

The anticipated availability of jute mill machinery vis-a-vis the demand during the fourth Plan period has been estimated as follows:

Nomenclature of Machinery	Estimated Annual demand during the Fourth Plan Period (by Nos.)	Anticipated Annual availability during the Fourth Plan Period (by Nos.)
Carding Machine	302	310
Drawing Frame	357	648
Spinning Frame	631	1044
Roll/Cone Winder	40	108
Cop Winder	151	160
Prebeamer	24	72
Dressing	20	22
Carpet Backing Loom	86	156
Modern Automatic Loom	367	400
	Value Rs. 918 lakhs	Rs. 1380 lakhs

BRNO FAIR

The Government of India has decided to participate in the International Trade Fair scheduled to be held at Brno (Czechoslovakia) from September 6 to 20, 1964. India's recently concluded long-term trade arrangement with Czechoslovakia holds prospects for large-scale purchases of engineering items from India by the foreign trade enterprises of that country. The Government of India is arranging to give suitable publicity to India's traditional items of trade with Czechoslovakia through display of samples in a well-equipped Samples Library, and through the dissemination of commercial information at an information stand at the Fair. The intending participants may send the lists of their exhibits by June 22, 1964 to the Director of Exhibitions, Ministry of International Trade, New Delhi. Because of the excellent opportunity offered by the Fair for negotiations and transaction of on-the-spot business, the Government of India will consider requests for release of foreign exchange for the visit of representatives of participants at their own cost.

NAPHTHA CRACKER

The expansion programme of the chemicals and plastics plant of the Union Carbide India Ltd., at Trombay includes the manufacture of heavy organic chemicals by the installation, for the first time in India, of a Naphtha Cracker. This equipment will bring about a revolution in the heavy organic chemicals industry. The production of various salable chemicals will increase to 9 million kgs. per annum and that of salable polyethylene alone to 9 million kgs. per annum. Increasing the supply of these materials will satisfy to an extent the ever increasing demand for these materials by various industries. The expansion will also result in an increase of invested capital in this project from Rs. 4 5 crores to Rs. 13.00 crores. Originally the plant was designed to produce about 6.8 million kgs. of chemicals and plastics worth Rs. 2.5 crores annually and provide a steady market for industrial alcohol, a by-product of Maharashtra's growing sugar industry. Union Carbide Corporation, USA, besides making available the capital and equipment, provided technical know-how.

CEMENT MACHINERY

Four additional parties have been licensed for the manufacture of cement machinery in collaboration with Danish, Japanese, Czech and American firms. The firms are: Utkal Machinery, Rourkela (with F. L. Smidth, Denmark) with an annual capacity of one plant; the Indian Sugar and General Engineering Corporation, Ambala (with Kawasaki Dockyard, Japan) two plants; Walchandnagar Industries, Poona (with Perov Engineering Works, Czechoslovakia) one plant; and Mcnally Bird, Bihar (with Kennedy Van Saun, USA) two plants. The capacity already approved is expected to meet the fourth Plan requirements also. The three firms now manufacturing cement machinery are: Associated Cement Companies at Shahabad in Mysore, ACC-Vickers-Babcock at Durgapur and KCP at Thiruvottiyur in Madras. The Shahabad unit is to be expanded and a new foundry as well as a new shop are to be set up. The capacities of the AVB and ACC shops are complementary. Their combined capacity is about three standard plants a year, each with an annual capacity of 2,00,000 tonnes. This is likely to increase to four standard plants by the end of the current Plan. Machinery worth Rs. one crore has already been installed at the Thiruvottiyur shop of KCP, which is collaborating with Fives-ILLE Cail of France for the manufacture of both cement and sugar machinery. All the firms, including the additional parties that have been licensed, are well equipped to book orders. Their total annual capacity of 12 plants, valued at Rs. 17 crores, is stated to be adequate to meet the internal demand.

CENTRAL REVENUE COLLECTIONS

The revenue realised from items on which duties were levied and collected by the Central Government in the financial year 1963-64 amounted to Rs. 1571.28 crores. Of this, Rs. 247.13 crores were collected during March, 1964. The corresponding figures for the financial year 1962-63 and for the month of March, 1963 were Rs. 1233.42 and Rs. 173.65 crores respectively. The following table gives details of the revenue realised under various heads:

(In lakhs of Rupees)

Revenue Heads	March		April to March	
	1964	1963	1963-64	1962-63
Customs	3667	2232	32379	23899
Union Excise Duties (excluding cesses on salt, coal and iron ore)	6334	5017	70626	58158
Corporation Tax	7556	5120	28827	21987
Income Tax	6404	4442	23295	17473
Estate Duty	130	99	482	398
Taxes on Wealth	549	391	1049	957
Expenditure Tax	3	10	12	21
Gift Tax	31	28	111	96
Opium	39	26	347	353
TOTAL	24713	17365	157128	123342

Company Affairs

MUKAND IRON

MUKAND IRON and Steel Works Ltd. has completed twenty five years of its eventful existence. Incorporated in 1938 with a paid up capital of Rs. 13.71 lakhs, its progress was interrupted by the partition of the country in 1947 which resulted in the total loss of its Lahore unit. In compensation it received a small machine tool factory at Batala -- Batala Engineering Co. Ltd. During the last few years its plant at Kurla has increased in size so that it employed 2,838 persons in 1963 as against 1064 in 1951. During the decade its sales also increased from Rs. 33.44 lakhs to nearly Rs. 6.46 crores in 1962-63.

With this experience Mukand Iron is going ahead with various expansion schemes. It is installing at Kalwe near Thana a 20-tonne arc furnace which will be among the largest in the country and also a modern rolling mill. The project is expected to go into operation in 1965, when it will be rolling mainly wire rods at the annual rate of about 100,000 tonnes. Its furnace will melt scrap and supply about half its requirements of billets which will be cast by the new continuous casting process. The total cost of the project will be approximately Rs. 4.5 crores, including the working capital. The company covered the foreign exchange requirements of about Rs. 1.60 crores by loans from CDFC and the ICICI Orders for plant and machinery worth more than Rs. one crore, have been placed. This subsidiary, the Batala Engineering Co. Ltd., has recently entered into technical collaboration arrangements with Italian firms for the manufacture of open side planing machines and lathes. A new machine tool factory will be put up at Ballabhgarh near Delhi, in addition to the expanding activities at other places.

INDIAN PAPER

The Indian Paper Pulp Co. Ltd., has applied to the Controller of Capital Issues for sanction to capitalise Rs. 35.28 lakhs standing to the credit of the share premium account and issue 352,800 bonus shares to the existing shareholders in the ratio of two bonus shares for every five held. The new shares will not participate in any final dividend which may be declared in respect of the year ended March 31, 1964.

INDIAN COPPER

Indian Copper Corporation Ltd., has released its preliminary results on 1963 which show a profit of £1 38 million against £1.35 million last year. A sum of £170,000 is provided for depreciation, £821,855 for taxation, £26,597 for development rebate reserve and £98,000 for general reserve which leaves a net profit of £246,729. It compares favourably with last year's figure of £175,094. The directors have proposed a taxable dividend of 12 per cent on the capital increased by the issue of bonus shares as against a taxable dividend of 18 per cent on the original capital. As the bonus issue was at the rate of one for two, the dividend works out to be the same.

TATA MILLS RIGHTS

The directors of the Tata Mills Ltd., have decided to issue out of the unissued ordinary shares new ordinary right shares of Rs. 25 each "at par" in the proportion of one new share for every three held to the existing shareholders. The directors have decided to cut the dividend for 1963 from 20 per cent to 18 per cent due to a setback in their earnings. The net profit, before tax, has declined to Rs. 18 24 lakhs as against Rs. 24.80 lakhs last year. A sum of Rs. one lakh has been provided for taxation and Rs. 4 50 lakhs for development rebate reserve. Provisions for gratuity and dividend reserve absorbed Rs. 30,000 and Rs. 12.40 lakhs respectively against Rs. 60,000 and Rs 13 50 lakhs respectively last year. The turnover has risen from Rs 490 lakhs to Rs. 522 lakhs and the proposed dividend is to be paid out of d vidend reserve.

AHMEDABAD ADVANCE

The directors of the Ahmedabad Advance Mills Ltd., have decided to increase the authorised capital of the company from Rs. 60 lakhs divided into 50,000 ordinary shares of Rs. 100 each and 10,000 preference shares of Rs. 100 each to Rs. 110 lakhs by the creation of 50,000 new ordinary shares of Rs. 100 each. In other words the company will be doubling its equity capital from Rs. 50 lakhs to Rs. one crore.

The directors have further decided to issue bonus shares to the existing shareholders by utilising Rs. 10 lakhs from the share premium account. The bonus will be in the ratio of one share for every five held. This issue of 10,000 new ordinary shares of Rs. 100 each will be subject to the consent of Controller of Capital Issues. The directors have also proposed to issue 15,000 new ordinary shares of Rs. 100 each at par to the existing shareholders in the ratio of one share for every four held. In the meanwhile the working of the company during 1963 has resulted in a short setback with the net profit before tax and development rebate declining to Rs. 6.63 lakhs from Rs. 14.38 lakhs, though the turnover has improved marginally from Rs. 298 lakhs to Rs. 311 lakhs. The directors have, therefore, been obliged to prune the dividend from Rs. 11 a share to Rs. 10 a share less tax. In fact they have been obliged to draw from general reserve to the tune of Rs. 3 lakhs to make up for the distribution which amounts to nearly Rs. 5 lakhs.

BRAITHWAITE & CO.

The Braithwaite & Co. (India) Ltd., has reported a net profit, after providing for depreciation and taxation of Rs. 60.30 lakhs for 1963 as against Rs. 35 88 lakhs last year. The rise was essentially due to an increase in 'contracts invoiced'. Depreciation has been raised to Rs. 14.19 lakhs against Rs. 9.96 lakhs but taxation is lower at Rs. 62.21 lakhs against Rs. 75.18 lakhs. A sum of Rs. 17 lakhs has been provided for surtax reserve and Rs. 21.70 lakhs for general reserve. The dividend has been raised from Rs. 1.85 to Rs. 2 a share, less tax.

With regard to Clive works the directors stated that the output reached 28,569 tonnes and was slightly below the target of 30,000 tonnes because of the slowing down of production thrice during the year. Even this output has been the highest so far achieved and the directors are confident that with improved raw materials position the performance during the current year will be still better. The Angus works have progressed satisfactorily and turnover was nearly double that of 1962.

TELANGANA MILLS

Talangana Spinning and Weaving Mills Ltd., will enter the capital market shortly with a public issue of Rs. 20 lakhs comprising 80,000 cumulative preference shares (9 5 per cent) of Rs. 10 each and 120,000 equity shares of Rs. 10 each. The company has an authorised capital of Rs. 50 lakhs — Rs. 15 lakhs in preference shares and Rs. 35 lakhs in equity shares. The issued capital is Rs. 30 lakhs of which a capital of Rs. 10 lakhs has already been subscribed and the balance will be offered to the public. The entire public issue has been underwritten. The company proposes to set up a spinning mill with an installed capacity of 12,096 spindles. The capital outlay

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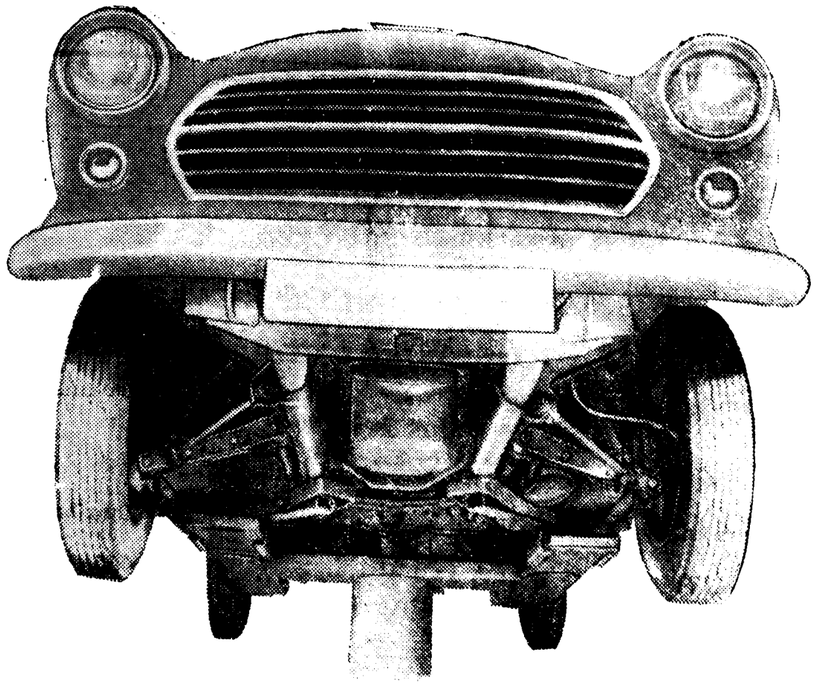
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is estimated at Rs. 70.75 lakhs which will be met by share capital (Rs. 30 lakhs), loan from Andhra Pradesh State Financial Corporation (Rs. 20 lakhs), deferred payments (Rs. 15.57 lakhs) and bank borrowings (Rs. 5.18 lakhs).

DALMIA CEMENT

Mr. V. H. Dalmia, Chairman, Dalmia Cement (Bharat) Ltd., revealed the fact that the installed capacity of cement production in India reached 10.12 million tonnes in 1963 which meant an increase of nearly 4 per cent over the last year. At this rate the installed capacity by the end of the third Plan would be around 14.2 million tonnes with a production of 11.6 million tonnes as against the original target of 15.24 million tonnes of installed capacity and 13.2 million tonnes of actual output. This, in fact, was likely to be the demand for the year 1965-66. There was going to be, therefore, a gap of nearly of two million tonnes every year.

He referred to the establishment of the Cement Corporation of India, which the Government has formed to increase the cement manufacturing capacity, in the public sector. One of its principal tasks would be limestone prospecting and the Chairman was hopeful that his company would be allowed to benefit from these efforts of the Corporation. Apart from the establishment of Cement Corporation which was expected to increase the output of the industry as a whole, the manufacture of blast furnace slag cement was likely to register expansion. Such steps adopted firmly would tend to eliminate present scarcity.

The Chairman was of the opinion that better supply of coal and improved rail transport facilities had resulted in improved utilisation of capacity in the cement industry so that it was nearly 92.5 per cent in 1963, which was the highest figure for the last decade. The Government did provide certain incentive to the industry which resulted in improved production but its policy was not without various drawbacks. For instance, the Chairman indicated that the formula adopted by the Government of India for computing the quarterly packing charges resulted in a loss of nearly Rs. 3.27 lakhs to the company in 1963. Although the ratio of second hand to new bags was revised from 1:1 to 1:2, the loss still persists because the formula assumed the price of the second hand bags at 65 per cent of that of the new bags while actually in the market it was 85 per cent. Thus there was a considerable scope for the Government to reshape its policy of cement production if it wanted the output to improve within a reasonable period.

The Chairman referred to the increased competition that iron ore faced in the international markets as a result of which the Minerals and Metals Trading Corporation of India Ltd., conceded some reduction in the price of the basic grade iron ore to be supplied to Japan. The Chairman, however, was much pleased over the prospects of the development of Cuddalore port through which this company's ore was to be imported. The company was further planning to reduce the transport cost for its iron ore by laying a ropeway from the mines to the rail-head and by introducing a substantial degree of mechanisation in mining.

PERRY CONFECTIONERY

The directors of Perry confectionery Ltd., propose to pay a second interim dividend on the ordinary share capital in September, 1964. This will be on top of the interim dividend of 8 per cent paid in April. The final dividend, subject to the profits continuing to be satisfactory, will be recommended at the annual general meeting to be held in December, 1964. The decision to pay a second interim dividend follows the change in company's financial year. It has been closing its account on March 31, every year but the directors felt that the closing of the accounts on this date gave rise to many direct difficulties. It is felt more convenient to close the accounts on September 30 every year, when there is less pressure of work. The next accounts will, accordingly, be made up for the period of 18 months from April 1, 1963 to September 30, 1963 and annual meeting will be held in December. It is in order to avoid hardship to the shareholders by reason of the change in the accounting year that the directors proposed to pay a second interim dividend.

FINLAY MILLS

The Finlay Mills Ltd., during the year ended December 31, 1963, recorded a profit of Rs. 15.33 lakhs after making provisions for depreciation (Rs. 13.26 lakhs), development rebate reserves (Rs. 3.93 lakhs) and taxation (Rs. 14.86 lakhs). The directors have recommended a dividend of Rs. 23 per share which will absorb Rs. 11.50 lakhs. A sum of Rs. 3 lakhs has been transferred to general reserve. The directors have pointed out that the company has decided to take advantage of the opportunity provided by the official notification permitting the mills to expand their installed capacity to the extent of 7½ per cent of their spindleage and 10 per cent of their looms which is under implementation. Ten new ring frames were received and installed during the year and delivery of other 36 ring frames is expected to commence early in 1965. The company has also placed order for 48 automatic looms and some more equipment. A new mercerising machine has been received and is under installation. The directors also point out that their quota of imported long staple cotton yarn was once again severely cut on account of tight foreign exchange position while voluntary price control on cloth continued to be in force throughout the year. The company, however, is doing well in its retail shops which are being opened at many places.

LARSEN AND TOUBRO

Larsen and Toubro Ltd. recorded a successful year on March 31, 1964 when their sales exceeded Rs. eight crores to show a 40 per cent rise over the corresponding sales in the previous year which stood around Rs. 5.8 crores. Income from other sources is also expected to show an increase over the previous year's figures. It is indicated that an encouraging feature of the rise in sale during the year was that the value of output in the company's workshop, at Powai, Bombay, registered a 60 per cent increase over the corresponding figure in the preceding year.

HINDUSTAN LEVER

Mr. P. L. Tandon, Chairman, Hindustan Lever Limited, who was a member of the Board of Governors of the Indian Institute of Management, Ahmedabad, has been nominated the Chairman of the Institute. Mr. Tandon succeeds Mr. Jivraj Mehta, who resigned his chairmanship on his appointment as High Commissioner for India in the United Kingdom. The Institute of Management, Ahmedabad, was sponsored by the Government of India and assisted by the State Government of Gujarat, the Indian business community and the Ford Foundation.

MADRAS ADVERTISING

After the death of Mr. S. Anantharamakrishnan, Chairman, the Madras Advertising Co. Pt. Ltd., Mr. M. V. Venkatraman, who was the finance director, has now been elected as its Chairman. He has also been elected as the Chairman of Amalgamations Private Ltd. and its subsidiary companies.

KIRLOSKAR ELECTRIC

Kirloskar Electric Co. Ltd., will issue shortly 25,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each. These shares will be offered in the first instance to the existing equity shareholders. Subsequently, if there is any balance left it will be offered to the public for subscription. The company is also likely to issue fresh equity shares at a later date.

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* Commercial Quality Brass Sheets
* Commercial Quality Copper Sheets
* Brass & Copper Heavy Base Plates
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3. COLD ROLLING DIVISION

* Cold Rolled Industrial Quality Brass Sheathings, strips & Coils from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.
* Cold Rolled Industrial Quality Copper Sheathings, strips & Coils (from 10 SWG to 45 SWG) in width from 7 mm to 355 mm.

COMPANY NOTICE

THE GANESH FLOUR MILLS COMPANY LIMITED

DELHI

Registered Office: SUBZIMANDI, DELHI

NOTICE

NOTICE is hereby given that the 72nd Annual General Meeting of the Shareholders of The Ganesh Flour Mills Co. Ltd., Delhi will be held at the Company's premises at 64-65, Najafgarh Road (Industrial Area) New Delhi on Monday the 29th day of June, 1964 at 10 A.M. to transact the following business:

1. To receive, consider and adopt the Directors Report and the Audited Balance Sheet and Profit and Loss Account of the Company for the year ending 30th September, 1963;

2. To declare dividends;

3. a) To appoint a Director in place of Shri Satya Narain Gupta who retires by rotation under the Articles of Association of the Company and being eligible for re-appointment, offers himself for re-appointment as a Director of the Company.

   b) To appoint a Director in place of Shri Om Parkash who retires by rotation under the Articles of Association of the Company and being eligible for re-appointment offers himself for re-appointment as a Director of the Company.

4. To appoint Auditors for the Financial Year 1963-64 and fix their remuneration. Messrs. A. F. Ferguson & Co., Chartered Accountant, the retiring Auditors being eligible for re-oppointment, offer themselves for re-appointment as Auditors of the Company for the year 1963-64.

SPECIAL BUSINESS

5 To consider and if thought fit to pass the following with or without modification as an ordinary resolution.

"Resolved that the Company hereby approves of the appointments and consents to the continuance, as the case may be, of the Sole-Distributors/Distributors/Dealers of the Company for a period not exceeding five years commencing from the dates of such appointments and for the products and the area respectively mentioned, subject to any variation that may be made in the terms of their appointments including changes in area and products and subject also to the condition that the arrangements may be terminated earlier by one month's notice on either side".

(List of Sole Distributors/Distributors/Dealers and the explanatory statement regarding special business as required under section 173(2) of the Companies Act, will be included in the notice of the Annual General Meeting to be sent to the Share Holders alongwith the Balance Sheet).

By Order of the Board of Directors

For The Ganesh Flour Mills Co. Ltd.,

KIRPA NARAIN

Secretary & General Manager.

Delhi,
Dated 30th May, 1964.

N.B.: (a) Share Transfer Books of the Company will remain closed from 17th June to 29th June, 1964 (both days inclusive).

(b) Members unable to attend are requested to send their Proxy Form, sent alongwith the notice, duly stamped, signed and completed in favour of a person attending the meeting. Forms not properly signed and/or completed or received less than forty-eight hours before the meeting will be treated as invalid.

(c) A member entitled to vote is entitled to appoint a Proxy to attend and vote instead of himself and that a proxy need not be a member of the Company.

(d) The terms of appointment of Sole Distributors/ Distributors/Dealers as mentioned in item No. 5 above will be open for inspection of the members at the Registered Office of the Company from 17-6-64 to 29-6-64 during working hours.

(e) All Shareholders of the Company are requested to send their present addresses to the Company before the date of the meeting so that dividend warrants for the year ending 30-9-63 may reach them at their correct address.

COMPANY MEETING



DALMIA CEMENT (BHARAT) LIMITED

Summary of the Speech of the Chairman, Shri V. H. Dalmia, delivered at the Twelfth Annual General Meeting of the Company held at Dalmiapuram (Madras State) on 1st June, 1964.

Gentlemen:

I extend to you a very cordial welcome on the occasion of the Twelfth Annual General Meeting of your Company.

2. We are meeting today under the shadow cast over the length and breadth of our land by the sad and sudden passing away of our great leader, Pandit Jawaharlal Nehru, who, as the first Prime Minister of India, has guided and shaped the destinies of our country since Independence. Not only was he the architect of modern India, but he was an acclaimed and accepted leader in the international sphere and particularly in the resurgence that has emerged in Asia and Africa. Above all else, he was a man of peace, who had dedicated his life to the ideal of the brotherhood of man and to the principle that all differences between men and nations be resolved by peaceful means. His loss will be mourned not only in the country of his birth but throughout the world where men of peace and goodwill meet. His passing away leaves a vacuum in our country which may, perhaps, never quite be filled. There could be no better tribute to his memory than our resolution to move together steadfastly forward in furtherance of his dream of a peaceful, prosperous and united India.

3. The Annual Accounts and the Directors' Report for 1963 have already been circulated and I am sure you must have noted that the excellent results obtained in the previous year have been maintained. Though the gross profit is slightly lower at Rs. 134.05 lakhs compared to Rs. 146.62 lakhs in the previous year, on account of reduced provision for taxation, the net profit available for appropriation is higher at Rs. 57.65 lakhs compared to Rs. 55.53 lakhs in the last year. Rs. 26.50 lakhs have been appropriated to the General Reserve and a dividend of 12 per cent subject to tax has been recommended on the Ordinary shares. Some shareholders have represented that the distribution of the net profit by way of dividend should have been increased and that it was unnecessary to make any large allocation to General Reserve. It would have been easy for your Directors to give in to the temptation of increasing the dividend, but on a long-term view, they came to the conclusion that it was desirable to maintain a steady dividend and to build up the reserve position of the Company by adequate appropriations whenever the profits made that possible. More reserves would reduce Surtax liability in future years, whereas higher dividend would have meant more dividend tax and thus further drain on the Company's coffers.

4. Cement continues to be in very short supply throughout the country due to the slower rate of growth of the industry and partly to the more rapidly increasing demand. In 1963, the installed capacity reached 10.12 million tonnes against 9.72 million tonnes in the previous year, an increase of only 4 per cent. Despite all efforts, it is likely that at the end of 1965-66, the installed capacity will be about 14.2 million tonnes with a production of 11.6 million tonnes as against the original Third Plan target of 15.24 million tonnes and 13.2 million tonnes, respectively. The demand for 1965-66 at a growth rate of 10-12 per cent per annum was estimated at 13.2 million tonnes. Later trends have, however, indicated a faster rate of increase in demand. It is conceivable, therefore, that the end of the Third Plan, the gap between demand and supply may be about two million tonnes per annum. The industry has read with much interest Press report about Government having under consideration a proposal to remove or relax the control on ex-Works cement prices allowed to the producers. Details of this proposal are not yet known but it is hoped that Government will see fit to accord this much needed relief to the industry which would then be better placed to find resources for its future expansions. The industry will watch with interest the progress of the Cement Corporation of India which the Government of India have decided to establish for increasing cement manufacturing capacity in the public sector. The industry hopes it will be allowed to benefit from the limestone prospecting efforts of the Corporation, which as reported, will be one of its principal tasks. Manufacture of blast furnace slag cement has registered some expansion, but, so far, manufacture of blended cements by admixture of fly ash and other pozzolanas has not made much headway. I hope the Government will take more energetic steps in regard to the latter to mitigate the present scarcity.

5. Mainly due to better supply of coal and better rail transport facilities, the capacity utilisation of the cement industry in 1963 at 92.5 per cent was the highest during the past decade. The incentive given by Government to the industry last year to increase production, contributed to this to some extent. If the incentive is continued, it would be desirable that the incentive formula for higher production of cement from year to year should be linked with the average of the last three years' production and not, as was done last year, to the highest production achieved by a factory during any one year of the preceding three years.

6. The formula adopted by the Government of India for computing the quarterly packing charges resulted in 1963 in a loss of Rs. 3.27 lakhs to your Company. Despite belated revision of the ratio of second-hand to new bags from 1:1 to 1:2, the loss still persists as the price of new and second-hand bags in Government's formula for fixing packing charges are not in line with the actual procurement prices. Whereas the formula assumes that the price of second-hand bags is 65 per cent of that of the new bags, the actual ratio may be 85 per cent. It is hoped that the Government, while computing packing charges in future, would take a more realistic view and give due regard to the factual position as represented by the industry.

7. Since last year, the position of the raising and distribution of coal has improved further, and, by and large, the cement industry is happily placed in regard to the procurement of its coal requirements. The Government have, therefore, decided that further conversion from coal firing to oil firing in cement factories situated at long distances from the Bengal-Bihar coalfields was not necessary, and your Company's proposal to resort to oil firing has been dropped. Movement of Bengal-Bihar coal by the rail-cum-sea route to certain industrial consumers in Western India has been discontinued. The bottleneck of transport from the Bengal-Bihar Collieries via Waltair to the South, however, persists and your Company and certain other consumers of Bengal-Bihar coal are still compelled to obtain their supplies by the rail-cum-sea route. Though the coal subsidy is intended to equate, approximately, the cost of sea-borne coal with coal carried by the all-rail route, the subsidy actually paid leaves a substantial shortfall which has not been remedied so far despite your Company and others representing about this shortfall to the Government of India ever since the announcement of the subsidy formula in August, 1961. In your Company's case, for the coal received via Cuddalore Port, the short-fall ranged from Rs. 7.45 to Rs. 12.17 per tonne. The present shortfall is Rs. 9.54 per tonne which works out to about Rs. 6 lakhs per annum.

8. Among the important items contributing to the shortfall in the coal subsidy are inadequate allowance for railway freight and handling charges. In the case of your Company, the element of railway freight from collieries to Calcutta Docks allowed in the formula left a shortfall of Rs. 0.70 per tonne in 1961, which has now risen to Rs. 3.50 per tonne. Similarly, the shortfall of Rs. 0.84 in 1961 in the element for freight from the port of unloading to the consuming centre rose to Rs. 2.41 in April, 1964. As against the provision of only Re. 0.20 per tonne for shipping and handling charges at Calcutta Port, actual expenses vary from Rs. 2 to Rs 5 per tonne. While representations have been made to Government for full compensation for the railway freight and other charges in the subsidy formula, it is regrettable that no increase has so far been granted even to cover the increases in the railway freight structure effected by Government itself. Presently your Company loses about 5 per cent in unloading and handling at Cuddalore Port which aggregates to about 3,000 tonnes per annum and is equivalent to about Rs. 2.40 lakhs. As this loss is due to the compulsion under which your Company has to take supplies by the rail-cum-sea route, Government has been requested to compensate adequately for it. There is no provision in the ex-Works retention price allowed to the cement producers for the substantial shortfall in the coal subsidy as the cost of production was computed by the Tariff Commission on the assumption that under the subsidy scheme, coal moved by the sea-cum-rail route would be made available to the consumers more or less at the same rate as if it had moved by the all rail route. I hope the Government will make good this serious inadequacy in the subsidy, retrospectively, which discriminates unfavourably against those consumers, such as your Company, who are compelled to take Bengal-Bihar coal by the sea-cum-rail route.

9. There are indications of recovery from world-wide recession in the steel industry, referred to by me last year. Certain experts estimate the steel production to rise to 1200 million tons in 1991 against 400 million tons in 1961, for which the 1961 iron ore production of 500 million tons will have to be trebled during the same period of 30 years. On this basis, it is being planned to raise India's annual iron ore exports to 30 million tons by 1970 from 16 million tons targetted for the end of the Third Plan. There is, however, severe competition for iron ore in the International Markets, as a result of which in 1963, the Minerals & Metals Trading Corporation of India Ltd. had to concede reduction of Sh. 7 in the price of the basic grade iron ores to be supplied to Japan. This competition is likely to continue for some time and it is heartening to note that Minerals & Metals Trading Corporation of India Ltd. is actively seized with the need of reducing

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the end-costs of Indian ores to their foreign buyers. Among the measures planned are more mechanisation of mines, rationalisation of transport and development of Indian ports. I am happy to say that the Government of India has recently approved a Scheme costing about Rs. 1.5 crores for developing Cuddalore Port through which your Company's ore is being exported. I request the authorities to plan and execute this development speedily and in such a manner as would enable progressively higher loading rates being achieved without having to wait for the completion of the work.

10. Your Company realises the need of reducing mining and transport costs for its Iron Ore and is now finalising plans for laying a ropeway from the mines to the rail-head and for introducing a substantial degree of mechanisation in the mining. We hope, in this manner to further in some small degree the Minerals & Metals Trading Corporaiotn of India Ltd.'s efforts to reduce their procurement cost of high grade Iron ore. We also hope that we will have their sustained support, which is so necessary, in the formulation and implementation of these plans.

11. Since last year, there has been a further recession in the dead-burnt magnesite industry, which is reflected in the results of Messrs. Dalmia Magnesite Corporation, in which your Company is a partner. This is due to steel production having fallen short of the Third Five-Year Plan target while the dead-burnt magnesite industry increased its capacity in anticipation of the steel target being achieved. This difficult position is likely to continue until 1967-68 when the Third Five-Year Plan target of 10 million tons of steel production may be achieved. Even, if the target under consideration of 18 million tons of steel production for 1970-71 is reached, the increase in consumption of dead-burnt magnesite by the steel industry may be comparatively negligible as improvements in the quality of indigenous refractories and steel making techniques are reducing considerably consumption of refractories per tonne of steel production and as in new steel making processes, such as the LD process which will mainly be adopted for further expansions of India's steel industry, use of conventional refractories including basic will be replaced to a great extent by tarred Dolomite. Moreover, as the Dead-burnt Magnesite Industry can increase its capacity within about 1/3rd of the time required by the steel industry, I would earnestly urge the Government to defer for the time being any proposals for expansion in Dead-burnt Magnesite Industry, including the reported setting up of a Dead-burnt Magnesite plant in the public sector based on the Almora deposits of raw magnesite, until future consumption trends of Dead-burnt magnesite justify such expansion.

12. Efforts to export dead-burnt magnesite from India have not met with much success due to severe competition, both in terms of price and quality, from foreign manufacturers and particularly the producers of sea-water magnesite, and to very unfavourable freight rates applied to cargoes from Indian ports. We hope Government will be able to reduce the discriminatory freight rates and extend special export incentives to the industry to increase foreign exchange earnings and to enable the industry to utilise its idle capacity. Dalmia Magnesite Corporation, nevertheless, continue to make strenuous efforts to export.

13. The Scheme for conversion of the Deferred shares of the Company into Ordinary shares has been sanctioned by the Madras High Court and will take effect from the date to be fixed by your Board for this purpose. The implementation of the Scheme had been kept in abeyance on account of the apprehension that Capital Gains Tax might be attracted in the hands of the shareholders since the Central Board of Revenue had taken the view that the conversion amounted to a transfer and thus attracted the incidence of the said tax. I understand that there has been some rethinking on the part of the Government of India on this question and that it has now been decided that no tax should be levied at the time of conversion of shares of one class into another. As a result, Capital Gains Tax would be levied only when the converted shares are disposed of. As soon as this position is confirmed by the Government, the Scheme would be implemented and I expect that this would be done in the course of this year.

14. I am happy to report that the relations between the management and the employees of the Company continue to be cordial. I would like also to congratulate Shri M. Palaniandi, President of the Dalmia Cement National Workers' Union, Dalmiapuram, on his selection by the National Productivity Council for training in Industrial Relations in the United States of America. In the end, I wish to express our appreciation of the sincere and devoted services rendered to the Company by all the executives, staff and workers.

JAI HIND

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

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RECORDS AND STATISTICS

A Chronology of Nehru's Life

1889	Born in Allahabad (November 14).
1905	Left for England to join Harrow (May).
1907	Entered Trinity College Cambridge.
1909	Visited Germany and France.
1910	Took his degree with Honours in the Natural Sciences Tripos (Chemistry, Geology and Botany).
1912	Barrister-at-law, Inner Temple. Returned to India. Started practice at Allahabad High Court. Attended the Bankipore session of the Congress as a delegate.
1913	Joined the United Provinces' Congress organisation.
1915	Delivered first public speech in Allahabad at a protest meeting against a new Act muzzling the press.
1916	Married Kamla Kaul (February). First meeting with Gandhiji at the Lucknow Congress.
1917	Joined the Home Rule movement. Daughter Indira was born (November 19)..
1918	Became member of the All India Congress Committee.
1919	Assisted C. R. Das in the inquiry into the Punjab disturbances.
1921	Imprisoned for the first time for distributing notices of hartal in connection with the visit of Prince of Wales (December 6).
1922	Released from jail (March 3). Imprisoned again for 'Intimidating' dealers of foreign cloth (May 11).
1923	Released (January 31). Imprisoned in Nabha jail for defying Resident's order asking him to leave the State (September 22). Released (October 4). Elected Chairman of the Allahabad Municipal Committee. Appointed General Secretary of the Indian National Congress at Cocoanada Session (again in 1924-1925; 1927-1929).
1925	Resigned from the Chairmanship of Allahabad Municipality. Kamla fell seriously ill.
1926	Took Kamla to Switzerland for treatment (March). Visited Italy, France, Germany Belgium and Russia.
1927	Attended the Congress of Oppressed Nationalities in Brussels as official delegate of the Indian National Congress (February). Returned from Europe and was instrumental in committing the Indian National Congress for the goal of independence at the Madras session (October).
1928	Was lathi-charged while leading a procession against the Simon Commission in Lucknow (November 29). Founded Independence for India League, which advocated complete severance of the British connection, and was its General Secretary.
1929	Got the All-India Congress Committee to accept the D.P.C.C.'s Socialist programme. Presided over Lahore session of the Congress where Congress goal was changed to complete independence. Presided over a Nagpur session of the All-India Trade Union Congress. Raised funds for defending the prisoners of Meerut Conspiracy Case. Published **Letters from a Father to His Daughter.** Arrested and sentenced to six months' imprisonment for participation in the Salt Satyagraha (April 14). Released from Naini Central Prison (October 11). Re-arrested for participating in a peasant conference at Allahabad and sentenced to two years' rigorous imprisonment (October 29).
1931	Released from jail (January 26). Father Motilal Nehru died (February 6). Arrested for defying order prohibiting him from leaving Allahabad; sentenced to two years' rigorous imprisonment (December 26).
1933	Discharged from jail on account of mother's illness (August 30).
1934	Toured earthquake-stricken Bihar and organised relief for sufferers (January). Arrested at Allahabad for his 'seditious' speech at Calcutta and sentenced to two years' imprisonment (February 16). Released to visit Kamala Nehru who had taken seriously ill (August 11) but re-arrested ten days later for making anti-Government speeches. Published **Glimpses of World History.**
1935	Completed his **Autobiography** in Almora District Jail (Febraury 14). Released because of Kamla Nehru's critical condition (September 4) and flew to Europe to be with her.
1936	Kamla Nehru expired (February 28). Visited London and Rome also. Presided over the 49th session of the Congress held at Lucknow (April 23). Agreed to the Congress contesting the elections under the Government of India Act 1935 but opposed acceptance of office. Formed and drafted provisional constitution of the Indian Civil Liberties Union and took active interest in its work (June 2). Toured the country extensively on an election campaign. Presided over the Indian National Congress session at Faizpur (December 26).
1938	Mother Swarup Rani died. Became Chairman of the National Planning Committee. Visited Spain during the Civil War.
1939	Visited China.
1940	Arrested during the individual Satyagraha Movement (October 31) and sentenced to four years' rigorous imprisonment.
1941	Released from jail (December).
1942	Discussions with Chiang Kai-shek in India. Participated in the negotiations started by Stafford Cripps for settlement with India. Moved the famous 'Quit India' resolution at the AICC. Arrested along with Gandhiji and Members of the Congress Working Committee, and taken to Ahmednagar Fort (August 8).

1944 Started writing 'Discovery of India' (April 13).

1945 Released from jail (January 15). Participated in the Simla talks for settlement with the British Government (June 25). Organised legal defence for officers and men of the INA.

1946 Published **'Discovery of India'** (March). Toured South-East Asia. Elected Congress President for the fourth time (May 9). Accepted Viceroy's invitation to form an Interim Government (August 17), sworn in as Vice-President and Member in-charge of External Affairs (September 2). Visited NWFP (October). Visited London to discuss with the British Government certain interpretations of the Cabinet Mission Plan (December). Moved the Objective Resolution in the Constituent Assembly (Dec. 30).

1947 Presided over the Indian Science Congress at Delhi (January 3) Inaugurated the Asian Relations Conference in New Delhi (March 23). Became Independent India's first Prime Minister (August 15). Visited riot affected areas in the Punjab with Liaqat Ali Khan and Sardar Patel (August 31).

1948 Propounded in the Constituent Assembly India's new foreign policy based on non-alignment, freedom to judge all issues on merit (February 17). Laid the foundation stone of the Hirakud Dam (April 12). Inaugurated the third session of the United Nations Economic Commission of Asia and the Far East at Ootacamund (June 2). Addressed the first meeting of the Atomic Energy Commission (August 20). Inaugurated the first meeting of the Regional Committee of the WHO for South-East Asia (October 4). Attended the Commonwealth Prime Ministers' Conference in London, which led to the continued membership of the Republican India in the Commonwealth (October 6). Addressed the special session of the General Assembly at the United Nations in Paris (November 3). Inaugurated the Asian Regional Conference of the International Meteorological Organisation at New Delhi (November 10). Inaugurated the Silver Jubilee session of the Indian Historical Records Commission in New Delhi (December 23).

1949 Inaugurated the 19-Nation Asian Conference to condemn the Dutch aggression on Indonesia (January 20). Attended the Commonwealth Prime Ministers' Conference (April 19). Called on Pakistan to join India in a "No War" declaration (September 24). Left India on an official visit to the USA (October 7), addressed the US Congress, also addressed the Trusteeship Committee of the U.N. General Assembly (October 19). Visited Canada and addressed both Houses of the Parliament at Ottawa (October 24). Awarded American Spirgarn Medal for services in the Negro cause (Nov. 6).

1950 Addressed the annual convocation of the University of Ceylon, Colombo (January 12). Laid the foundation stone of the National Stadium, New Delhi (January 19). Inaugurated the Supreme Court of India (January 28). Planning Commission, with Nehru as its Chairman, set up (March). Received the Prime Minister of Pakistan and signed the Nehru-Liaqat Ali Agreement on minorities. Inaugurated the Indian Council for Cultural Relations in New Delhi (April 9). Visited Karachi at the invitation of Pakistan Government (April 26). Issued an Appeal to the Big Three calling for a speedy end to the Korean war (July 14). Laid the foundation stone of the Sapru House, New Delhi (October 20).

1951 Visited Cairo, Geneva, London and Paris. Official visit to Nepal (June 11). Elected President of All India Congress (September 9) and presided over the 57th session of Congress at Delhi (October 18).

1951 Addressed International Statistical Conference at New Delhi (December 5). Performed opening ceremony of Salar Jung Museum, Hyderabad (December 16)

1952 Signed Indo-Syrian Treaty (February 25). Inaugurated the Silver Jubilee Session of the Federation of the Indian Chambers of Commerce and Industry at New Delhi (March 29). Participated in the International Buddhist Conference held at Sanchi.

1953 Participated in the World Gandhian Seminar held in New Delhi (January 9). Presided over the Hyderabad Session of the Indian National Congress (January 17-18). Attended Coronation of Queen Elizabeth II (May 28). Visited Karachi at the invitation of Government of Pakistan (July 25). Inaugurated Nationalised Air Corporation (August 1). Opened the deliberations of the Consultative Committee of the Colombo Plan at New Delhi (October 13).

1954 Received Sir John Kotelawala, Prime Minister of Ceylon (January 15). Inaugurated the Institute of Public Administration in New Delhi (March 29). Paid a week's visit to Ceylon (April 27-May 3). Received Chinese Premier, Mr. Chou En-lai (June 25). Issued a joint statement embodying the Five Principles of Co-existence, Panchsheel (June 25). Visited China (October). Received President Tito of Yugoslavia (December 17). Visited Burma, Thailand, Indonesia and Malaya.

1955 Received in New Delhi the U.N. Secretary-General, Dag Hammarskjoeld (January 3). Attended the Commonwealth Prime Ministers' Conference and called on Queen Elizabeth (January-February). Received Prince Norodom Sihanouk and Mr. Leng Ngeth, Prime Minister of Cambodia (March 17). Welcomed to India Mr. U Nu, Burmese Prime Minister (March 25). Met Egyptian Premier Nasser and his party (April 13). Attended Afro-Asian Conference at Bandung (April 15-25). Received Emir Faisal, Prime Minister of Saudi Arabia in New Delhi (May 2). Laid foundation stone of National Museum in New Delhi (May 12). Held talks with Pakistan Prime Minister, Mohammed Ali and Interior Minister, Major General Iskander Mirza (May 13-18). Left on a tour of the Soviet Union, Yugoslavia, Poland, Czechoslovakia, Austria, Italy and Egypt (June 5) and conferred with Premier Nasser of Egypt at Cairo. 'Bharat Ratna' conferred (July 15). Met President Sukarno (July 19). Signed joint statement with the Crown Prince and the Prime Minister of Laos emphasising the need for implementation of the Geneva Agreement on Laos (Sep 21). Inaugurated Hindusthan Machine Tools Factory at Bangalore (October 6). Welcomed to India

the Russian Prime Minister, Marshal Bulganin and the then First Secretary of the Russian Communist Party, N. Khrushchev (November 18). Welcomed King Saud of Saudi Arabia to India (November 28). Laid foundation stone of Nagarjunasagar Project (December 10).

1956 Had meetings with Selwyn Lloyd, the British Foreign Secretary, John Foster Dulles, the U.S. Secretary of State, the French Foreign Minister, Christian Pineau, and First Deputy Prime Minister of Soviet Russia, Mr. Mikoyan (March). Signed an agreement with Canada for the establishment of atomic reactor in Bombay (April 28). Attended the Commonwealth Premiers' conference in London (June 27-July 6) and later visited Ireland, West Germany, France, Yugoslavia, Greece, Egypt, Syria and the Lebanon. Held discussions with President Nasser and President Tito in Brioni (July 18-20). Temporarily took over the Finance portfolio (July 23). Sounded a warning against the use of force in solving the Suez Canal question (July 23) and sent a message to U.N. Secretary-General urging swift U.N. action against Anglo-French Israeli aggression against Egypt (October 31). Involved in a jeep accident near Anjar (Saurashtra) (August 18). Addressed the delegates to the Ninth UNESCO conference in Delhi (Nov. 5). Participated in the Colombo powers Prime Ministers' conference in New Delhi on Egyptian situation (November 12-14). Discussed in New Delhi with Chinese Premier Chou En-lai the border dispute between the two Governments and Chou En-lai accepted the formalisation of McMahon Line (November 28). Visited U.S.A., Canada and Europe (December). Addressed an informal meeting of the members of the U.N. General Assembly (December 20). Held talks with Chou En-lai during the latter's visit (December 30, '56 — January 2, '57).

1957 Visited Nalanda with Dalai Lama and Panchen Lama for final ceremonies of the 2500th anniversary of the Buddha's Mahaparinirvana (Jan. 12). Inaugurated Hirakud Project in Orissa (Jan. 13). Opened Asia's first reactor in Trombay (Jan. 28). Held talks with Syrian President, Shukri Al-Kuwatli (January 17-19). Received Marshal Zhukov, Soviet Defence Minister (January 25). Temporarily took over Defence Portfolio (Jan. 30). New Central Cabinet headed by Nehru sworn in (April 17). Left on goodwill visit to Syria, Denmark, Finland, Norway and Sweden (June). Attended Commonwealth Prime Ministers' Conference (June 6 to July 5). Visited Holland, Egypt and Sudan (July). Attended Bhoodan Conference on September 20-21 at Yelwal. Visited Japan (October 4-13). Addressed Commonwealth Parliamentary Conference in New Delhi (December 2).

1958 Held talks with Prime Minister of Czechoslovakia Mr. William Siroky (January 3-5). Held discussions with President Soekarno of Indonesia (January 7-8), and with Harold Macmillan, the British Prime Minister (January 8-10). Issued joint statement with King Zahir Shah of Afghanistan for a high level meeting to relax international tension (February 13) and later similar statement with Prime Minister of Rumania Mr. Chivu Stoica (March 10). Expressed desire to retire from Prime Ministership but bowed to unanimous desire of members of party to continue (May 3). Visited Bhutan (Sep. 16 to Oct. 2). Opened "India 1958" exhibition (October 8). Inaugurated joint meeting of the World Bank, the International Monetary Fund and the International Finance Corporation (October).

1959 Received Prime Minister of Ghana Mr. K. Nkrumah. Inaugurated International Congress of Jurists (Jan. 5). Commended socialist way to progress at Nagpur Session of Congress and reaffirmed India's faith in the Panchsheel (Jan. 9). Held discussion with East German Prime Minister, Otto Grotewohl and President Tito of Yugoslavia (January 12-15). Addressed Golden Jubilee Session of the Institute of Science at Bangalore (February 4). Held talks with Sardar Mohd. Daud Khan, Prime Minister of Afghanistan (February 5). Laid foundation of Indian Institute of Technology (March 10). Met Dalai Lama at Mussoorie (April 24). Visited Nepal (July 11-15). Inaugurated Truck Manufacturing Unit of Gun Carriage Factory, Jubbalpur (July 21). Held discussions with President Ayub Khan of Pakistan on Indo-Pakistan relations. Visited Afghanistan (September). Discussed with Burmese Premier Ne Win relations of India and Burma with China.

1960 Met Mr. Chou En-lai in New Delhi and decided to get the respective view points examined at official level, making every effort to avoid friction (April). Attended the Commonwealth Prime Ministers' Conference in London and visited Paris, Egypt, Turkey and Lebanon (May). Signed the Indus Water Treaty with Pakistan (September 19). Attended the U.N. 'Summit' General Assembly Session as leader of Indian delegation (September-October) and urged renewal of contacts between USA and USSR. Inaugurated Kundah Hydro-Electric Project, Madras State. Inaugurated States of Maharashtra and Gujarat. Visited Paris. Condemned Sharpeville and Langa massacres in South Africa. Visited Egypt, Turkey, Lebanon, Syria and West Pakistan. Held talks with Field Marshal Ayub Khan. Addressed U.N. General Assembly stressing the need for world peace.

1961 Inaugurated formally the Canada-Indian nuclear reactor at Bombay (January 16). Said at a news conference in New Delhi that India was definite that China had committed aggression on India's northern borders, and it was wrong on the part of Pakistan to agree to discuss with China the question of demarcating Kashmir border (January 18). Inaugurated WHO Session in New Delhi (February 7). Held talks with Maharaja of Bhutan (February 8-13). Attended the Commonwealth Prime Ministers' Conference (March). Attended the summit meeting of the non-aligned nations at Belgrade (September). Inaugurated the first Asian History Congress in New Delhi (December 9). Inaugurated Bhakra Power House in Punjab (December 10). Met the Paramount Ruler of Malaya (December 8) and President Brezhnev of Russia (December 13).

1962 Inaugurated Noonmati Oil Refinery in Assam (January 1). Inaugurated the 49th Session of the Indian Science Congress (January 3). Met Burmese Premier U Nu (January 11). Inaugurated Commonwealth Education Conference

(January 11). Pressed into service the first India made Nissan Patrol Vehicle (January 24). Met President Kampmann of Denmark (January 18) and Vice-President Amer of UAR (January 24). Invited to form new Government after the Third General Elections and the new Cabinet sworn in (April 10). Met King Mahendra of Nepal (April 18). Presided over the National Integration Council meeting (June 2 and 3). Visited Paris and Cairo after attending Commonwealth Prime Ministers' Conference (September). Addressed UNESCO in Paris (September 21). Received President of the Council of the State of the Rumanian People's Republic (October 17). Gave a call to the nation to meet Chinese aggression unitedly (October 22). Wrote to Chinese Premier that India could not agree when actual and new aggression was taking place and called upon China to restore status quo as it was prior to September 8, 1962 (October 27). Sent messages to various Heads of Governments on the situation created by renewed armed aggression of Chinese forces on Indian territory launched on September 8 (Oct. 26-27). Received Tengku Abdul Rahman, the Malayan Prime Minister (October 27). Received President of Cyprus, Archbishop Makarios (October 31). Took over Defence portfolio temporarily (November 1). Issued joint statement with President Ayub Khan of Pakistan reaffirming determination to resolve their differences (Nov. 30).

1963 Had talks with Ceylonese Premier Mrs. Bandaranaike, Mr. Ali Sabry of UAR and Mr. Asante Ofori-Atta of Ghana on Colombo proposals on Sino-Indian dispute (Jan. 10-13). Moved resolution in Lok Sabha for acceptance of Colombo proposals (Jan. 23). Inaugurated Village Volunteer Force (Jan. 26). Received Lebanese Premier Mr. Rashid Karame (Jan. 15) and Prince Sihanouk of Cambodia (Jan. 28). Opened Ladakh Vihara near Delhi (Feb.). Commissioned 'Lokmanya', first electric loco (Feb.). UN accepted Nehru's proposal to make 1965 as Year of Co-operation (Oct.). Dedicated Bhakra Dam to the nation (Oct.) Inaugurated Pinjore Plant (Oct.) Met Laotian Premier in Delhi (Nov.) Inaugurated Conference of envoys to African countries (Nov.) Commissioned first AC Electric Loco at Chittranjan (Nov.). King Hussain of Jordan met Nehru (Dec.)

1964 Laid foundation-stone of Orissa's Tikkarpara Dam project (Jan.) Taken ill during the Bhubaneswar Session of the Congress (Jan.) General Ne Win, Chairman of the Burmese Revolutionary Council, met Nehru (Feb.) Prime Minister of Singapore, Mr. Lee Kuan Yew met Nehru (Feb.). Met King Mahendra of Nepal on the occasion of foundation-stone laying ceremony of the Kosi and Gandak projects (May). Met Sudanese President Farik Ibrahim Abboud (May). Visited Dehra Dun for rest (May 23-26). Light went out (May 27).

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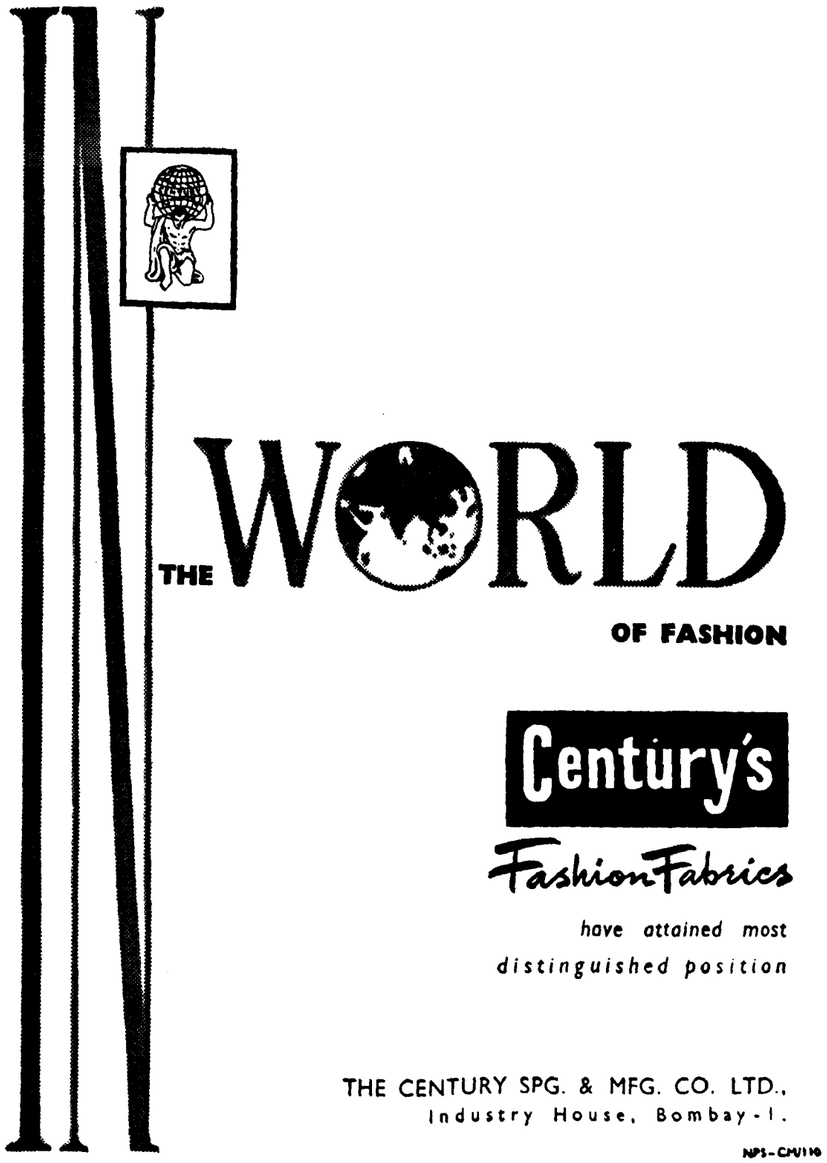
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The Task Ahead

BROADCASTING TO the nation last Thursday, the Prime Minister made pleas as well as promises. He exhorted his countrymen to rededicate themselves along with him to the aims and ideals of Jawaharlal Nehru and take a pledge to build a socialist democracy at home with freedom for all and maintain world peace and friendship with all nations abroad. Pointing out that the real source of strength for the Government was the willing co-operation of the people, he appealed for unity and solidarity and pleaded that sectional sentiments or interests should be subordinated to the need for differences being resolved within the unalterable framework of one nation and one country. The Prime Minister then went on to promise on behalf of the Government that it would carry forward the work of national integration started with the conference of 1961. Striking a personal note, he took a pledge to discharge the responsibilities of his office through reliance on methods of persuasion and mutual accommodation and constant search for areas of agreement as basis for action. Spelling out the priorities that his administration would have to deal with, he said that of all the problems facing the country, none was more distressing than that of the dire poverty in which tens of millions of our countrymen continued to live.

The Prime Minister spoke movingly, in particular, of the centuries of neglect which had been the portion of the most backward sections of the community, such as the scheduled castes and scheduled tribes. He pointed out that the establishment of a more just social order was thus an imperative. At the same time, the country had been compelled to bear the burden of building up its defences. The defence effort had to go on but Mr. Lal Bahadur said that, at the same time, his Government was determined to ensure that the development of the economy did not fall in arrears. Next, the Prime Minister asked himself the question how the quality and vigour of the development effort could be improved upon. In his view, the prime consideration here would be the efficiency and integration of the administration. He undertook to have systematic attention paid to the problem of administrative reform in its various aspects. Here the Prime Minister stressed that the objective of administrative reorganization should be recognized to be a two-fold one. There was the need, undoubtedly to modernize administrative methods and processes so that they become an effective instrument of economic change. But that alone would not be enough. It was essential in a democracy for the public services not only to function competently but also in a spirit of service, sympathy and humanity.

Turning to foreign affairs, Mr. Lal Bahadur reiterated that Indian policy would continue to be the development of friendly relations with all countries irrespective of differences in ideologies or political systems. Non-alignment, he emphasized, would remain the fundamental basis of our approach to world problems and in our relations to foreign countries. The Prime Minister promised that his Government would address itself particularly to the building up of co-operative relations with neighbouring countries. Permitting himself an understatement, he said that "we have problems with some of them", and suggested that those problems ought to be settled peacefully on an honourable basis. Then came some wise references to the unfortunate state of relations between Pakistan and this country. Striking an optimistic note, the Prime Minister welcomed the recent broadcast of President Ayub Khan as timely and helpful and said with robust faith that, with patient striving on both sides, the tide of ill-feeling and antagonism between the two countries could be

reversed. Mr. Lal Bahadur's remarks on China also showed a similar desire for a peaceful settlement of disputes, but there was a difference in nuances in that he did not mince words and once again placed on record this country's deep resentment over the premeditated aggression committed against it.

Fanning into a wider world, the Prime Minister's subsequent observations on foreign policy reaffirmed support for the United Nations as "the only hope of the world for bringing peace and freedom to humanity". Stressing the obligations of the United Nations for the promotion of the freedom of dependent nations, Mr. Lal Bahadur recalled the record of this country's activities in this cause. He said with pride that Jawaharlal Nehru was one of the founders of the Afro-Asian movement, the aim of which was to work for the freedom of the peoples of Asia and Africa and assist them in securing economic growth and higher living standards. India, he said, would continue to participate in this Afro-Asian effort and he appealed for the solidarity of Afro-Asian nations assuring them that India sought no leadership of the group but was only concerned to be a collaborator with the sister nations of Africa and Asia in this still unfinished struggle for the eradication of colonialism from those parts of the world where large sections of peoples are still being denied freedom or fundamental rights. Finally, recalling President Johnson's words that a world without war would be a most fitting memorial to Jawaharlal Nehru, the Prime Minister said that his Government would work in the United Nations and elsewhere for the achievement of disarmament and world peace.

It may be a fair criticism of the Prime Minister's broadcast that it had nothing new in it, but it will not be a relevant criticism considering that the object of Mr. Lal Bahadur apparently has been to make it clear as Prime Minister what he had been saying earlier as Prime Minister-designate that the policies of the new Government, whether at home or abroad, would be the policies of Jawaharlal Nehru and that his own endeavour would only extend to ensuring that those policies were implemented faster and more effectively. It cannot be denied that this theme of "business as usual" has been stated with candour and conviction in the Prime Minister's broadcast to the nation. It follows that it would be more useful to examine anew whether the policies by which the new Prime Minister has sworn are really good enough for our present purposes and future needs than to protest that those policies are not new.

Thus, Mr. Lal Bahadur has, for instance, pointed to the urgent problem of poverty. This problem had been recognized at least 17 years ago and three five-year Plans have been appealed to in the hope that they would make some difference to the vicious vastness of Indian poverty. That some difference has, in fact, been effected is not to be denied, but it has to be admitted too that the improvement has been all too small. The question is whether the doctrine of "business as usual" would be of much use in a situation of this kind. It is not enough to feel deeply about poverty. Poverty clearly cannot be talked out or sighed away. The only way to deal with poverty is to try to diminish it, if not destroy it. It is clearly Mr. Lal Bahadur's next obligation to the country to spell out in what ways he proposes to make our planning against poverty more effective than it has been so far.

The Prime Minister spoke of a new social order and of the right that is of every citizen to share in the wealth of the nation. These are admirable sentiments. But we wish the Prime Minister had not stopped there. The poverty of the Indian people is essentially the poverty of the Indian economy. This poverty can be dealt with only through increased production and increased investment. The Prime Minister has been expressing distress over poverty, unemployment and high prices. But this expression of dissatisfaction cannot lead to positive and constructive action unless it is understood very clearly that the misfortunes which Mr. Lal Bahadur laments are but the symptoms of the basic disease of low production and low investment. In the last 15 years or so, the Government had been following certain policies and adopting certain approaches for increasing production or stepping up investment. This effort, as we have said, has had some success but not sufficient success. It is, therefore, not enough for the Prime Minister to deplore poverty or unemployment. He must proceed from there to ask himself how and in what ways the old assumptions would have to be altered or old policies improved so that better results could be achieved in the future. The central fact in the national economic situation today is that not enough investment has been permitted in the private sector while not enough production has been secured in the public sector. Unless, therefore, the new Government has the sense and the strength to opt for a new economic policy, the poverty which the Prime Minister deplores will merely continue to be the emotive theme of many more broadcasts to come. In this matter, it is certainly not enough to say that Jawaharlal Nehru had charted the course and that we, in duty bound, must stick to it. That would be betraying the Man while making a fetish of his memory. True loyalty would demand that the aim should be won, not that the means should be worshipped.

Mr. Lal Bahadur has displayed an admirable enthusiasm for reform in the administration. We are glad to note that here he has moved away from the somewhat sterile conception of the Home Minister to whom the negative aspect of punishing corruption seems to have come to mean more than the positive aspect of raising the quality or speeding up the pace of administrative processes. Mr. Lal Bahadur is right, again, in laying the stress on systematic effort being made to mend or modernize administrative procedures and processes. It might be tempting to imagine that some magic formula could be invented to do away with the inertia or inaptitude of the bureaucratic machinery. The sober truth, however, is that it is only through continuous attention to the particulars as well as to the principles that the tone and temper of the administration can be improved. It is, therefore, easy to agree with Mr. Lal Bahadur on the need for a systematic approach and possible to feel reassured by his promise to address himself to the major problems of administrative reform.

There is, however, still a need to indicate the limitations of the Prime Minister's approach as well. Mr. Lal Bahadur has said that administration should be increasingly competent and considerate. We are afraid, however, that this would be asking for too much so long as the government continues to be incapable of setting a limit to the variety of demands it chooses to make on the public services. Mr. Nanda has failed to realize that corruption is largely a consequence of the government machinery being continuously asked to do more and more and permitted simultaneously to do it more and more arbitrarily. This is unfortunate, but it would be a tragedy if the Prime Minister on his part were to fail to sense that, in these circumstances, it would be equally unrealistic to expect the administration to be competent or considerate either. Administrative reform is, no doubt, useful in its place, but as the fate of the interim recommendations of the Swaminathan Committee has shown, sound advice may be given to the Government and accepted by it and yet that advice could and does get lost in the inherent complexities of an over-burdened and over-stretched administration. Mr. Nanda condemns government servants as sinners, actual or potential; Mr. Lal Bahadur apparently assumes that all government servants are saints, actual or potential. It is possible that both may be wrong. Government employees, like everybody else, are ordinary human beings, apt to tire of work which is too much or too complicated, rebel against responsibilities which strain their temper or character and be cynical about authority too easily given and capable of being too lightly wielded.

The Prime Minister, in other words, ought to realize that the problems of administrative reform are not simply problems of routing or re-routing of files. It is essentially an exercise in determining how much, in a given milieu, the machinery of Government may be expected to do and how well. It is above all a matter of judgment, of refraining from asking the administration to carry out functions which it cannot carry out or cannot carry out well enough, while seeing to it that it does the things which it alone can do or which it can do better than other agencies. Despite the worst tyrannies in history of the totalitarian concept of society, the community has always been larger than the government and no administration can really maintain its integrity as Mr. Nanda expects it to or display competence and humanity as Mr. Lal Bahadur wants it to, once it becomes the policy of the State to displace progressively non-government agencies from the economic and other activities of the community. The Prime Minister ought first to make up his mind what he wants the administration to do, and how much before he could hope that it would do it well.

The Prime Minister's declaration of intentions to seek improved relations with some of our "problem neighbours" may be unreservedly welcome. In the matter of Indo-Chinese relations, however, it is Peking which is in the position of calling the tune. The Prime Minister has thrown out a hint that if China is keen on an improvement of relations with this country the least it might do would be to stop promptly its anti-Indian propaganda among the Afro-Asian countries. It should be interesting to know how Mr. Chou En-lai who has been sending friendly, if formal, messages to this country on recent occasions would react to this suggestion. As for India and Pakistan, 17 years are too long a period for two countries which are not actu-

Eastern Economist 20 Years Ago

JUNE 16, 1944

Tired of politicians who demand self-government or Pakistan, Delhi is paying more attention to industrial leaders, particularly the authors of the 15-year plan. There is a tendency, indeed, to associate the name of one or the other among the authors with some big appointment. Sir Purshotamdas Thakurdas is being mentioned as the next member for the combined portfolio of Food and Agriculture. It is said that he has been offered the post.

The veteran leader of industrial and commercial opinion will doubtless make an excellent leader of a drive to produce more food and distribute it equitably and efficiently. But many independent observers doubt whether Sir Purshotamdas will care to be in such a role in the present regime. Even though he is no young, he has enough reserves of energy to serve the country, under a National Government. It will be a surprise if he accepts the proposed portfolio. Some quarters suggest that if the Finance portfolio were handed over to one of the authors of the non-official plan, then alone will the offer to Sir Purshotamdas make sense. For the present, the reshuffle of portfolios suggested last week holds the field.

There is no doubt, however, that in the absence of Congress leadership and because of Mr. Jinnah's pre-occupation with bitter domestic disputes in the Muslim League Party, the task of voicing Indian opinion has fallen to industrial leaders. Delhi studied, as it had never done before, the working of the resolution passed last week by the Executive Committee of the Federation of Indian Chambers of Commerce and Industry. Since the meeting took place after Sir Purshotamdas Thakurdas, Mr. G. D. Birla and Mr. J. R. D. Tata had visited Gandhiji, the Committee's resolution is interpreted as the industrial leaders' solution of the political deadlock in the light of their discussion with the Mahatma.

ally at war, to go on quarrelling and being hostile to each other. Sooner or later, the initiative has to be taken on this side of the border or on the other to find a way out of a mutually disagreeable and potentially dangerous situation. That initiative is yet to come. But there is at least now a desire cutting across the frontiers that its coming should not be delayed.

The Prime Minister has claimed that "with most of our neighbours we have friendly and co-operative relations". This may not be an accurate description when applied to the state of affairs with Burma or even Ceylon. There is no point in glossing over the fact that India must reconcile itself to receiving and absorbing in due course a considerable number of refugees or repatriates from Burma or Ceylon. It is difficult to pretend that these prospects would contribute to the promotion of harmony and goodwill between India and those countries. It may, nevertheless, be necessary for this country, by virtue of its history and size, to take a long view of the future of South-East Asia, despite current impositions or provocations, and endeavour to counter distrust with patience and aggressiveness with tolerance. At more than one place in his broadcast, the Prime Minister spoke movingly of the legacy of Jawaharlal Nehru, of this country's dedication to the cause of world peace. Referring to its and its Government's role in the Afro-Asian group, Mr. Lal Bahadur said that the aim would be to cultivate widening areas of peace and understanding. The place to practise this husbandry most sedulously is, obviously, our immediate neighbourhood.

Flogging a Dead Horse

MOVING THE Lok Sabha for a reference of the Gold Control Bill to a joint committee of the two Houses of Parliament, the Minister of State in the Ministry of Finance claimed that the scheme of control was realistic and workable. If the Government could believe this, it could believe anything. This Journal had been one of the first to welcome, in principle, the gold control regulations when they were first introduced. It was pointed out then that the weaning of the people from their traditional habit of putting their savings into gold and gold ornaments was, undoubtedly, a desirable socio-economic objective. That point still remains valid, but at the same time we, as intelligent and responsible men, cannot be blind to the fact that, in political as well as administrative terms, the Government's attempt to control gold has been a complete failure. More important still, there is little likelihood of the implementation of the gold control policy at all becoming more effective in the foreseeable future. In the circumstances it has become the particular obligation of those, such as ourselves, who had welcomed the intentions of gold control to stand up and say candidly and courageously that those intentions have failed to be realized and that they are unlikely to be realized in the foreseeable future.

This is the only honest assessment that is possible of gold control as it has been attempted or is proposed to be continued. If there is any honesty in Government, it too can now come to no other conclusion. It has been pleaded from the beginning that the success of gold control would be determined by the extent to which it is effective in releasing for the use of the economy such of the yellow metal as may be held, in its various forms, as hoards. Here, despite the gold bond scheme, reinforced as it has been by the police measures of the gold control scheme, the amount of non-ornament gold which has been declared has been disappointingly small.

It has been argued that, by discouraging and diminishing transactions in gold and thereby effecting a reduction in the market price of the metal, the gold control scheme would succeed in knocking the profitability out of smuggling and thereby check the leakage of foreign exchange occasioned by the smuggling trade. This hope too has been dashed to the ground. The tempo of smuggling does not seem to have abated significantly. On the contrary, since the market price of gold has not only not gone down, but has, in clandestine dealings, risen very considerably, the scope for and gains of the smuggling trade have actually become even more abundant now than they were before gold control. The third main argument in favour of gold control, again, has fared no better than the other two. There are precious few signs that the people's love of gold has dimmed. On the contrary, the gold control regulations only seem to have whetted the appetite of the public for the yellow metal. It is an open secret that the concession given to self-employed goldsmiths for legally converting old gold ornaments into new ornaments of equal purity is being abused extensively.

There is, therefore, little wisdom at this stage in the Government refusing to concede that its gold control policy has failed and withdraw or abolish the scheme altogether. It is perhaps the argument of the Government that the Gold Control Bill cannot be judged prematurely or in a hurry since the impact and the effects of measures of this kind take time to make themselves felt. It could be contended that the deep-rooted sentiments and prejudices or the ingrained customs or habits of a still largely traditional society cannot be changed overnight. But the complaint is not that there has been no rapid advance in the right direction but that there has actually been a good deal of retreat in the wrong direction. The restrictions on the making of gold ornaments of higher purities seem to have strengthened rather than weakened the desire of people at large for gold ornaments. Rather predictably, the public is being exploited in the circumstances. Deprived of access in a legitimate manner to manufacturers or merchants of repute, people are obliged to resort to self-employed goldsmiths, many of whom are operating on a hand-to-mouth basis in backyards and blind alleys. In doing business with them the public has to make do without any safeguards as to weight or quality and is placed in the unfortunate position of not being able to question the price charged for the gold or the fee charged for making the ornaments. The retort that those who deliberately violate the law cannot expect the law to protect them would be easy enough, but it would be neither fair nor proper. Where an impracticable and feeble law is made to curb a deep-rooted human institution or habit or attitude of mind, the responsibility for the distress or hardship which that law causes cannot be evaded by the law-makers.

It is possible that the Government really believes that the failure attending on the gold control scheme is of a temporary nature and that over a period an adequate administration could be built to secure effective enforcement. We question this easy optimism. The people's (and the Government's) experience of prohibition is there to show that socio-economic reforms which do not have the active support of public opinion or which are undertaken in undue anticipation of changes in mental habits or social values do not improve with age. On the contrary they tend to degenerate and decay as the authorities become cynical and the community contemptuous. We have little doubt that this is the unhappy destiny which is in store for the gold control scheme should the Government stubbornly persist in it. Even in the most favourable circumstances, it would have been difficult to change people's notions of the worth of gold as ornament or as a store of value. With inflation having gathered momentum, it has become virtually impossible to discourage the people from seeking to put their savings into the yellow metal. It must be borne in mind that gold is less of a rich man's plaything than is widely assumed. On the contrary, it clearly functions as one of the most democratic means of owning property. The crux of the gold problem is that gold is scattered in small quantities over millions of people many of whom are really not well-to-do. These small possessions are being added to marginally from time to time by the individual's preference for gold. The gold control scheme has not succeeded in destroying this preference. Nor is it likely that success will come to it in the foreseeable future. Millions of people, not particularly rich, will continue to stick to their small possessions of gold and whatever the obstructions created by law, will continue to endeavour to add to their possessions. In seeking to proceed with the Gold Control Bill the Government consequentially is only flogging a dead horse.



SOCIALIST COMPETITION

Highlights of the Week

UNITY—SOCIALIST STYLE

IN THE political vocabulary of India the phrase "socialist unity" has suddenly acquired the magic of an "open sesame". That it would certainly open the doors of government office to many erstwhile wanderers in the wilderness of Leftist opposition is, of course, true. But it cannot, however, be said that it is the prospects of political employment alone which have led the Asoka Mehta group in the now defunct Praja Socialist Party to resolve at its Lucknow convention last week to join the Congress. The more basic explanation is that, as a separate political party, the PSP has simply failed to click. Once the Congress, at its famous Avadi session, had accepted as its goal a socialist pattern of society, the PSP leaders promptly got reduced from being men with a mission to being boys carrying messages. It did not really require the Bhubaneswar resolution of the Congress on democratic socialism to put the PSP finally out of business. Mr. Asoka Mehta had made up his mind much earlier.

In organizational terms or in terms of political appeal or strength, the accession of the Mehta group to the Congress is unlikely to bring the latter any very considerable gains. Whether it has conspicuously promoted socialist unity is also doubtful despite the enthusiasm of the Congress President. It is significant that Mr. K. D. Malaviya has been as vociferous as Mr. G. L. Nanda in extending a welcome to Mr. Mehta and his men. The Congress, no doubt, has been apt to be a house with many mansions. This, in the main, has been its strength but it has also often been its weakness. On the present occasion, the entry of the Mehta group may well end in making the confusion within the Congress camp worse confounded. Although Mr. Asoka Mehta himself has been lately speaking on economic issues with a certain amount of pragmatic liberalism, it is possible that the exigencies of political in-fighting among Congressmen might result in his influence weighing in favour of Leftist loud talk. While it is unlikely for the Mehta and the Menon-Malaviya groups to function together, it is not only possible but probable that there might be a general eruption of "keep Leftism" within the Congress—a development which other trends of thinking within the Party will not be able indefinitely to avoid challenging. Meanwhile, in this matter of socialist unity, there is, currently, at the highest levels of orthodox leadership a naivete which is truly amazing. We note that the Congress President has been suggesting that the good work started by Mr. Mehta should be completed by Mr. Dange. Mr. Kamaraj's appeal to the Communists too to join the Congress would indicate that criminal convictions have finally become a substitute for intellectual convictions in the fluid kaleidoscope of post-Nehru political India.

Incidentally, there is irony in the fact that while the decision of Mr. Asoka Mehta and his group to walk out of the PSP into the Congress camp has been hailed in some quarters as a contribution to socialist unity, it has also served to isolate, more definitely than ever before, a hard core of those who claim that they and only they are the true gospellers. Thus such of the PSP members as have not chosen to find their socialist salvation in the bosom of the Congress Party have followed Mr. S. M. Joshi into an embrace with Socialist Party of Dr. Ram Manohar Lohia. The love-child of this urgent union is the Samyukta Socialist Party, but at its birth there have been many bad fairies. At the moment, there is considerable speculation in the political world about the probable plans and programmes of this 'enfant terrible'. It is amusing to note that the more dismal prophets have lost no time in foreseeing the SSP playing into the hands of other opposition parties, such as the Swatantra or Jan Sangh on the one hand or the Communists on the other, and thus weakening the Congress-concocted structure of socialist unity. That the existence of a militant socialist opposition outside the Congress might cramp the style of the "keep-Leftists" within the Congress, however, does seem possible.

ONE LESS THAN FIFTY-TWO

THE PRIME Minister, Mr. Lal Bahadur, appointed last week no less than 20 Deputy Ministers, thus taking the total of his Council of Ministers to 51 (inclusive of the Prime Minister). As reported earlier ('Eastern Economist' dated June 12, 1964, page 1349) he had appointed 15 members of the Cabinet and 15 Ministers of State. Only two Deputy Ministers in Mr. Nehru's Cabinet — Mrs. Tarakeshwari Sinha and Mr. P. S. Naskar — were dropped while all the remaining Deputy Ministers were retained. Mrs. Sinha's exclusion was anticipated as she had requested the Prime Minister not to include her name till she was cleared of the allegations against her. The list of Deputy Ministers, given below, shows that in a number of cases the portfolios have changed hands; the corresponding portfolios of Deputy Ministers in Mr. Nehru's team are given in brackets.

Dr. Mono Mohan Das	Deputy Minister in the Ministry of Rehabilitation (Education).
Mr. Shah Nawaz Khan	Deputy Minister in the Ministry of Food & Agriculture (Railways).
Mr. S. V. Ramaswamy	Deputy Minister in the Ministry of Commerce (Railways).
Mr. Ahmed Mohiuddin	Deputy Minister in the Ministry of Transport (Transport).
Mr. B. S. Murthy	Deputy Minister in the Ministry of Community Development and Co-operation (Community Development and Co-operation).
Mr. Lalit Narayan Mishra	Deputy Minister in the Ministry of Home Affairs (Home Affairs).
Mrs. Soundaram Ramachandran	Deputy Minister in the Ministry of Education (Education).
Mr. D. R. Chavan	Deputy Minister in the Ministry of Food and Agriculture (Defence).
Mr. C. R. Pattabhi Raman	Deputy Minister in the Ministry of Information & Broadcasting (Labour).
Mrs. Maragatham Chandrasekhar	Deputy Minister in the Department of Social Security (Home Affairs).
Mr. Jagnath Rao	Deputy Minister in the Ministry of Law (Supply).
Mr. Sham Nath	Deputy Minister in the Ministry Railways (Information & Broadcasting).
Dr. D. S. Raju	Deputy Minister in the Ministry of Defence (Health).
Mr. Dinesh Singh	Deputy Minister in the Ministry of External Affairs (External Affairs).
Mr. Bibudhendra Misra	Deputy Minister in the Ministry of Industry (Law).
Mr. B. C. Bhagavati	Deputy Minister in the Department of Communications (Communications).
Mr. Shyam Dhar Misra	Deputy Minister in the Ministry of Irrigation and Power (Community Development and Co-operation).
Mr. Prakash Chandra Sethi	Deputy Minister in the Ministry of Steel and Mines (Steel and Mines).
Mr. Ratanlal Kishorilal Malviya	Deputy Minister in the Ministry of Labour & Employment (Labour & Employment)
Mr. Bhakt Darshan	Deputy Minister in the Ministry of Education (Education).

In view of the sharp criticism relating to the re-organisation of the various Ministries — a criticism which emanated both from within the Council of Ministers and without — Mr. Lal Bahadur announced some changes in the portfolios of some of the Cabinet Ministers and the Ministers of State. Mr. Satya Narayan Sinha was given Communications instead of Civil Aviation; he retained charge of the Ministry of Parliamentary Affairs. Mr. Asoke Kumar Sen was appointed Minister of Law and Social Security in place of Law and Communications. Mr. Nityanand Kanungo took charge of the Ministry of Civil Aviation (which was earlier allocated to a Cabinet Minister, Mr. Satya Narayan Sinha) and relinquished the Ministry of Cultural Affairs which has now been allocated to Mr. R. M. Hajarnavis. The Ministry of Cultural Affairs has once again been attached to the Ministry of Education. Dr. Ram Subhag Singh has been appointed a Minister of State in the Ministry of Railways while Mr. A. M. Thomas will be a Minister for Defence Production in the Ministry of Defence. Mr. K. Raghu Ramaiah, Minister for Defence Production in the Nehru Cabinet and Minister of State for Labour in the Cabinet sworn in on June 9 has now become Minister of Supply in the Ministry of Industry. All changes in the portfolios of the Cabinet Ministers and the Ministers of State are given below:

CABINET MINISTERS

Mr. Asoke Kumar Sen	Minister of Law and Social Security.
Mr. Satya Narayan Sinha	Minister of Communications and Parliamentary Affairs.

MINISTERS OF STATE

Mr. Nityanand Kanungo	Minister of Civil Aviation.
Mr. K. Raghu Ramaiah	Minister of Supply in the Ministry of Industry.
Dr. Ram Subhag Singh	Minister of State in the Ministry of Railways.
Mr. R. M. Hajarnavis	Minister of Cultural Affairs in the Ministry of Education.
Mr. A. M. Thomas	Minister of Defence Production in the Ministry of Defence.

A new department of Social Security has also been created. The subjects included under the control of this Department are: co-ordination and development of village industries including Khadi and handicrafts and Ambar Charkha which was formerly under the Ministry of Industry. Different subjects relating to Social Security which were formerly under the Ministries of Education, Health, Home Affairs and Labour and Employment have been placed under this new Department. All matter relating to scheduled castes, scheduled tribes and backward classes which were formerly under the control of the Ministry of Home Affairs have also been allocated to the new Department.

The Ministry of International Trade has been re-named as the Ministry of Commerce. It will have under its control all those subjects under the former Ministry of International Trade including the new additions of textiles, handloom industry, jute and sericulture.

The Ministry of Industry has also been re-christened as the Ministry of Industry and Supply. Now it has three departments. They are: (1) the Department of Heavy Engineering which was formerly under the Ministry of Steel, Mines and Heavy Engineering, (2) the Department of Industry which includes all the subjects that were formerly under the Ministry of Industry except the subjects transferred to the Ministry of Commerce and the Department of Social Security, (3) the Department of Supply and Technical Development which combines all the subjects which were formerly under the separate Department of Supply and of Technical Development. Also, with the transfer of the Department of Heavy Engineering to the Ministry of Industry and Supply, the Ministry of Steel, Mines and Heavy Engineering has been re-named as the Ministry of Steel and Mines with two Departments under it, namely, the Department of Iron and Steel and the Department of Mines and Metals.

UNIT TRUST

THE SALE of units by the Unit Trust of India, established only last February, is to start from July 1, 1964. The units will be in ten or multiples of ten, with no upper limit on the total amount invested. A notable attraction for investors in these units is that dividends received by them up to Rs. 1000 are exempt from both income-tax and super tax (the latter only in the case of a unit holder who would not have been liable for super tax but for the inclusion of the dividend on his units). Those who go in for these units during the first month will get them at par, but thereafter unit prices will be fixed by the Trust based on the prices of securities included in the portfolio of the Trust's investments quoted on the stock exchanges. These prices will be determined and announced daily (in the USA, this is done twice daily). Unit holders will receive their distribution of the Trust's net income (90 per cent of which will be distributed) every year after the making up of the annual accounts as on June 30. This is expected to work out roughly to six per cent per annum. The return would be higher, if capital gains also were distributed, as in the UK and the USA, but this is not proposed to be done by Unit Trust of India. The Trust will buy back the units from November 1, 1964 onwards. Both sales and purchases of units are being managed through the State Bank of India and its network of over 3,500 offices, the commercial banks which have contributed to the initial capital of the Trust and shareholders on the recognised stock exchanges.

Announcing these details, Mr. R. S. Bhatt, Chairman of the Board of Trustees, recalled that the basic objective of the Trust is "to afford the small investor a means of acquiring a share in the widening prosperity, based on steady industrial growth of the country which combines the advantages of a minimum risk and a reasonable return." The words "widening prosperity based on steady industrial growth" are very important indeed, for it is on the eventuation or otherwise of this premise that the Trust can mobilise, as it hopes to, adequate resources and then channel such resources into suitable investments. In other words, the success of the Trust would depend considerably on whether or not the Government's policy is conducive to industrial growth.

Mr. Bhatt also announced the composition of the Board of Trustees, which is representative of those contributing to the initial capital and which may be regarded, more or less, as the advisory board. The day-to-day work of the Trust will be carried on by an Executive Committee working under the direction of the Board. The Board, we are told, is required to act on business principles with due regard to the interest of the unit holder, which is as it should be, but, in matters of policy involving public interest, it would appear, the Trust

would be guided by the directions of the Reserve Bank. Normally there should be no conflict between what is in the interest of the unit holder and matters of public interest broadly, but situations may arise when there is some conflict, depending on the interpretation that those who ultimately decide may choose to place on the words "matters of public interest". The chances of such conflict arising have, however, been minimised by clearly spelling out the Trust's investment policy which, as in the case of similar institutions everywhere, pays due attention to security of capital and reasonable return, including capital appreciation. Certain guidelines, such as limits on investment in any one company (not more than 5 per cent of the value of the total investible funds of the Trust or 10 per cent of the value of the securities issued and outstanding of such a company, whichever is lower) and on investing in the initial issues of new industrial undertakings (not more than 5 per cent of the investible funds) have also been provided, so that the Trust has perforce to function within certain narrow and defined limits. All these features, however, go to strengthen the appeal of a holding in the Trust, especially to people with meagre means to whom security is as important as, if not more important than, return

Modest Beginning

As the Trust is constituted today, it can only begin in a modest way, but after gaining sufficient experience, it can extend the scope of its activities and offer more sophisticated forms of investment, such as plans of investments with payment of dividends in cash or in the form of further investment in units or cumulative investment programmes and so on. Although unit trusts are primarily for the benefit of people with low income, people with larger incomes also would be attracted to this form of investment when such additional features are introduced.

There are a few characteristics about the units of unit trusts which would-be-holders should be told straightaway. For instance, inasmuch as the shares of the Unit Trust will represent investment in common stocks, unit holders should be told that the price of the Trust's shares will go up or down with changes in the market value of the stocks held by the Unit Trust. Similarly, they must be made to understand that, as dividends on securities held by the Trust also will increase or decrease, the distribution of net income too will tend to go up or down. Again, they must be told that there are going to be no annual meetings of unit-holders as of shareholders in the case of a company. The only thing that unit-holders and shareholders have in common is that both have an opportunity to share in the country's economic progress. In the case of the Trust, the holders are assured of experienced, professional investment management.

How important the management of one's capital or investment is will be evident when one is aware of the full time attention that this task receives not from one person but from a number of specialists in the case of investment management of trusts in other countries. Responsible people, qualified by specialised training and intimate knowledge of business and finance, attend to this work and supervise investment. It is axiomatic that sound investment can be made only on the basis of sound information. For this purpose, therefore, unit trusts in other countries have their own specialists whose business it is to study all industries at first hand by discussions and interviews with business executives. The Massachusetts Investors' Trust, for instance, has reported that its Trustees and Industry Specialists had interviews and discussions with over 3000 corporate executives and other informed persons during 1962 and that, including travel abroad, when necessary, they spent over 500 days on field trips covering approximately 300,000 units! To reach this stage, it will, of course, take years for Unit Trust of India, but it must have its sights set right from now if it is to make an impact.

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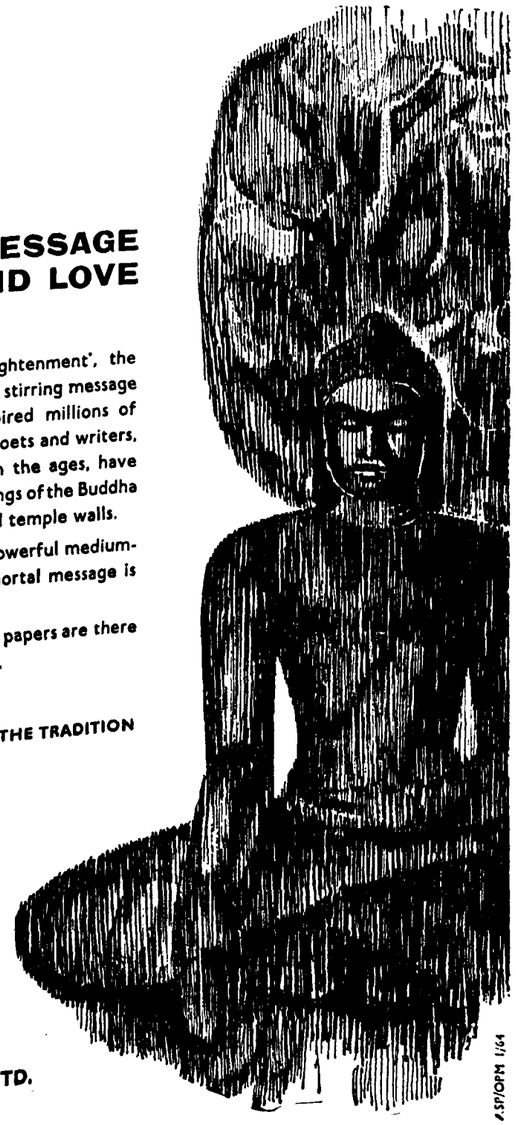
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Relative Prices and Weakness of the Indian Rupee

B. R. SHENOY

N THE article on the "The Weakness of the Indian Rupee" 'Eastern Economist' dated June 5, 1964, page 1307), we saw hat the index of the strength or weakness of a currency is n the strength or weakness of the export position of the ountry concerned; and that the criterion of the strength or /eakness of the export position of a country was in the rend of the ratio of exports to the national income, of the atio of exports to world exports and of the ratio of exports o the imports of the country. Judged by this triple test we aw, too, that the Indian rupee was probably among the weak- st currencies in the world today. All the three ratios are on he decline and have been at a low level for long.

In this article we shall examine the question whether elative inflation as reflected in the relative rise in prices at ome and abroad — the purchasing power parity theory — rovides a dependable index of the extent of the devaluat on f the rupee to restore equilibrium in the balance of payments f the country.

The purchasing power parity theory, whatever may be s merits in other situations, does not provide a satisfactory as.s of explanation of the weakness of Indian exports and, herefore, of the weakness of the Indian rupee; it would not rov.de, too, a measure of the extent of the devaluation which s necessary to restore equilibrium in our balance of payments. his is so for the simple reason that this theory, apart from the imitations inherent to pr.ce index numbers, is capable of measuring only the relative changes in inflation and prices at ome and abroad. But, as we shall presently see, the /eakness of the Indian rupee is not due to the adverse rela- ive price changes alone. It is due, perhaps in a much larger easure, to the working of non-monetary factors as well — he policies of planning which, among other things, force or nduce the fabrication at home of goods in defiance of the aw of comparative costs. The purchasing power parity heory is incapable of grasping in its net the contribution of hese factors to the weakness of Indian exports and hence f the Indian rupee.

Degree of Overvaluation

The purchasing power parity, in fact, might mislead us nto thinking — as has happened in the case of many super- c'al observers — that the Indian rupee is not after all very uch over-valued. This is well brought out by the table elow. We find from the table that, though Indian rices rose faster than prices in the countries with onvertible currencies cited in the table — Article VIII

GENERAL PRICES INDEX
(1958 = 100)

	1960	1962
Austria	102	110
Belgium	101	101
France	101	113
West Germany	107	103
India	100	115
Ireland	111	104
Italy	99	101
Mexico	98	109
Netherlands	106	99
U.K.	99	107
U.S.A.	102	100
	100	

Source: International Financial Statistics.

countries of the IMF classification — they were not, except in respect to Belgium, the Netherlands and the USA, far ahead of the rest. France was close to India, Austria and Mexico were not far behind, and the remaining countries followed India at some distance. While the picture is doubtless one of comparative over-valuation of the rupee, the degree of this over-valuation, which the price indexes suggest, does not seem very considerable. On the other hand, the semi-stagnation of Indian exports in the context of the expanding national product and the expanding world production is weighty evidence against any hypothesis that the over-valuation of the rupee is no more than marginal.

The weakness of the Indian rupee — the low level of Indian exports — is explained by inflation only partially. To the extent inflation in India was balanced by inflation abroad, inflation in India may not be a barrier to Indian exports, as the higher domestic cost of production, resulting from it, would be, then, correspondingly balanced by the higher costs abroad. Inflation would be an export barrier only to the extent that it outpaced inflation in the countries competing with us in the world market.

Inflationery Push to Costs

But costs in India are higher than costs abroad due to non-monetary factors much more than inflation. Under Plan policies, production in the industrial sector, in particular, in the so-called "basic" industries and certain favoured consumer goods industries is pushed far beyond the margin of production, if the latter may be defined as the limit of profitable production under normal competitive conditions with an equilibrium exchange rate, any physical restraints on international trade and payments being absent. The forced expansion of industries is being pursued regardless of the costs and the quality of the output. We saw in the earlier article how inordinately high the relative costs of manufactures in India were; to cite some strong instances, sugar and refrigerators were about thrice as costly, motor cars twice to four times, penicillin ten times and oil engines 1½ times. There is little hope of exports moving up and of the rupee gaining in strength under policies which produce such comparative cost patterns.

In agriculture and cotton textiles production costs are kept unduly high by the direct and indirect disabilities in the way of the expansion of output to the margin of production. In the case of cotton textiles, which account for about a third of industrial production, physical restraints stand in the way. There are severe limitations on the increase in the number of spindles and looms in the mills; the production by them of certain varieties of cloth is subject to ceilings; the production of dyed saris is banned; the borders of white saris have to satisfy certain restrictive regulations; the counts of the yarn in the wrap and the weft and the quantities in the "reed" and the "pick" must conform to the prescribed patterns; mill yarn is subject to distribution control; any effort to reduce costs through the extension of rationalisation and of the modernisation of the machinery and equipment needs tripartite — the industry, the trade unions and the government — approval before implementation; and so on. These and similar rigidities, through stiffening the cost structure, have gone far to cripple the industry in the world markets, where we have been continually yielding ground to rival producers, who are much more free to arrange the pattern and costs of their output to the changing needs of competition.

Agricultural production is prevented from growing to its

full measure, even under the limited and the rather primitive know-how of the bulk of the farmers, by three handicaps. First, the low ceilings on interest rates have rendered the business of farm credit unremunerative in the extreme. The ceiling interest rates may be more than fair if all loans were good loans; but the proportion of the bad and doubtful debt being so large, the average returns may be often well below costs.

Secondly, the restrictions on the transfer of land have, on the one hand, reduced the credit-worthiness of the farmers through immobilising almost the only mortgageable asset they have for raising credit with; and, on the other, have added enormously to the risks of farm loans to the creditors. The difficulty in which the farmer finds himself has been further worsened by the Gold Control Rules which have rendered gold trinkets unacceptable to the banks as security against loans. The indigenous rural bankers have, as a result, migrated with their capital to the urban areas to finance the expanding industries; or have changed over to other forms of business. Their role as an essential link between the commercial banks and the farmers has diminished in significance and the flow of credit into farm loans from the money market has shrunk dangerously.

Thirdly, since the commencement of planning, the state has been appropriating the lion's share of the total investment resources, the proportion currently being of the order of 70 per cent of the sum of domestic savings, past and present, and foreign aid. The private sector has somehow to make do with the remaining 30 per cent. While the "organised" part of this sector has been able to obtain its credit needs on more or less reasonable terms, about the worst sufferer has been the farmer, who, already the weakest link in the chain, has been further debilitated as a borrower by the "reforms" referred to above.

The acute shortage of credit available to the farmers is reflected in the fantastic interest rates which they have to pay, the Rural Credit Survey, 1954, (p. 174), placing them at as high as 88 per cent on secured loans. This has constricted agricultural production generally to well within the possible margin it may reach in the absence of these artificial credit barriers. Agricultural production costs thus remaining unduly high, exports of agricultural output get correspondingly retarded.

High Production Costs

The role which these factors play in retarding exports being independent of the influence on exports of inflation and a rigid exchange rate, even with inflation under control and a devaluation of the rupee to correct past inflation, exports may remain low and the rupee may continue to be weak, any response of exports to the devaluation being less than sufficient to cover the balance of payments gap. Control of inflation and the devaluation will have removed only one of the two obstacles — the lesser one — in the way of exports. The other millstone round the neck of exports will be still there, holding back its progress.

Production costs at home will remain higher than comparative costs abroad, and exports may not respond sufficiently so long as, through plan policies, production in India was either forced well beyond the competitive margin, as in some sectors, or was prevented from reaching this margin, as in some others. The high comparative costs, stemming from these production policies, may not show up at all in the general index of prices, as the latter would reflect only the changing ratios of the volume of money incomes to the volume of output. These ratios would not encompass the high cost effects of production policies. Being independent of monetary policies, the latter will continue to hinder exports and keep the rupee weak even after the control of inflation. Exports being but about 5 per cent each of the national income, changes in the costs and prices of exports may not make much of an impression on the general index of prices, however large these changes may be on an average of the export items.

It is easy to see, however, that the high comparative costs, whether they were due to inflation and the rigid exchange rate or to the production policies, would be reflected in the prices of the import licences. The market prices of the import licences of a commodity would measure the gap between its landed costs and the market prices. When the domestic market is competitive, the market prices would correspond to the domestic production costs. Since the landed costs of the import goods are determined by their production costs abroad — the landed costs would be equal to the external prices multiplied by the rate of exchange plus customs duties and incidental expenses — it follows that the prices of the import licences indicate the magnitude of the difference between production costs at home and production costs abroad. The enormous magnitude of the cost disparties is evidenced by the fact that the prices of the import licences vary from 30 per cent to 500 per cent or more of the landed costs, depending upon the commodity concerned.

Uneconomic Enterprises

Obviously, the whole range of these cost disparities cannot be corrected by currency devaluation. The extent of the devaluation which this will call for will be self-defeating and disastrous. The control of inflation and devaluation to remedy the over-valuation ensuing from past inflation will not therefore, eliminate the phenomenon of the gaps between the landed costs and the market prices of import goods. Only those price gaps will cease to be as were equal to, or less than, the extent of the devaluation The price gaps in the rest of the commodities will remain. This will necessitate the continuation of import controls and exchange restrictions, even after the control of inflation and devaluation.

There is no remedy to this situation other than to supplement the monetary reforms — the control of inflation and devaluation — by appropriate reforms in production policies designed, on the one hand, to wind up uneconomic enterprises and, on the other, to expand production in sectors with comparative cost advantages. This double reform is the crux of India's balance of payments problem. Without both prongs of it operating simultaneously, it is not possible to restore equilibrium, and freedom of transactions, in the foreign exchange market.

Theoretically, it might seem possible to restore this equilibrium and freedom of operations, if, simultaneously with the monetary reforms, tariff walls are erected to protect the uneconomic industries. But, apart from the very complicated operational problem of determining the appropriate measure of tariff protection, this would be a highly costly remedy to the national economy. It would be much more wise to wind up uneconomic undertakings than to perpetuate a drain on the national resources for maintaining them by keeping them alive, though this may mean an immediate deterioration in the unemployment position. But this deterioration would be transitory, as the labour and other resources released from the uneconomic undertakings should get absorbed by the economically stable ones, the expansion of which will be fostered by the two-pronged reforms.

The adoption of these reforms is already long overdue. Any further deferment of them will add to the complexities and costs of the readjustment. The stability and progress of the Indian economy are being continually undermined in the name of planned economic development. If the ill effects of our policies are not showing up in their full ugliness, this is in large measure due to these effects being covered up by foreign aid.

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Indigenous ancillary components :	24%
Imported components :	11%
Dealer's commission including distribution, service, advertising etc. :	7%

THE AUTOMOBILE INDUSTRY IS A KEY INDUSTRY

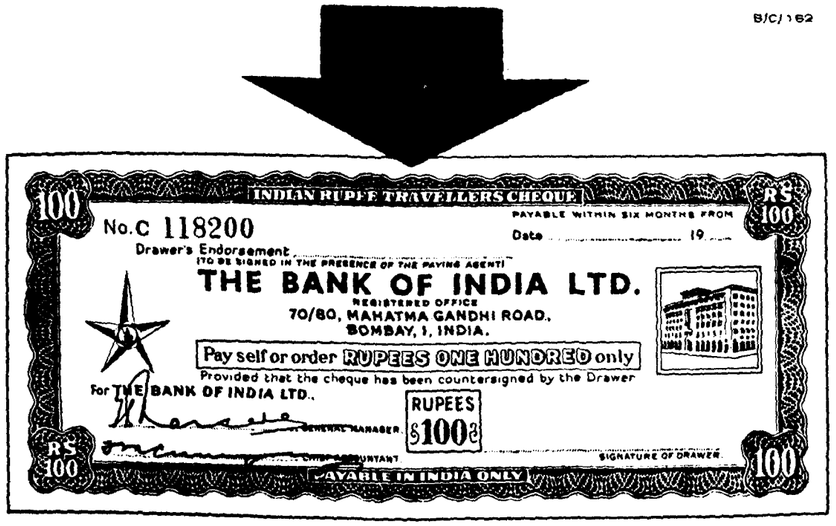
The sixty thousand motor vehicles produced yearly in India today represent a considerable saving in foreign exchange, as otherwise they would have to be imported for the equivalent of some 700 million rupees. In addition, the spare parts for the maintenance of these vehicles would also have to be imported for a further large amount of foreign exchange.

Today as much as 80% of the components and material of a vehicle are of Indian origin and in the case of a car such as the Hindusthan Ambassador the cost of imported components, exclusive of import duty, only amounts to about 1685 rupees per vehicle. As more ancillary industries develop in India, the indigenous content will further increase and the foreign exchange content will correspondingly decrease.

Such savings in foreign exchange for the benefit of the country's economy necessarily entail some sacrifices on the part of the purchasers of automobiles, both price-wise and quality-wise; price-wise because local materials and indigenous ancillary components are more costly than their imported counterparts; quality-wise because the Indian automobile industry—and more particularly the ancillary industries—are still young and have not yet reached the high standard of quality attained by more advanced foreign manufacturers through decades of experience, automation and other mass production methods.



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WINDOW ON THE WORLD

Common Market Calendar

From Our Special Correspondent

PARIS:

MR. ROBERT MARJOLIN, vice-president of the ECM Commission, said here the other day that "the reasons that incited the United States, 20 years ago, to support European unification unreservedly, have lost none of their force". The Americans, it is evident, sometimes doubt this and Mr. Marjolin was trying to convince them that first thoughts are best. To the period of enthusiasm for European unity, there succeeded in the USA a phase in which the costs of that unity to American interests began to be tallied up carefully, though the project was still generally approved. To that in turn succeeded anxiety tinged with hostility, a mood that found its scapegoat in General de Gaulle. In this phase (which still lasts), the Americans have not turned against European unity but they incline to wishing that it would slow down progress more cautiously and take no decisive, irrevocable steps until more suitable times — i.e. until France has found more accommodating leadership. The same temporising policy is followed of course by Britain, whose main aim since her failure to gain admission to the association has been to paralyse it, as far as lies in her power.

There are reasons to believe that this attitude is a mistake on the part of outsiders, that it runs counter to their own interests. If the Americans had lost faith in the Common Market and could undo it at their will, it might make sense to oppose further progress toward European unity while awaiting the moment to reverse it. But since what has been achieved cannot be undone, one might ask whether the present half-baked state of the European union is not more awkward for outsiders than would be a completed economic unit on the Continent. There would be nothing immutable in such an economic union, except its very existence; all its external policies would be capable of revision, and would be as responsive to outside influences as are the trade policies of other responsible Western nations. Specifically, if outsiders are concerned about the level of the common external tariff, then it would be reasonable of them to want to see that united tariff brought into force as soon as may be, whereupon its incidence on outsiders could be discussed otherwise than theoretically, as now. Or if it is the prospect of a common agricultural policy in Europe that awakens anxiety, one could well ask the Six to make haste fixing on and implementing a single policy, so that bargaining with outsiders could begin.

Outside Intervention

On either count, perpetuation of the present phase of indecision is contrary to outsiders' interests, and much more so would be a deepening of confusion caused by deliberate outside intervention to paralyse progress toward European economic unity. The point has been illustrated this month by the failure of the Six to agree on future unified prices for foodgrains — which immediately threatens the Kennedy Round of tariff negotiations on which the Americans set so much store. The ECM Commission warned the six governments after their adjournment of a decision on grain prices that "this postponement puts the Kennedy Round in jeopardy. The absence of a common price for cereals among the Six will lead the GATT negotiations in Geneva into a dead end, on the agricultural side. Because of the inter-dependence of industrial and agricultural questions, we must expect a general stalemate in the negotiations, if not rupture. The ECM will be held responsible for such a development". Indeed the Six would be to blame for wrecking the Kennedy Round under such conditions, but their fault would lie in not achieving economic unity on a crucial point.

There is no suggestion that in this particular case outside intervention is responsible for the Six's inability to make progress. The reason is an electoral calculation, of a fairly vulgar order, on the part of Dr. Erhard, whose doctrinaire liberalism is, like every liberalism in office, infinitely elastic in the direction of downright protectionism once it is a question of vote-catching. To be precise, Dr. Erhard does not want a unified wheat price in Europe because West Germany's, by far the highest, would have to come down, and that might irritate voters on the farms. The Common Market Commission apparently feels that suitable American pressure would influence Bonn's obstinacy, for it has appealed to Washington to point out to Dr. Erhard that he is endangering the Kennedy Round by betraying all his free-trade principles. It is instructive to note that no such pressure is coming from France. Though in favour of unified grain prices, which are the basis of a common farm policy, the French are content to enjoy Dr. Erhard's embarrassment. Firstly, if Dr. Erhard does wreck the Kennedy Round that would not be tragic, as seen from Paris. Secondly, it is no time to raise French wheat prices (the region's lowest) when the Government is trying manfully to stabilise living costs. And thirdly, it is Gaullist doctrine that sovereign nationalism cannot be overruled by supranational objectives, and that goes for Germany as much as for France herself.

Common Farm Policy

The upshot is that this is an instance where delay in European unification is not causing dismay inside the Community but is grounds for anxiety on the part of outsiders — of all outsiders, to the extent that the Kennedy Round is in danger. It is very likely that the Americans will abandon their go-slow attitude on European unity and positively press the West Germans to agree to a unified cereals price and hence to a common farm policy. If that is done, and if the Kennedy Round is carried to a successful conclusion, outsiders will have new reasons to hope that the Six hasten the process of unification. For the new tariffs that will be negotiated at Geneva cannot become reality until the Six have in actual practice a common external tariff. A 50 per cent reduction in the Community's tariff on machines remains quite theoretical as long as the old national tariffs are in force. According to the Rome Treaty, the full customs union will exist from 1970 but, to the extent that the Kennedy Round leads to concessions of interest to outsiders, they will want to see this date advanced.

The ECM Commission had already suggested that it be brought forward to Jan. 1, 1967, while in the report that it has just published it does not exclude an even earlier date. Apparently it has in mind 1966 for the complete dismantling of tariff inside the region and hence (what goes with that automatically) installation of the common external tariff. This new plan for acceleration of the Common Market is explicitly presented by the Commission as "not only important for the accomplishment of the customs union but liable to facilitate the Community's external relations". In general, outsiders will find it easier to deal with a complete union than with six nations half-way to unity. They have

nothing to gain by seeking to prolong current indecision and confusion.

To which some British politicians would reply perhaps that since the Common Market is "protectionist and inward-looking" (to use the phrase consecrated by the polemics of recent years), outsiders have no interest in hastening its perfection and every right to use the present British strategy of a-spoke-in-the-wheel wherever possible. The assertion that the ECM is protectionist and inward-looking (the Macmillan Cabinet has the credit for this invention) has resisted so well against mere facts that one cannot hope to overthrow it now with a few more mere facts, but one is bound to bring the argument up to date by taking note of the 1963 figures. They show that last year the ECM's imports increased by 11 per cent to $34,600 million (while the USA's increased by 5 per cent to $17,000 million). Thus the Six's imports have increased 40 per cent since their venture got going on its "protectionist and inward-looking" course, whereas the free-trading and outward-looking Americans and British in that time increased their imports by 27 and 20 per cent, respectively.

The Community's exports increased too, but much less, so its trade balance has deteriorated further. There was a negligible deficit in 1958, but one of $3,000 million last year; the trade gap had been multiplied by 12 in five years. The Community's balance of payments stayed positive longer, but there was already a small deficit last year and for the current year the Commission foresees a payments gap of several million dollars.

In the five years to 1963 the Six's imports from the USA grew by 80 per cent, whereas the Americans managed to sell only 34 per cent more to Britain and 41 per cent more to the Free Trade Association. The ECM's imports from Britain in the same five years increased by 105 per cent, while its exports to that country rose 50 per cent. The contrast between these two figures, incidentally, raises the question of whether British accuations about protectionism in the ECM are not made in deliberate bad faith. The Six's imports from Latin America meantime rose 35 per cent, and from developing countries in general by 19 per cent, while exports to those regions rose by little or nothing.

In view of these proofs of the ECM's trade liberalism, it would be natural for outsiders to ask for more haste in European economic integration, rather than to practise a policy of obstruction. To be sure, the Six cannot go on importing more in this way and they must soon take steps to correct their unbalanced trade. There again, a completed customs union could act more effectively and with more respect for outsiders than the present half-formed association.

U.K.'s Export Problems

JOSSLEYN HENNESSY

LONDON:

ALTHOUGH THE U.K. export performance is currently better than ever, it continues to worry the authorities. In absolute figures, the U.K.'s postwar record has been good. In real terms, the value of exports has risen over 40 per cent, but this, of course, is not enough to meet the U.K.'s ambitions to raise her standard of living ever higher and to export capital. Where does the trouble lie?

Exhortations to export are useless. They irritate those already exporting and leave cold those who are not. What is needed is more serious study of how export performance could be improved and propaganda to show the advantages that the exporting firm has over the non-exporter. This is what the British Institute of Export (14 Hallam St., London. W.1.) exists to do, and many (though by no means all) of the facts and arguments that I am about to cite are taken from a report that the Institute is to publish later this year.

Last year the total of U.K. exports was £4,800 m., yet the startling fact was that the ten biggest companies were responsible for 18 per cent of overseas sales and the forty biggest for as much as 30 per cent. Small firms, with less than 500 employees, account for over half of the U.K.'s manufacturing employment, but supply less than a quarter of the exports. There are 15,000 to 20,000 firms which do not export at all. Why?

Not only does it cost more to sell goods abroad but competition in international markets usually forces prices below those in protected home markets (except for luxuries, or for goods of obvious technological superiority). This explains why the majority of manufacturers—the smaller firms—listen coyly to exhortations to export. This, however, is a superficial reaction and closer examination of the facts would open encouraging horizons.

For if exporting could not be made to pay—and to pay handsomely—no firm would export at all. Exporters do not export out of philanthropy, but because they realise that if they were not to export their market would be limited to the U.K.'s 52 million inhabitants, whereas overseas they have awaiting them at least the 500 million customers inhabiting the industrialised countries. And limitless new markets are, of course, gradually opening all over the world. These firms find that, despite narrow margins, exports yield high profits on a volume of sales infinitely greater than the home market could provide.

In the 15,000 to 20,000 firms which, at present, do not export at all, the U.K. has an enormous reservoir of potential exporters. Moreover, if an appreciable number of them were to launch out in export markets, a virtuous circle would be initiated, since the faster national growth rate that a rising flow of exports would create would help to lower unit production costs and, in turn, lower home and export prices. It has been calculated that if every manufacturer exported 7 per cent of his 1964 turnover the N.E.D.C. export growth target of 5.7 per cent per annum could be attained this year.

Promotes Efficiency

Other advantages of exporting are that it multiplies the number of "baskets for eggs," so that if one market is depressed others can take up the slack by fuller exploitation. Greater production, and a steadier flow, lower costs and spread overheads. Foreign markets widen "know-how" and contacts; they stimulate new ideas for design, new uses for existing products, new products, and better methods of production. The act of exporting helps to promote efficiency, because the sale of goods overseas requires greater exactitude than the sale of the same goods at home. A firm that does a high proportion of exporting tends to be more efficient, abroad and at home than one which is content to jog along in its home markets.

The existence of export merchants, whose entire livelihood depends on selling abroad, has always disproved the oft-repeated myth that export is only possible, or profitable, when conducted from "a soundly based home trade." Since World War II, those U.K. manufacturers who have been persuaded to paddle in the export shallows have been agreeably surprised to find that, if they were prepared to learn to swim properly, the deepest waters held no terrors. The Institute of Export observes that when a firm regards the world as its oyster, and the home market as but one small part of it, it is set on the road to expansion and prosperity. But the inescapable requirement is that the job must be done properly: not even the best product will survive ham-fisted exporting.

There is no reason why the smaller firm should not regard the world as its oyster and take an order from Nicaragua as much in its stride as one from Nottingham—for two reasons: First, because if it wishes to investigate the possibilities of doing its own exporting, there are so many authorities—such as the Board of Trade (with Trade Commissioners all over the world), the Federation of British Industries, the National Union of Manufacturers, Chambers of Commerce, etc.—ready to give not merely general guidance but detailed information about specific products and countries—that it is impossible to list them. Secondly, the smaller firm is not compelled to set up its own export department, because there are so many organisations — such as general export merchants, merchant banks, joint venture schemes for firms not in competition with each other, "foster firm" schemes, whereby a larger firm, already established abroad, undertakes to introduce a smaller firm's complementary products — that it is, again, impossible to list all of them.

The basic problem, as I see it, is twofold. On the one hand, high tariffs provide too many U.K. manufacturers with cosily protected markets. If profits were difficult to make at home, they would be compelled to explore overseas markets. On the other hand, we are up against the Socialist view (expounded here on May 22) that profits must be "reasonable." Unfortunately, the prospect of a 5 per cent dividend has never inspired a successful export drive in any country.

Decline in Unemployment

GUY SIMS FITCH

WASHINGTON:

RECENT QUICKENING of the production and sales pace points to a further acceleration of economic activity in the United States, and indicates that the income tax reduction enacted in March is having its expected, if impatiently awaited, effect. Now there has come what may well be the single most significant development on this score, in the form of the government's report on employment for the month of May. It shows that the number of Americans holding jobs rose by no less than 1.2 million to an all-time high of 71.1 million, while the number out of work declined by 300,000 to a total of 3.6 million. In evaluating these figures, one must examine the seasonal implications. The improvement far exceeded normal expectations for this time of the year, on both the employment and unemployment sides. As a result, the seasonally adjusted unemployment rate fell from April's 5.4 per cent to May's 5.1 per cent of the labour force, the lowest in more than four years.

Notable Improvement

One month's results are not necessarily definite of course, and the heavy influx into the labour force of high school and college students seeking summer vacation jobs could push the jobless rate higher again in June. But given the coincident improvement in other aspects of US economic activity, government economists are highly pleased with the May employment trends, particularly when these are subjected to closer analysis. All work force categories showed notable improvements in May, save one. This was the teenage group, which continued to show a 16 per cent unemployment rate. But these youngsters, with their generally scanty skills, make up a very small part of the nation's labour force. Most of them, moreover, live at home, and except in relatively rare instances are hardly to be considered principal family supports.

Far more significant is the employment gain among adult males, particularly among married men — the family "breadwinners" by and large, and the backbone of the labour force. The jobless rate for all adult men fell to 3.6 per cent in May, the lowest since August 1957, while for married men the rate was down to 2.6 per cent, the lowest since July 1957.

Year-to-year comparisons offer additional cause for comfort. Total employment is up more than two million from May 1963. For the major non-agricultural sector, which accounts for well over 90 per cent of the nation's work force, the rise is an even more imposing at 2.2 million — the largest year-to-year gain since the spring of 1959, and more than making up for the continuing long-term decline in the agriculture work force.

Underlying Buoyancy

Unemployment, meanwhile, is down by some 400,000 since May 1963, and half of this improvement is in the important area of long-term joblessness, which means people out of work for 15 weeks or more. As a matter of fact, the number of long-term unemployed — often a key indicator in assessing the magnitude and nature of the unemployment situation — is now little more than a million, and on a seasonally adjusted basis is closer to 900,000.

Evidence of the underlying buoyancy of the American economy is the fact that the employment gains have taken place against the backdrop of a 1.6 million year-to-year increase in the size of the total labour force. In fact, the average labour force increase for the first five months of this year has been somewhat higher than had been expected on the basis of long-term trends — another indication that job opportunities are becoming more plentiful and are drawing more people out of the home and into gainful employment. An especially optimistic omen is the labour department's latest report of substantial declines in both new and continuing claims for unemployment compensation, to which jobless workers are entitled under government programmes. It is significant that these declines reflected developments in the weeks ending May 23 and May 30, which follow the mid-month period in which the monthly employment data are gathered. Hence, they probably are indicative of further improvements in employment over and above those already set forth in the May report.

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Search for Key to Curb Food Prices

By Our Special Correspondent

NEW DELHI:

DESPITE HIGH-LEVEL confabulations throughout last week, the Union Government's thinking on the measures to contain food prices has not yet crystallized. A conference of State Chief Ministers is being called some time next week to consider the issue. It is only after this conference that concrete steps will be taken to tackle the food prices problem.

The new Union Food and Agriculture Minister, Mr C. Subramaniam, for the present has set before himself the task of checking further rise in foodgrain prices. The question of bringing them down from the present high levels will be considered after the immediate task is accomplished.

Opinion continues to be divided on whether resort should be taken to State trading in foodgrains or not. The Prices Committee of the Union Government, consisting of senior secretaries, is understood to have expressed itself against this step at the present juncture in view of the fact that this year's rabi harvest is already over and the next kharif crop is yet far away. With adequate administrative machinery for the purpose not there at present, it thinks, no useful purpose can be served by going in for State trading in foodgrains immediately. The Prices Sub-committee of the Congress Parliamentary Party has also lent only lukewarm support to State trading at the present stage. It has advised that the Government should enter the trade in foodgrains at the wholesale level and that too in some selected commodities and in selected areas. There is, however, another quite vocal section of opinion which favours State's entry into the foodgrains trade immediately for bringing out the stocks hoarded by the traders and the big producers. As a long-term measure, both the official and Congress Parliamentary circles, of course, by and large, favour procurement of the staple foodstuffs only by the State or its nominees.

Strict Enforcement

For the immediate future, the Government's Prices Committee has recommended statutory fixation of maximum wholesale prices for various foodgrains and stricter enforcement of the Wholesale Trade Licensing Order. The enforcement machinery, it has been suggested, should be strengthened. The Union Finance Ministry is stated to be prepared to meet 25 per cent of the cost of maintaining the existing enforcement machinery in the States and 50 per cent of the cost of building up additional such machinery for the future. After fixing the maximum wholesale prices, the Committee has recommended, maximum retail prices should be notified for the information of the public. For retail distribution of foodgrains, the Committee favours expansion of fair-price shops network, instead of rationing.

The Prices Sub-Committee of the Congress Parliamentary Party, on the other hand, has asked for drastic measures against hoarders and profiteers in foodgrains and seizure of stocks, wherever necessary, under the Defence of India Rules. To induce the farmers to disgorge their surplus foodgrains, the Sub-committee has recommended provision of price incentive and other inducements such as supply of essential commodities like cement, steel, kerosene, cloth and sugar, at fair prices and in adequate quantities. The banking procedures, it further suggests, should be simplified to provide channels for the agriculturists to save and to invest their savings. The Sub-committee also feels that unaccounted money operating in the foodgrains trade is creating difficulties. The Government should examine what steps are needed to check this evil. It has further urged the Government to explore the possibilities of importing more rice in the near future. The other important suggestions made by this Sub-committee include devising the monetary and fiscal measures to mop up surplus purchasing power and avoidance of all unproductive expenditure.

Whether ultimately the Government decides to immediately go in for State trading in foodgrains or not, stricter control on wholesale trade is not ruled out. There is also likelihood of fixation of maximum wholesale prices to prevent hoarding of grains and to curb the role of unaccounted money in this business.

**

In September last year, the Union Government set up a special Committee—popularly known as the Swaminathan Committee — to suggest ways and means for reducing delays in the establishment of industries. The Committee worked feverishly and produced its interim report in January this year. Because all its recommendations were designed to speed up the licensing procedures in the country, the Government lost no time in accepting all of them. The Committee has now submitted its final report (see the Records and Statistics section of this issue on page 1432). This report also breathes the same spirit as the interim one. It has extended the list of the "key" industries to eight additional industries which are either export-oriented or import-saving. The Committee has suggested that these industries should also enjoy the special procedures as recommended for the key industries. The Committee has also urged that the Government should accord the same privileged position to other industries which are instrumental in earning foreign exchange.

Regarding the non-key industries as well, the Committee has made some useful suggestions. It has recommended, for example, that wherever the limiting factor is not foreign exchange, the Government should, after the issue of a "letter of intent", provide all subsequent clearances, such as import of capital goods, approval of foreign collaboration terms, and issue of capital, within three months of the receipt of application.

The Government has accepted the Committee's suggestion to issue import licences for raw materials and spare parts within a period of three months from the commencement of each licensing period. In cases of delay, the Government has devised a simpler alternative than the one suggested by the Committee. No ad hoc licences, as recommended by the Committee, are to be issued. In the case of industries where licensing is done on an annual basis and where raw materials cannot be had from indigenous sources, annual licences of the value of the previous year's licences will be issued subject, however, to the condition that during the first half of the licensing period, only 50 per cent of the value of an annual licence can be utilised. At the same time, authorisation will be provided for the utilisation of an additional 25 per cent from the commencement of the second half of the licensing period. At the time of announcement of the final import policy, the values of the licences would be suitably adjusted. In all other cases, the licences for the industry's requirements for the first half-year will be issued for a value not exceeding the value licensed for the first half of the previous licensing period. In the case of the established importers, however, the traditional author-

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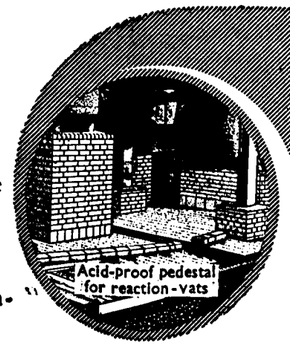


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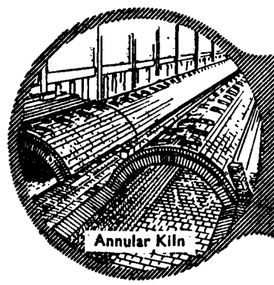
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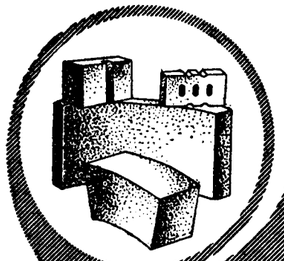
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isation of 25 per cent of the value of the annual licence for the second half of a licensing period will not be made.

Currently, only one application is demanded for the issuance of an industrial licence. The Committee has suggested that two applications, instead of one, should be asked for. The first one should be submitted to the Government along with the preliminary application and the treasury challan to enable the issue of a "letter of intent", while the other application should be submitted at a later stage at the time of the issuance of the industrial licence. At the time of the initial application, the entrepreneur does not possess a clear picture of all the details sought in the application form. A revision of the application becomes essential when the entrepreneur holds discussions with the collaborators and the consultants.

The recommendation of the Committee that it may be reconstituted after a year to study the results of the working of the procedures desired by it and make suitable suggestions to Government, merits consideration. It is necessary that procedures should be constantly reviewed so as to improve them. It must be stated that no high principles of finance or administration were involved in the terms of reference of the Committee. It had to acquaint itself with the ways in which applications of the industrialists got bogged down in the labyrinthic proceedings of the various committees in the Secretariat. If after giving these proposals year's trial, it is found that certain other changes are necessary, they should be at once made operative in the larger interests of the industry

★★

With a view to expediting search for oil in the off-shore areas of the country, the State-owned Oil and Natural Gas Commission has signed this week two contracts with the Soviet trading organisation, Technoexport of Moscow. Under the first, contract, the Soviet organisation will send a specially equipped ship, "Akademik Arkhangelskiy", initially for a period of 16 months, for conducting seismic and radiogeodetic surveys in the coastal waters of India. The ship will be manned by Soviet experts. Some Indian technicians, however, will be associated with these surveys. The second contract provides for lending by the USSR services of 15 high-level experts in exploration and production of oil and natural gas. The tenure of these experts will range from one to two years.

The ONGC has already undertaken a certain amount of offshore survey in the Gulf of Cambay in a converted Indian vessel. The possibilities of discovering large reserves of oil and natural gas in some of the coastal areas of India, particularly in the Gulf of Cambay, Rann of Cutch and the Coromandal coast are rated high.

★★

The foreign oil companies operating in India are reported to have agreed to the Union Government's proposal to amend the definition of "indigenous crude" to include not only the crude oil discovered and produced within the Indian territory, but also such crude as may be found in West Asia or elsewhere (excluding, of course, the Communist countries) with the efforts of the Oil and Natural Gas Commission. The ONGC is expected to shortly bid for off-shore oil concessions in Iran in collaboration with two foreign companies, namely, ENI of Italy and Phillips Petroleum of the United States, which had qualified as bidders for these concessions last year. It is also likely to enter exploration business in Kuwait. Talks in this regard have been going on with the Kuwait Government for some time.

The ONGC's entering into partnership with the ENI and Phillips Petroleum for oil exploration in Iran appears to have brightened the prospects of their collaboration in setting up the proposed Madras and Haldia refineries. The other two main contenders for collaboration in these two refineries are stated to be the BOC-Shell International and ESSO Standard Eastern. The BOC-Shell International is understood to have quoted the lowest price for crude supplies to the Madras refinery — $1.56 per barrel f.o.b. Persian Gulf ports.

★★

The Union Government's move to abolish the Income-tax Appellate Tribunal and to refer all appeals on points of both law and fact to High Courts has been viewed with grave concern by the Federation of Indian Chambers of Commerce and Industry and the Institute of Chartered Accountants. In their representations to the Union Finance Minister, Mr. T. T. Krishnamachari, the two bodies have styled the move as "uncalled for" and have pleaded that not only the Tribunal should be retained and continued, but its working should be improved further.

The Federation is of the view that the IT Appellate Tribunal is an indispensable link in the tax appeal structure in the country. Citing the views of the Law Commission and the Direct Taxes Administrative Inquiry Committee, FICCI says that the wholesale transfer of cases before the Tribunal to High Courts would involve submission of certified copies of documents, translating them, producing of expert witnesses for cross examination, etc. This would cause inordinate delays in the disposal of cases.

To improve the working of the Tribunal, FICCI suggests that the first appeal before the Appellate Assistant Commissioner should be made an effective first appeal instead of being dealt with as a mere administrative review as at present. This, it opines, can be achieved if the Appellate Assistant Commissioner is independently placed under the Ministry of Law.

Cutting Tax Procedures

Two suggestions have been offered by FICCI to cut short the tax procedures. One is that where both the parties agree on the facts of a case and only a question of law is involved, the case may directly be taken to the High Court. The second suggestion is that where, on the question of law involved in an appeal before the Tribunal, varying judgments have been given by different High Courts, the President of the Tribunal may, on a request made to him, be entitled to refer the question directly to the Supreme Court for a decision. FICCI further says that the second Appellate Tribunal may take the form of a court of revenue appeals or a high tribunal for revenue appeals at the High Court level. It may set up five benches at Delhi, Bombay, Madras, Calcutta and Allahabad. Each bench may consist of three judges — two High Court judges and one accountant judge. Appeals from the orders of the Income-Tax Appellate Tribunal will then lie to the court of revenue appeals on both the questions of fact and law. The court of appeals will be under the direct control of the Supreme Court and appeals from its orders on question of law will be dealt with at the highest level. This, in FICCI's view, will secure appreciation of facts at the highest level.

FICCI has also suggested that the standard of recruitment and status of members of the Tribunal should be raised.

★★

The Union Department of Steel is understood to have finalised its plan to import 100,000 tonnes of low manganese-high silicon quality pig iron from the Soviet Union. The landed cost is likely to be around Rs. 325 per tonne. Shipments are expected to start shortly.

About 32,000 tonnes of these pig iron imports are proposed to be allocated to foundries under the State list. It is hoped that this will alleviate the present acute shortage of this industrial raw material in the country to a great extent. If

necessary, another 50,000 tonnes of pig iron may be imported from the Soviet Union towards the close of the current year.

★★

India intends to expand her sugar exports during the coming years, particularly to such profitable markets as the United States. The Union Food Secretary, Mr. V. Shankar, left New Delhi last week-end for London where he would be participating in the deliberations of the International Sugar Council, at its seventeenth session, on the report of the preparatory committee set up by it to initiate a study of the basis and the framework of a new international sugar agreement proposed to be brought into force from January next year. Mr. Shankar's effort will be to ensure that under the new agreement, the interests of the developing countries receive special consideration so that they are enabled to increase their sugar exports and to obtain reasonable price for them. Mr. Shankar will as well hold talks in Washington on the new Sugar Bill currently before the US Congress. He will plead there for a favourable consideration of India's case for inclusion in the list of the regular suppliers of sugar to the US.

Mr. Shankar will also have discussions with the US Department of Agriculture on foodgrain imports by India under the US Public Law 480. The current PL 480 agreement between India and the United States expires on June 30, 1964. It is expected that on that date more than 2 million tonnes of wheat, out of the 16 million tonnes promised under the agreement, will be outstanding for shipment to India. The US Government has been requested that the pact should be extended for some months so that India could import the outstanding balance. In view of the shortage of food in India at present, a new PL 480 agreement has also been suggested by the Union Government under which foodgrains supplies by the US Government to this country may be continued during the early years of the fourth Plan. The quantity asked for, of course, has not yet been divulged.

★★

The Heavy Electricals (I) Ltd., has signed an agreement with Messrs. Technoexport, of Czechoslovakia, providing for technical co-operation and consultancy services by the latter for producing (i) high pressure boilers ranging from 125 to 450 tonnes steam per hour capacity, (ii) package boiler units with output 8 tonnes per hour above 22 atm. pressure-temp. 380 C, and (iii) high pressure valves and fittings for these boilers at the Heavy Electricals High Pressure Boiler Plant being set up at Tiruverumbur, Tiruchirapalli. The agreement envisages a total payment to Messrs. Technoexport of a sum for Rs. 2 crores for its services.

The Tiruchi project is being financed out of the first Rs. 23.1 crores credit made available by Czechoslovakia in November, 1959.

★★

An official delegation, led by the Union Minister for Transport, Mr. Raj Bahadur, left for Tokyo last week for the final round of talks with the Mitsubishi Group and the Japanese Government in regard to securing Mitsubishi Group's collaboration in building the second shipyard at Cochin.

The Cochin shipyard will have a capacity of about 63,000 GRT and is estimated to cost nearly Rs. 10 crores. The Mitsubishi Group has been approached to provide the entire foreign exchange component of this cost. It is also expected to participate in this venture on a minority basis.

Construction work on this project is likely to be started by the end of current year. It is hoped to complete the shipyard in about four years' time. Production may, however, start in the third year of construction itself.

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Last week in this column we published the details of India's liability up to 1975-76, on account of repayment of principal and payment of interest on the credits received by her up to the end of 1963 from the World Bank, the International Development Association, the United States, the United Kingdom, Canada, West Germany and the USSR. The following are the details of the burden to be discharged by India [in million dollars, on account of principal repayment (P) and interest charges I)] in the case of the loans made available to her by Italy, France, Belgium, Japan, Austria and the Netherlands.

Italy: 1964-65 — P 1.1, I 0.5; 1965-66 — P. 1.7, I 1.0; 1966-67 — P. 3.3, I 1.9; 1967-68 — P. 3.3, I 1.8; 1968-69 — P. 3.5, I 1.6; 1969-70 — P. 3.3, I 1.5; 1970-71 — P. 3.3, I 1.4; 1971-72 — P. 3.3, I 1.2; 1972-73 — P. 3.3, I 1.1; 1973-74 — P. 3.3, I 0.9; 1974-75 — P. 1.8, I nil; 1975-76 — P. 0.8, I nil.

France: 1964-65 — P. 0.7, I 0.4; 1965-66 — P. 1.7, I 0.9; 1966-67 — P 2.8, I 1.7; 1967-68 — P 3.6, I 2.2; 1968-69 — P 3.6, I 2.2; 1969-70 — P 3.6, I 2.2; 1970-71 — P 3.6, I 2.2; 1971-72 — P 3.6, I 2.2; 1972-73 — P 3.6, I 2.2; 1973-74 — P 3.6, I 2.2; 1974-75 — P 2.9, I 1.8; 1975-76 — P 2.0, I 0.9.

Belgium: 1964-65 — P 0.2, I nil; 1965-66 — P 0.2, I 0.1; 1966-67 — P 0.3, I 0.1; 1967-68 — P 0.3, I 0.1; 1968-69 — P 0.3, I 0.1; 1969-70 — P 0.3, I 0.1; 1970-71 — P 0.3, I nil; 1971-72 — P 0.3, I nil; 1972-73 — P 0.3, I nil; 1973-74 — P 0.2, I nil.

Japan: 1964-65 — P 7.9, I 7.0; 1965-66 — P 12.6, I 8.9; 1966-67 — P16.0, I 9.0; 1967-68 — P 20..2, I 7.8; 1968-69 — P 20.2, I 6.6; 1969-70 — P 20.1, I 5.5 1970-71—P 16.9, I 4.3; 1971-72— — P 13.2, I 3.3; 1972-73 — P 10.8, I 2.5; 1973-74 — P 10.3, I 1.7; 1974-75 — P 10.3, I 1.2; 1975-76 — P 10.2, I 0.7.

Austria: 1964-65 — P nil, I 0.4; 1965-66 — P 0.3, I 0.5; 1966-67 — P 0.9, I 0.5; 1967-68 — P 0.9, I 0.4; 1968-69 — P 0.9, I 0.4; 1969-70—P 0.9, I 0.3; 1970-71—P 0.9, I 0.3; 1971-72— P 0.9, I 0.2; 1972-73 — 0.9, I 0.2; 1973-74 — P 0.9, I 0.1; 1974-75 — P 0.9, I 0.1; 1975-76 — P 0.6, I nil.

Netherlands: 1964-65 — P nil, I 0.4; 1965-66 — P 0.2, I 0.7; 1966-67 — P 0.2, I 1.1; 1967-68 — P 0.2, I 1.0; 1968-69 — P 0.2, I 1.0; 1969-70 — P 0.2, I 1.0; 1970-71 — P 0.2, I 1.0; 1971-72 — P 1.1, I 1.0; 1972-73 — P 1.1, I 1.0; 1973-74 — P 1.1, I 0.9; 1974-75 — P 1.1, I 0.8; 1975-76 — P 1.0, I 0.7.

Distress Signal for Food

From Our Correspondent

BOMBAY:

THE FOOD situation in Maharashtra has reached a critical stage. The production of wheat is likely to be lower by 26 per cent in the State, the market arrivals are lower by 6 per cent and the current trade stocks have declined by 43 per cent. The State Government has appealed to the Centre and Madhya Pradesh to rush rice and wheat. The Chief Minister, Mr. V. P. Naik, is in contact with Mr. C. Subramaniam, Union Minister for Food and Agriculture, and Mr. D. P. Mishra, Chief Minister of Madhya Pradesh, over supplies of rice and wheat to the State. Mr. Naik, listed some of the factors that contributed to the present food situation in the State. First, arrangements made for rice and wheat imports from Madhya Pradesh had not fructified because the State Government could not compel the traders in that State to supply foodgrains to the nominees of the Government. About prices for Madhya Pradesh rice and wheat, he said that they were fixed in consultation with both the Centre and the Madhya Pradesh Government. Unfortunately, neither the Madhya Pradesh Government nor New Delhi had taken any decisive step to see that the arrangements agreed to were put through. Mr. Naik also observed that no supplies of wheat could come from the Punjab because of the creation of the wheat zones. Besides, imported American foodgrains were held up in Bombay docks because of the recent strike of 'Matadi' workers. There was some hoarding both by traders and producers in anticipation of higher prices. The Chief Minister said that he had appealed to the trade to release their stocks at prices which were reasonable. The stocks with the trade were purchased not at the prevailing high prices but at cheaper levels obtaining some months ago. It was not fair on the part of the trade in the present difficult situation to insist on realising exorbitant prices when their supplies had been obtained at cheaper rates.

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The working of the Gujarat State Financial Corporation for the year 1963-64 shows that an interest has been created in the entrepreneurs of the State, in the useful role of this Institution, in the promotion of medium and small industries. Of the 81 units which have received assistance, 44 are small units. The Corporation which has also been working on agency arrangement to assist small-scale units, has disbursed loans totalling over Rs. 26 lakhs. There has been a decline in the receipt of applications from this sector. Reviewing the position recently, it felt that the limit on loans that could be sanctioned under this scheme at Rs. 25,000, was too low to be of much assistance to small units as the cost of capital goods has substantially increased. The Corporation has, therefore, requested the Government to restore the old agency arrangement under which the Corporation was authorised to sanction and disburse loans from over Rs. 10,000 to Rs. 75,000 and in exceptional cases, up to Rs. 1 lakh which was likely to attract more small industrial concerns for assistance under the "State Aid to Industries Rules." The textile industry has claimed a major share in the loans sanctioned as well as disbursed; Rs. 56.82 lakhs were sanctioned while Rs. 35 59 lakhs were disbursed. The solvent extraction units claimed loans of Rs. 27.72 lakhs (sanctioned) and Rs. 21.50 lakhs (disbursed).

A number of units manufacturing machinery and machine parts has been sanctioned over Rs. 20.82 lakhs as loans. Manufacturers of paper and paper boards have been sanctioned over Rs. 21 lakhs. Besides, new units in the manufacture of industrial gases, clinical apparatus and hard gelatine capsules have also received substantial assistance from the Corporation. The rate of disbursements and the amount of industrial loans sanctioned has progressively increased during the three years of the Corporation's existence. The total disbursement made during 1963-64 amounted to over Rs. 52.26 lakhs against Rs. 37.34 lakhs in the previous year. Similarly, the total amount of loans sanctioned during the year was also the highest at Rs. 75.25 lakhs against Rs. 49.06 lakhs made in the previous year. The Corporation in 1963-64 showed an increased income of over Rs. 9.33 lakhs against Rs. 7.92 lakhs in the previous year. The profits went up to over Rs. 5.78 lakhs against Rs. 5 lakhs in the previous year. The resources position has improved substantially after the successful flotation of bonds over Rs. 60 lakhs during the year. The Corporation also obtained sanction from the Refinance Corporation, for refinance for Rs. 46.93 lakhs out of which Rs. 16.51 lakhs have been availed of already. The liquid resources at the end of March have been placed at over Rs. 84.36 lakhs against the commitments of Rs. 52.95 lakhs.

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It is understood that the Government of Maharashtra is considering a proposal to enforce the 'Land Use Act' to regulate the use of land in urban areas, especially to ensure better town planning and facilitate quicker execution of such planning. At present, Government has only indirect means of regulating land use, such as by refusing to license commercial establishments in a residential area if they are considered uncongenial to the surroundings. The Gokhale Institute at Poona has drawn attention to the haphazard developments in the region of Poona, in the wake of growing industrialisation and the hectic movement of labour from the heart of the city to the remote work sites, in the absence of suitable industrial housing schemes, or other amenities. The State Minister for Urban Development has suggested the setting up of a metropolitan or development authority to co-ordinate town planning authorities in every major area. A skeleton governmental metropolitan staff has already been set up at Poona for preliminary surveys. Besides the severe shortage of qualified town planners, to the extent of 50 per cent of the needs as stated by the Minister, the old Bombay Town Planning Act of 1954, still in force, suffers from severe handicaps. Having been legislated prior to the re-organisation of States in 1956, the Act is ineffective in those areas of Vidharbha and Marathwada, formerly parts of Madhya Pradesh and Andhra. Also, under its limited provisions, town planning schemes are not statutory in those parts of urban areas which fall outside the municipal limits.

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Mr. Balwantrai Mehta, Chief Minister of Gujarat at the first meeting of the Gujarat State Mineral Advisory Board disclosed that the Government of Gujarat is considering the employment of foreign experts or any national or international agency to prepare project reports on lignite deposits on the lines of the report prepared by the Neyveli Lignite Corporation. The Government wants quick results in exploiting the mineral resources. The survey work of lignite in Broach and Kutch districts was already in progress and it was expected to be over by the end of the third Plan period. The Union Government had been approached to assist the State Government in completing the survey work speedily. Mr. Mehta suggested the preparation of pamphlets giving details of minerals, their grades etc., so as to enable the industrialists to be conversant with facts. On financial assistance to the new industries it was revealed that the Government was considering a scheme to provide loans, allot lands etc. and assist the establishment of a considerable number of useful industries in the State in the fourth Plan period. It was disclosed that fluorite deposits near Amba Dungar in the Baroda district would probably be of the order of 1.3 million tonnes and would be the largest known deposits in the country. At the meeting, several other issues, like survey and estimation of lignite in Kutch and Broach districts, survey of bauxite deposits in Kutch and Jamnagar, survey of china clay deposits in Saurashtra, Broach, Amreli and Kutch; survey of fluorite in Baroda district and of other minerals in various districts, royalty, unification of rules, elimination of delay in disposal of applications, etc., were also discussed.

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Mr. G. L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India, inaugurating the summer school for Chartered Accountants at Bombay suggested that it was more economic to 'buy' than to 'make'—particularly in industries subject to economies of scale. A peculiar tendency in India among manufacturers to make everything needed under one's roof had resulted in the existence of a larger number of small-sized uneconomic captive manufacturing operations. Many rigidities and shortages prevalent in our economy encouraged this tendency, but sound costing practices showed that in many cases, it was more economic to buy than to make. This could also lead to an adoption of more sound policies on scale of units to be set up by plan authorities. Mr. Mehta observed that India was now at a stage in industrial and corporate development which the wes-

born countries had reached more than a 100 years ago There-fore she was still drawing large funds from outside individual investors unlike modern companies in the West which depend-ed to a larger extent on ploughed back profits. Also, both the levels of literacy and investor attitudes in India today were akin to those prevailing in the West about a century ago, and the need to assure them about their investment correspond-ingly larger. He said that in a mixed economy like ours, where decisions tended to be taken on grounds of expedi ency, there was a great need for independent professionals, like Chartered Accountants as their viewpoint would help to cor-rect excesses.

Resources for the Tea Industry

From Our Correspondent

CALCUTTA:

LIKE HOUSING and food supplies in Calcutta, the problem of public transport has now become intractable. At any time during working hours of the day, trams and buses ply much more overcrowded than they did only a few years ago. Any one not familiar with the conditions in the city would wonder why the number of vehicles is not being increased. The answer is that the haphazard way in which this huge, sprawling city has grown up sets a sharp limit to expansion in surface trans-port. Most roads in the city are narrow, so narrow in fact that it is difficult for two public buses to pass without brush-ing against each other Apart from being narrow, the streets are also very congested, full of slow-moving vehicles like rickshaws and push-carts and, worse, jay-walk.ng pedestrians absolutely with no road sense. That makes it difficult for automobiles to move fast; even so, street accidents are fre-quent, w.th local people often meting out rough justice to offending drivers.

The maintenance standards of the State transport author-ities are not what they should be A few months ago, there used to be unusual number of breakdowns on the road. Main-tenance appears to have improved of late, but a lot remains to be desired. Drivers still complain about the inadequacy of the organisation's repair and maintenance service. Such allegations cannot be verified easily, but the appearance of the buses would lend belief to such complaints. The trans-port authorities of course have their own answers. They have been called upon to carry an ever increasing numbe: of people as the lure of the city (specially because of expanded economic opportunities flowing from industrial expansion in the city and its neighbourhood) draws more and more from the stag-nant countryside. They have to keep in service as many vehicles of their fleet as possible, and often beyond what the normal maintenance requirements would justify.

Financial Worry

This necessity apart, the State transport undertaking has a lot to worry about its finances. The fare structure which it has been allowed to adopt is not an economic one. It does not allow it to build sufficient reserves to finance im-provement and expansion of its fleet. Raising the fare for public transport usually provokes political agitations. When the State Transport authorities raised the fare by one paisa a few months ago, leftist parties gave a boycott call, but the travelling public fortunately, ignored it. That is no guarantee, however, that all future increases will go unprotested. The chairman of the Calcutta State Transport Corporation, Mr. A. B. Ganguli, in the course of a recent address to the Indian Council of Economic Affairs, Calcutta, has urged the need for a ra-tional fare structure with the pricing of the service being scientifically related to the length of distance travelled. This is what the structure at present is not, and the Corporation, in spite of the one paisa increase, will not be in a position to earn a reasonable profit after meeting all operational expenses. But even if the people of Calcutta can be persuaded to pay more for the sake of better and more efficient public transport, there will still be no prospect of their getting an adequate transport service. Some 224 State buses will be added to the existing fleet over the next 14 months, but as Mr. Ganguli himself pointed out, the addition would not pro-vide much relief, and even this addition would require con-siderable planning and regulation of traffic. It is obvious that in addition to the existing two means of transport — trams and buses — a third one, either underground or overhead, will have to be found. This is what the Government has been considering for a long time, and of the two feasible alternatives — and underground tube railway or an overhead aerorail — the latter is considered the better proposition, taking all things into account, the cost in particular. But when and how soon this can be done, no one (including the Government), seems to know.

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Mustard seed is among the 14 commodities, futures trad-ing in wh.ch has just been banned by the Forward Markets Commission, but that has yet to produce any perceptible effect on the supply situation in West Bengal, particularly in Cal-cutta. Mills which produce mustard oil, an essential cooking medium in Bengali homes, have just given notice of their intention to close unless something is done in the meanwhile to ensure mustard seed supplies to them in regular quantities and at reasonable rates. Owing to the failure of this year's crop, there has been considerable speculation in this commo-dity leading to an abnormal rise in the price of the seed. The millers say that there are plenty of old stocks with the traders in West Bengal to meet the mills' requirements for at least a few more months, but the merchants have not only enhanced their rates; they are also not selling from their stocks freely. The mills' move is obviously designed to put pressure on the Government to compel the traders to release their stocks at rates prevailing before the current speculative rise, since the Govern-ment has fixed a ceiling for mustard oil price. The Govern-ment apparently is finding itself in the same helpless position as it does in regard to rice supplies. What makes the Go-vernment's position more difficult s the fact that while West Bengal produces the major part of its own rice requirements, it depends on outside sources to meet the major part of its mustard seed requirements. It can at best fix prices for mustard seed, but will that help?

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The Eastern Regional Council of the Institute of Cost and Works Accountants of India has done well by holding a seminar on cost control and cost reduction, which Dr. V. K. R. V. Rao, Member, Planning Commission, opened last week. Cost control is of fundamental importance to India's industrial and general economic progress. It will help industry to run itself on more efficient lines and thus bring benefit to producers and consumers alike; and under the present conditions of critical foreign exchange shortage, it will enable industry to achieve better results on the export front. In the course of his address, Dr. Rao emphasised the latter aspect. Cost reduction was necessary, Dr. Rao said, because the country was short of foreign exchange in industrial, agricultural and educational fields. Foreign exchange could be only obtained either by exporting commodities or services or through foreign aid. Foreign aid can only be of temporary value, so it is very important that the country concentrate on exports. Commo-dities can be exported only when their quality is good and

prices are competitive. The subsidy approach to exports pro-vides no permanent solution. Besides, it invites retaliation, from the affected countries. Discussing the various strands of a cost reduction programme, Dr. Rao said that the signi-ficant factors were a functional classification of costs and a favourable input-output ratio. Towards this end, every pro-gressive management must follow an intelligent inventory control policy. Organisations like the Institute must also help industries to achieve a better control over costs. The presi-dent of the ICWAI, Mr. J. N. Bose, emphasised another aspect of the problem — that of fighting inflation. If more pro-duction is to be got out of each unit of capital invested, in-dustries must rigidly control costs. An aspect of industrial costs, which apparently received less attention than it de-served, is the Government's indirect taxation policy which adds to production costs at several points in the same process.

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The Deputy Chairman of the Tea Board, Mr. A. K. Ray's speech at the recent annual meeting of the Assam branch of the Tea Association of India in Jorhat, was interesting for the infor-mation it provided on the Tea Board's drive to promote the sales of Indian tea abroad. Apart from advertising tea in all major consuming centres of the world, India will be parti-cipating in a number of international exhibitions. Indian tea will also be served at Tokyo Olympics. "We are making an all-out effort to project vigorously the image of Indian tea in all possible markets. But the key to more exports is in-creased production." It is on the latter point that the views of the Government and the industry differ. The industry does not think that increased production will automatically lead to higher exports, especially if sufficient attention is not paid to the production of quality grades. The Government's fiscal and labour policies do not show that it is firmly seized of this matter. The fiscal policy gives no special encourage-ment to the production of quality teas through new plantation or replantation of old areas. The labour policy has so increased the industry's welfare burdens that much of its resources is used up in providing amenities for labour. In addition to existing obligations, two fresh burdens are on the cards; building of labour quarters according to the specifications of an official body, and secondly, the pending award of the Wage Board. The Assam Govern-ment has again increased its sales tax and agricultural income tax rates as applied to the tea industry. In the circumstances, the industry can take positive measures to produce more tea, more quality tea, only when it can find the necessary finance for it. The finance available under the Tea Board's loan scheme is costly, and the industry simply has not enough internal resources to meet the expenditure in full. As a major foreign exchange earner, the industry deserves special help from the Government, and Mr. S. R. Daga, president of the Tea Asso-ciation of India, suggested in the course of the speech the ways in which the Government should help the industry for the solution of its short-and long-term problems.

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Bihar is deficit in food despite the potential for enough additional production to achieve self-sufficiency in this field. That the deficit should persist in spite of efforts spread over 13 years of planning, does not speak highly of the efforts, but has always been the State Government's defence that it is han-dicapped by funds and the Centre has not been giving enough for the purpose. When Sardar Swaran Singh visited Bihar a few weeks ago in his capacity as the Union Food Minister, he tried to ascertain as to what actually the causes were. In the course of the discussions which he had with the Chief Minister and his colleagues, several deficiencies came to light. First of all, Bihar's irrigation programme has been a near failure. As against a target of 2.5 million acres, a potential of only 1.6 million acres is likely to be achieved by the end of the third Plan. The actual result would cover all major, medium and minor projects. Most of the medium and minor projects on which much depends in the short run have been accomplish-ed only in the statistical sense, for it is reported that many of the irrigation channels constructed for the flow of tubewell water are in a state of complete disrepair. The progress in the field of major irrigation is not more reassuring. Major projects like the Kosi and the Gandak will take much longer than expected to yield the planned benefits. This poor pro-gress of irrigation schemes keeps the crops hopelessly depen-dent on the monsoon, and how can the State hope to achieve the additional 20.27 million tons of food production as the target for the third Plan requires? The Bihar Government is quite candid in its admission that its agricultural plan for the current quinquennium will be a half success, half-failure that is. At the first meeting of the State Planning Board, the Chief Minister, Mr. K. B. Sahay, admitted that the State would be able to produce only an additional 14.02 million tons, as against the target of 20.07 million tons during the third Plan period (the base at the end of the second Plan was 60 million tons). He also admitted that this was due primarily to insufficient progress in irrigation. The State has now made out a case for increased Central assistance; the amount asked for is some Rs. 11.4 crores. But the Centre can provide funds only when it is convinced that the money will be put to the most efficient use and not wasted through official incompetence or extravagance. Meanwhile, the State Government is likely to set up, as suggested by Mr. Singh, a high-powered body to co-ordinate agricultural activities. The Chief Minister will head this body, which will also consist of the Minister of Agri-culture and other Ministers of allied departments.

Changing Food Habits Reduce Urban Supplies

From Our Correspondent

MADRAS:

JUST AT a time when the Central Government has expressed great concern over the price situation some new developments have taken place in the foodgrains and cloth trades which have caused considerable worry to the consumers in different parts of the country. In the Southern Zone particularly the situation in regard to the availability of rice and sugar is getting more and more difficult as the months pass by. In the urban centres the hardship is not so keenly felt as in the rural areas as sales through the fair price shops have been helpful. Even here, the State Governments have been finding it impossible to meet the demand from consumers, albeit on a rationed basis, as the gap between the prices charged by the appointed dealers and those prevailing is so wide that, in the context of rising cost of living, there is anxiety to effect saving in expenditure wherever possible by making purchases from the fair price shops. In the past fortnight arrivals from Andhra Pradesh into Madras City have been very restricted while there is a large demand from dealers in Kerala. The competition for purchasing available supplies is so keen that the lower grades of rice from Andhra Pradesh and the Southern districts in Madras State are being exported to Kerala. The spurt in prices for inferior grades has naturally had its effect on the values for the finer varieties.

The curious phenomenon is the absorption of available supplies even at fantastic rates. In the Kuttalam rice market, which is the main centre for trade in this commodity in the granary of Madras State, new records have been established

and large sales have been reported in the past few weeks at rising prices, there being a heavy offtake on account of Kerala dealers. It has also been suggested that, on account of fears of some sort of control over the trade being imposed at all levels, there has been cornering of available supplies. These purchases, however, could have only exaggerated the upward trend. Even though the damage to the rice crop was not so heavy as expected earlier in both Andhra Pradesh and Madras States, the impression has gained ground that the surplus available in Andhra Pradesh is not as large as in earlier years as the local population has been changing over from coarse to fine cereals. In Kerala too consumption has been increasing at a fast rate on account of the larger employment available to the able bodied through recruitment to the Defence Services and through rapid industrialisation of the State. In Madras State also the general intake has tended to increase because of changing food habits and better living conditions in the rural areas. Left to itself the Madras State Government would be able to meet the requirements of its population as the yield of rice crop has increased appreciably in the past few years and the cultivators have shown a keen sense of awareness and are ready to take to new methods of agriculture which will result in the raising of larger crops from the same acreage. Sales of fertilisers have been fairly heavy and with the completion of the Parambikulam Project and many other medium-sized irrigation schemes, the target for production for the third Plan may easily be reached. If Andhra Pradesh too can step up its output the needs of Mysore and Kerala can be met without serious difficulty. But a more vigorous handling of the production and marketing problems is necessary as the changing food habits of the lower income group might upset all calculations.

In respect of sugar the same story is being repeated. Even though availability during the current season will not be less than 24,00,000 tonnes for the whole country and the factories in the Southern States have done extremely well, sales through co-operatives and fair price shops have been on a restricted scale and the quantum available for every family has been considerably reduced.

The move of the cotton mills in Bombay and Madras States, which account for a sizable proportion of the country's output, has also had an upsetting effect on consumers. It is agreed that the cotton textile industry has a valid case for increasing its selling prices for cloth and yarn as there has not been any major change since 1960. The voluntary price control scheme was scrupulously respected by the leading producers in the industry though the consistent rise in prices for cotton and an increase in the wage bill have upset all calculations. Even with a large increase in the turn-over a reasonable level of profits could not be maintained especially as with heavy expenditure on modernisation and renovation, depreciation charges were very much higher. There was naturally resentment that retail prices were unduly raised by heavier excise duties and sales taxes and that the producers were not even allowed to adjust their prices to some extent. It has been contended that as compared to 1961 costs on account of cotton and labour have risen by over 15 per cent and that even the rise in selling price by 10 per cent will not compensate fully the rise in working expenses especially in the case of mills producing coarse and medium varieties. The Government could have agreed to an increase in selling prices with some reductions in the excise duties as any loss of revenue would be offset by higher output in the coming months and next year. In any case, it is apprehended that the cumulative effect of increases in prices for essential commodities will be reflected in a lowering of the standards of living of the fixed income groups and the spread of discontent. The authorities should, therefore, adopt measures which will boost production in several directions. Mere controls over prices and distribution cannot yield the desired results.

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The power cut in Madras State has become inevitable. The earlier hopes regarding the ability of the State Electricity Board averting a cut in supply during this summer have been belied as the South-west Monsoon has again refused to oblige. The Madras Electricity Board has 14 power houses and 7 hydel projects having an aggregate capacity of 630 mW. But only about 70 mW of this capacity is thermal in character. The water storage at Kundah and Pykarah particularly is being utilised to the maximum extent but the net outflow has been continuous over several weeks and it is now felt that the demand cannot be freely met without a replenishment of the storages in different parts of the State. Luckily, Neyveli has been coming to the rescue of the State Electricity Board and in the past two weeks the daily supply has been between 4.5 and 5.0 million units out of the total consumption of around 11.0 million units daily. Thus, 48 per cent of the present demand is being met by the huge thermal station at Neyveli. There will be a further improvement in supply from this source when the sixth set is commissioned early next year. But for the help from this source, the cut would have been imposed a long time back. It is still hoped that the 50 per cent of cut on consumption in the case of high tension consumers in the hydel areas and 40 per cent cut in the thermal areas would be ony for a short period. The continuous process industries will not be affected. However, as indicated last week, it has been clearly emphasised that there should be a better balance between thermal and hydel capacity and that if the cuts which have been a recurrent feature of the past few years are to be avoided, the capacity of the Neyveli thermal station will have to be increased in an ambitious manner while the Madras State Electricity Board should be permitted to construct a huge thermal station, suitable for coal or gas firing, near Madras. It is anticipated that by the end of third Plan aggregate demand will be of the order of 15 million kW. The task of creating additional thermal capacity should, therefore, be taken up immediately.

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The stock markets have been in the doldrums and business passing has been extremely restricted. Besides the discouraging results of many cotton mills, it is now apprehended that the output of yarn and cloth will be affected by the power cut even though some of the units have got arrangements for generating their own power in a period of emergency. It was hoped that the interruption to production witnessed last year would be averted this summer. As the yield of the tea crop also has been adversely affected, general sentiment is inclined to be pessimistic. With the higher prices for cotton cloth and the hopes that the loss in output for the tea estates can yet be made good if rains in the coming weeks proved to be satisfactory, prices for popular shares need not have been marked down. However, in the absence of encouraging advices from Bombay and with the general disposition to await further development, trading in the local stock markets has been extremely restricted. It is agreed that the tax burden on the corporate sector especially in the case of selected industries is much lower than in the past year though investors have not regained confidence in the immediate outlook. The sudden demise of Mr. Nehru has also had complicating effect. It is not yet clear what the Shastri Government will be able to achieve and whether it will pursue radical policies which will create new difficulties for industries. So long as there is no large buying on account of individual investors there cannot be any significant recovery in prices. And investors in this part of the country are so cautious that only if there is ressurance about the policies of the new Government will there be a disposition to come out of the hiding.

The moving finger writes

MAIDEN performances may normally expect sympathetic audiences and I am, therefore, not surprised that Mr. Lal Bahadur's first broadcast as Prime Minister was widely well received. Indeed, it was even eulogized in the press and elsewhere. The main appeal of the broadcast perhaps was that it was reassuring, even soothing to national nerves, until recently drawn taut by the question "After Nehru, Who?" and still nagged by the other question "After Nehru, What?". In the circumstances, Mr. Lal Bahadur's prescription of the status quo in the matter of policies or programmes was apt to come as a relief. Consequently, the weakness of the broadcast — that he really had nothing new to say — was, in a way, its strength.

But public opinion will certainly be more discriminating and even demanding on future occasions. It will certainly not remain satisfied with being merely told at appropriate intervals that the heirs and disciples would remain loyal to their late Master's principles or beliefs. The world does not stand still; and in a more specific context, to the extent that the Government in this country had not always been able in the past to deal with problems satisfactorily, it would obviously be compelled to think anew or act differently in the future in order to clear accumulated arrears in policy-making or performance. And so, when next Mr. Lal Bahadur goes on the air, more attention will certainly be paid to the point whether what he has to say gives evidence of topically relevant and purposeful cerebration on the part of the Government.

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Again, it will not only be the substance that matters. The style will also count. Jawaharlal Nehru could do magic with words. Even on the occasions when his thinking was not clear or his ideas were apt to be vague, he could still manage to find words to express himself in an appealing or arresting manner. He had a feel for the nuances of words and phrases and he had a passion for speaking or writing them beautifully. Mr. Lal Bahadur's gifts do not lie in that direction. However, in the special circumstances of his early days as Prime Minister, the aura of sincerity and simplicity which surrounds him and informs his manner of talking or doing things has been some compensation and has served him well with a public, a large part of which still does not seem to have got over the wonder that there could have been a Prime Minister at all in succession to Jawaharlal Nehru. It may, however, be pointed out that honeymoons do not last for ever. The Prime Minister, therefore, cannot afford not to cultivate his public relations carefully. His predecessor was one of the most articulate persons in the world of politics and to him mass communication was not an effort but an element of his very being. Mr. Lal Bahadur must now set out to acquire deliberately what nature has obviously not too lavishly endowed him with.

I suggest that the Prime Minister should provide himself with a good team of speech-writers. This would be particularly desirable since it is not very likely that Mr. Lal Bahadur will exactly be erupting with new ideas every other day. When so much of what one has to say is something which has been said before, it becomes all the more important that it should be said well. I do not think that the Press Information Bureau, in the usual course, could provide him with the kind of talent I have in mind. I am sceptical also that the common or garden variety of the IAS Private Secretary would be the answer. I, therefore, suggest that the Prime Minister would be well advised to ask his talent scouts to look widely and deeply both within the Government and outside for a few men with the gift for the apt word or the magic phrase. I do often wonder whether it was not because the late President Kennedy had wisely equipped himself well in this matter of speech-writers that the New Frontier had almost managed to become a living reality even without quite succeeding in passing from phrase to programme.

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Incidentally, at the risk of being misunderstood, I would suggest that the Prime Minister should now lay off this 'humility business". Mr. Lal Bahadur is so transparently sincere that the risk of his sounding like a Uriah Heep is, no doubt, remote. Even so, the essence of modesty is that it should remain modest in all circumstances — modest, that is, even in proclaiming itself. Neither the world nor the country needs to be told again and again that Jawaharlal Nehru was an exceptional person. Jawaharlal Nehru's greatness is something which is of the experience of us all. There is no danger of any of us assuming that Mr. Lal Bahadur considers himself, or will ever consider himself, as a second Jawaharlal Nehru. There is, therefore, no need at all for Mr. Lal Bahadur speaking frequently of his awareness of his limitations for a job with as illustrious an antecedent as is the Prime Ministership of India. In fact, it is not seemly that the Prime Minister of this country should be publicly disparaging himself too often. Whether one likes it or not, the Indian mind is traditionally used to worshipping gods — and propitiating devils. It desires and demands that its leaders should be larger than life. If a Prime Minister of India chooses to ignore this sentiment unduly, he may well end up by being taken at his word.

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A woman who cannot say "no" is a danger to herself. A man who cannot say "no" could be a danger to others. I hope Mr. Lal Bahadur will awaken in time to the danger of his going down in modern Indian history as the Prime Minister who could not say "no". That he has decided to continue all the 20 out of the 22 Deputy Ministers on the public payroll may do credit to his heart, but it certainly cannot contribute to the improvement of morale in the Congress parliamentary party or standards of competence in the Government. The Prime Minister has been praised in some quarters for having shifted to new assignments those Deputy Ministers who had previously been for years at their particular posts. Mr. Lal Bahadur would have been deserving of even greater credit had he applied a simple, but excellent, rule that all those Deputy Ministers who had been at their jobs for, say, three years, without any great distinction, should gracefully make way for other hopefuls in the party. After all, the only justification which the institution of Deputy Minister can have is that it provides a safe means of testing the raw material in the ruling party. If this purpose is to be served, it is obvious that the turn-round of Deputy Ministers should be fairly rapid so that there is some chance for the processes of selection to work themselves out. We are now around the mid-term of the present Parliament and this is the proper time for some weeding out to be done among the Deputy Ministers so that openings and opportunities could be found for others — preferably promising young men (or women) —in the party.

V. B.

Trade Winds

COTTON PRICES FOR 1964-65

THE GOVERNMENT of India has announced that the floor and ceiling prices of cotton for 1964-65 season will be maintained at the same level as in the current season of 1963-64. Marginal increases have, however, been made in the floor and ceiling prices of some of the varieties keeping in view the improvement in their quality. An increase of Rs. 8 per quintal (Rs. 28 per candy) in the floor and ceiling prices of Digvijay 'A' has been made. The varieties AK-235 and AK-277 have been included for the first time in the price schedule and have been given the same floor and ceiling prices as for 'Gaorani' 6 and 12. The price schedule for 1964-65 also provides premium for "sawginning" in respect of all varieties, excepting Bengal Deshi, at a uniform rate of Rs. 14.10 per quintal (Rs. 50 per candy) at the floor level and Rs. 21.10 per quintal (Rs. 70 per candy) at the ceiling level. In the case of Bengal Deshi, the premium will continue at the existing level of Rs. 9 per quintal (Rs. 30 per candy).

The floor and ceiling prices (per candy) of various varieties under the new schedule will be: Moglai Jarilla Rs. 702 and Rs. 947; Vidarbha MP 197/3, Rs. 752 and Rs. 1014; Khandesh Virnar 197/3 Rs. 787 and Rs. 1095; Digvijay A Rs. 897 and Rs. 1195; Digvijay B Rs. 772 and Rs. 1051; Surti Rs. 896 and Rs. 1210; Punjab American 320 F Rs. 823 and Rs. 1075; Punjab American H 14, Rs. 850 and Rs. 1170; Westerns Rs. 741 and Rs. 1018; Karuganni Rs. 840 and Rs. 1120; Dholleras Rs. 961 and Rs. 935; Pratap Rs. 680 and Rs. 905; Bengal Deshi Rs. 609 and Rs. 819; Oomras Rs. 650 and Rs. 345; Mathia and Kungari Rs. 623 and Rs. 826; Buri American Rs. 91 and Rs. 1164; L147 Rs. 972 and Rs. 1264; Gaorani 6 and 12 Rs. 840 and Rs. 1122; AK 235 and 277 Rs. 840 and Rs. 1122; Kalyan Rs. 718 and Rs. 997; Jayadhar Rs. 843 and Rs. 1132; Laxmi Rs. 930 and Rs. 1219; Cambodia A Rs. 1165 and Rs. 1479; Cambodia B Rs. 1011 and Rs. 1325 and Cambodia C Rs. 948 and Rs. 1236.

The cotton grown in the districts of Ahmednagar, Poona and Sholapur of Maharashtra State, Bijapur district of Mysore State and the summer 'Cambodia Uganda' crop grown in Madras State which move in the months of July and August will be treated as new crop. The prices specified in the schedule will be reduced for cotton which appear to have been deliberately mixed or deliberately watered. In such cases the minimum and maximum prices will be reduced by an appropriate amount to be determined by the Price Control Committee after examining the samples submitted by the buyer or the seller. The Price Control Committee will comprise Mr R. G. Saraiya, Mr Jehangir P. Patel, Mr Contractor, Mr Pratap Singh Mathuradas, Mr Hansraj Jivandas, Mr Tricumdas Chhabildas, Mr Manubhai N. Amersey, Mr R. D. Shah, cotton adviser, Mr Dayabjibhai G. Patel and Mr K. M. Patel.

WORLD'S RUBBER POSITION

At its seventh meeting held recently in Tokyo, the International Rubber Study Group arrived at the conclusion that a major factor in the present world supply and demand position for all rubbers was the existence of substantial surplus production capacity for synthetic rubber. This had led to intense competition among the various synthetic rubbers, which in turn resulted in depressing the price of natural rubber. In the coming years there was every prospect of increasing competition between natural and synthetic rubbers on the one hand and among various types of synthetic rubbers on the other. Consequently there would be a decline in the price of both natural and synthetic rubbers. The impact of this decline in price would be of particular concern to those countries where the natural rubber industry was a major source of foreign exchange earnings and government revenue besides being the major source of employment and income to a large percentage of the population.

Assessing the demand and supply position of natural and synthetic rubber in 1964 the study group estimated that the world might consume some 2,255,000 long tons of natural rubber, and 2,545,000 long tons of synthetic rubber. As regards production, it was estimated that the world output of natural rubber in 1964 would be 2,135,000 long tons and of synthetic rubber 2,690,000 long tons. In addition to this, about 95,000 long tons of natural rubber would be available from government stockpiles during the year. These estimates do not include China and non-member countries of Eastern Europe. The country-wise estimates of production and consumption of natural and synthetic rubbers in 1964 are given in the tables below:

TABLE I.

ESTIMATED CONSUMPTION OF NATURAL AND SYNTHETIC RUBBER IN 1964.

(in 1,000 long tons)

Territory	Natural	Synthetic	Total
United States of America	435	1,355	1,790
Japan	207	138	345
United Kingdom	170	155	345
Federal Republic of Germany	153	160	313
France	123	133	256
Italy	90	107	197
Canada	39	92	131
Czechoslovakia	49	32	81
India	62	16	78
Brazil	30	44	74
Australia	38	34	72
Netherlands	21	16	37
Belgium and Luxemburg	17	19	36
Indonesia	30	—	30
Austria	12	14	26
Malaysia	13	1	14
Denmark	6	5	11
Hungary	10	1	11
Other countries *	750	223	973
	2,255	2,545	4,800

* Excluding China and non-member countries of Eastern Europe.

TABLE II.

ESTIMATED SUPPLY OF NATURAL AND SYNTHETIC RUBBER IN 1964.

(In 1,000 long tons)

Natural Rubber	
A) Production	
Malaysia	876
Indonesia	600
Thailand	191
Ceylon	108
Viet-Nam	71
Nigeria	66
Liberia	44
India	44
Cambodia	42
Brazil	23
Burma	12
Territory of Papua and New Guinea	5
Other countries *	53
	2,135
B) — Deliveries from Strategic Stockpiles	95
Total New Supply.	2,230

(Contd. on p. 1419)

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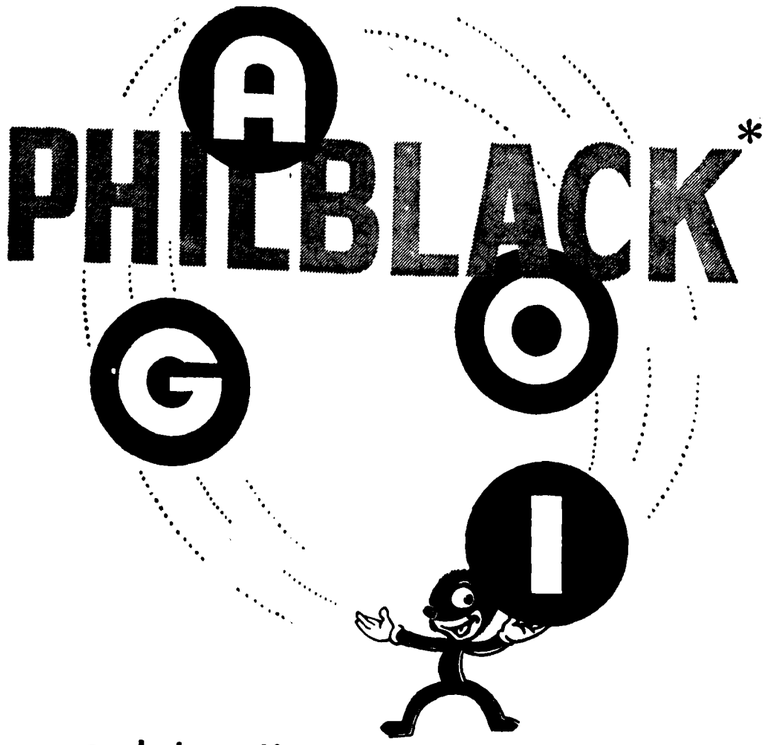
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Synthetic Rubber	(in 1,000 long tons)
U.S.A.	1,610
Canada	185
United Kingdom	175
Federal Republic of Germany	140
France	128
Italy	125
Japan	121
Netherlands	90
Brazil	37
Australia	20
Other countries *	59
	2,690

* Not including China and non-member countries of Eastern Europe.

CANADIAN CREDIT FOR ZINC SMELTER

Under an agreement signed recently, Canadian capital equipment and engineering services for the construction of a zinc smelter and an associated sulphuric acid plant near Cochin in Kerala State, will be available to M/s. Cominco Binani Zinc Limited, Calcutta, which is a joint venture set up by the Consolidated Mining and Smelting Company of Canada Limited. Montreal, and its associate, Metal Distributors Limited, Calcutta. The Export Credits Insurance Corporation, Ottawa, has agreed to lend $1.6 million to cover part of the foreign exchange costs of the $12 million project. Repayment of the loan (at 6 per cent interest) will be made over a period of ten years following a 5-year period of grace. The ECIC loan is being made out of the special credits committed by Canada under its contribution to the World Bank's Aid India Consortium. This is the first occasion when the ECIC has agreed to give a loan direct to an Indian company rather than to the Government of India. The Consolidated Mining and Smelting Company of Canada will make a direct investment in the venture to the tune of $2 million, part of which will be used to cover Canadian and other foreign purchases. The rest of the financing will be shared by Metal Distributors Limited, the Industrial Finance Corporation, the Government of Kerala and the Indian public. On-site work on the project has already commenced and is expected to be completed by the middle of 1966. The plant will have a capacity for the production of 20,000 tons of zinc a year and 125 tons of sulphuric acid a day. The present demand for zinc in India exceeds 60,000 tons a year and it is likely to go up to 100,000 tons by the time the Cominco Binani goes into production.

SODA ASH INDUSTRY

Recently, while opening the public inquiry into the continuance of protection to the Soda ash industry beyond December 31, 1964, the Chairman of the Tariff Commission, Mr K. R. P. Aiyangar disclosed that the production capacity of the industry as reported by the units was 279,700 tonnes. The actual production increased from 148,216 tonnes in 1961 to 183,433 tonnes in 1962 and 234,533 tonnes in 1963. Production during the first quarter of the current year was 64,353 tonnes. The share of heavy soda ash in the total production had also been increasing. It was 132 tonnes in 1961, 13,940 tonnes in 1962, 28,230 tonnes in 1963 and 7,772 tonnes during the first quarter of the current year. About 3,300 workers were employed in the industry. He further disclosed that two of the existing four units had plans to expand their capacities over the next three years. According to the Directorate General of Technical Development the aggregate capacity of the four units would then rise to 352,000 tonnes in 1965, 402,000 tonnes in 1966 and 422,000 tonnes in 1967.

In 1961 the Tariff Commission estimated the domestic demand for soda ash (light and heavy) at 260 000 tonnes per annum and expected that it would increase steadily to 425,000 tonnes by 1964. The consumption of soda ash (comprising sales of domestic product, in the country, self-consumption by the manufacturers and the imports) stood at 228,326 tonnes in 1961, 286.737 tonnes in 1962 and 301,562 tonnes in 1963. The estimates of demand for the current year as well as for the next three years, as made separately by the Alkali Manufacturers' Association of India and the Directorate General of Technical Development, are given in the table below :—

DEMAND FOR SODA ASH BY THE CONSUMING INDUSTRIES

(In '000 tonnes)

Name of the consuming industry	1964		1965		1966		1967	
	Assn.	DGTD	Assn.	DGTD	Assn.	DGTD	Assn.	DGTD
Glass industry excluding bangles	75	90	82.5	100	90	114	105	130
Bangle industry	13	9	14	10	15	11	16	12
Silicate industry	30	26	35	27	40	28	45	29
Textile industry	14	9	15	9.5	16	10	17	11
Paper industry	10	12	11	19	12	14	13	15
Chemical caustic soda industry	33	32	33	33	33	35	33	37
Bichromate industry	7	8	8	9.5	9	10	10	11
Sodium bicarbonate industry	6.4	8.5	7.8	9	9.2	10	11	11
Dhobies & laundries	100	100	115	110	130	120	150	130
Aluminium and other miscellaneous industries	15.6	15.5	16.7	19	19.2	28	19.3	34
TOTAL	304	310	333	340	373.4	380	419.3	420

JUTE DEVELOPMENT COMMITTEE

With a view to increasing jute yields in the country and improving the quality of the jute fibre the Government of India has decided to set up a central committee for jute development. The new committee will report annually to the 30-year old Indian Central Jute Committee which will continue to be in charge of jute research. The Special Secretary to the Union Ministry of Food and Agriculture will preside over both the committees. The central committee will in fact be set up in place of a jute development board that was suggested by the Srivastava Committee which was appointed in 1962 to suggest measures to modernise and expand the jute industry.

FABRICS FOR FAIR

The Government of India is arranging to participate in a big way in the international fair due to be held in Wellington, New Zealand, from August 20 to September 3, 1964. The Indian pavilion at the fair will display the country's choicest fabrics and handicrafts. Mrs. Paddy Walker, one of New Zealand's top experts on fashion exhibitions, and Miss Barbara Penberthy, a well-known fashion designer, are in Delhi at the invitation of the Government of India to select articles to be displayed at the fair.

RISING EXPORTS

Mr. Manubhai Shah, Minister of International Trade (now Minister of Commerce), disclosed recently in the Rajya Sabha that India's exports at Rs. 69.1 crores in April, 1964 had recorded an increase of Rs. 10.1 crores over exports in April last year when the figure stood at Rs. 59 crores.

Company Affairs

BRITISH INDIA CORPORATION

THE BRITISH India Corporation Ltd., made significant advances in its various activities during 1963. Mr. Satish Chandra, Chairman of the Company, revealed at the annual general meeting held recently that turnover increased by nearly 39 per cent during the year so that profit was also considerably higher. In view of its improved profitability, a dividend of 15 per cent on equity capital has been proposed to be paid. Substantial care has, however, been taken to consolidate the finances of the company, and a sum of Rs. 45.61 lakhs has been ploughed back by way of depreciation, development rebate and general reserves.

Mr. Satish Chandra outlined the progress recorded by several units owned or managed by the Corporation. The output of Cooper Allen and North West Tannery branches, for instance, revealed enhanced activity in the footwear and other leather products. Partly this increase was to meet the demand of the defence forces. He indicated, however, that results could have been still better if prompt supplies of imported factory spares could be obtained. The woollen mills — Lal Imli and Dhariwal — achieved record output and worked on a three shift basis for most of the time. The Government selected advisers to help the woollen mills by meeting their immediate demands that enabled industry to produce woollens according to specifications for the defence forces. The Minister for Supplies paid compliments to the woollen industry in recognition of its high standard of industrial performance.

The three cotton textile mills owned by the Corporation's subsidiaries — the Elgin Mills and Cawnpore Textiles — also worked at full capacity during 1963. The Chairman has mentioned the fact that the company retained only marginal profits for the defence supplies. Elgin Mills, which celebrated its centenary in March, 1964, has continued its expansion schemes. In addition to a licence granted in 1962 for the installation of 12,000 spindles, a further licence for 12,500 spindles each was granted in 1963 to the Elgin Mills and Cawnpore Textiles. The Chairman informed the shareholders that 12,000 spindles would be commissioned by the end of September, 1964 and the additional 12,500 spindles would be commissioned by June 1965. In case of Cawnpore Textiles, 12,500 spindles would be commissioned towards the end of 1965 Out of 240 automatic looms ordered by the Elgin Mills, 112 have already been received and would be put into commission in November, 1964 and the remaining ones are expected by the end of 1964. During the year Elgin Mills spent nearly Rs. 44 lakhs and Cawnpore Textiles nearly 12 lakhs on their rehabilitation and modernisation programme. During the current financial year too Elgin and Cawnpore would spend Rs. 40 lakhs and Rs. 2 lakhs respectively.

The Chairman indicated that it was rather a difficult year for sugar mills. Apart from the well known factor of availability of quality sugarcane, various other causes contributed to the adverse impact on profitability. These factors include unremunerative controlled prices and the old and outmoded equipments in the mills. The company has, however, made substantial efforts to modernise its sugar units and nearly Rs. 40 lakhs have been spent on this programme and even further investments were proposed. The business of its other units like Brushware and Saran Engineering was also considered satisfactory.

HINDUSTAN ALUMINIUM

Hindustan Aluminium Corporation Ltd., has recorded excellent results during the current year and it is likely to wipe out all arrears of preference dividend in 1966 and pay maiden dividend on equity capital in the subsequent year. Mr. M. P. Birla, director of the company, presiding over the annual general meeting in the absence of the Chairman, Mr. G. D. Birla, stated that production was now running at the rate of 2,000 tonnes per month and the sales for the current year might be around Rs. 8 crores to Rs. 8.5 crores. The company produced 22,138 tonnes of aluminium last year against the rated capacity of 20,000 tons.

Explaining the reasons for the delay in the payment of a maiden dividend, Mr. Birla indicated that the aluminium industry was highly capital-intensive which required large provisions for depreciation and development rebate reserve. He estimated that nearly Rs. four crores would be required to be provided for depreciation and development rebate reserve for 1964. Another reason for this delay in the payment of a maiden dividend was the expansion programme taken up by the company. He indicated that the installed capacity of the company has been decided to be increased to 60,000 tonnes per annum in line with the third Plan target, which has been raised from 85,000 tonnes to 120,000 tonnes per year. This expansion has already been sanctioned and Mr. G. D. Birla has been in Washington to negotiate for an Export-Import Bank loan.

Mr. M. P. Birla revealed that the first phase of the expansion programme, intended to raise the capacity from 20,000 tonnes to 48,000 tonnes per annum, was likely to be completed by the end of 1965. This would require an outlay of Rs. 12 to 13 crores. The management, he added, would try its utmost to avoid raising fresh capital to finance this expansion programme. A sum of Rs. 5.5 crores was proposed to be obtained by way of a loan from the Export-Import Bank and the balance from the company's own resources and PL 480 funds. Further expansion of the capacity from 48,000 tons to 60,000 tons per annum would be taken up at a subsequent stage.

Referring to the company's plan to set up its own power plant, he stated that a new company named Renusagar Power Co. Ltd., has been already formed and registered and was negotiating to secure foreign exchange as well as rupee loans. Hindustan Aluminium would also subscribe to the capital of this wholly-owned subsidiary. There was, however, no intention to offer the shares of the subsidiary to the shareholders of Hindustan Aluminium.

Mr. Birla informed the shareholders that the company would bring into operation its entire fabricating capacity by the beginning of the next year and by then it would be in a position to convert aluminium ingots into rods, sheets, circles, and strips so that the profitability of the company would increase further. Last year it sent 4,000 to 5,000 tonnes of aluminium abroad for conversion and this was no more necessary as there was enough demand for metal in the internal market. The shareholders were informed that the Life Insurance Corporation was now holding 74,400 equity and 35,000 preference shares directly and 23,500 equity and 5,500 preference shares through Indian General Guarantee, its subsidiary company. The ICICI held 102,950 equity and 46,359 preference shares.

DUNCAN BROTHERS

The financial results of Duncan Brothers & Co. Ltd. for 1963 show an advance over the previous year in terms of output, sales and profit. The sale proceeds were around Rs. 4.87 crores as against Rs. 3.41 crores last year and profit, after providing for depreciation, was around Rs. 43.16 lakhs against Rs. 35.59 lakhs. Provision for taxation, including surtax of Rs. 5.52 lakhs, was Rs. 26.15 lakhs against Rs 16.75 lakhs. The Directors have proposed to transfer Rs. 1.50 lakhs towards capital redemption reserve. A dividend on ordinary shares is proposed to be paid at the rate of Rs. 12 per share which will absorb Rs. 12.96 lakhs.

It appears that the good performance of the company has been entirely nullified by the incidence of the new corporate surtax and dividend tax. The directors of the company indicate that the surtax, like last year's super profits tax, has the effect of penalising especially those companies, like this one, which are investing heavily in the development of new projects. Moreover its substantial investment in shares of companies with properties in Pakistan have not received any return during the last few years although all possible steps have been taken to obtain the sanction of the Pakistan Government for the remittance of profits of these companies.

The directors have pointed out that the year was less satisfactory for the tea industry but in spite of that, the majority of its interests were maintained on a modest profit-earning basis during 1963. Its jute mills worked at maximum capacity but the trade margins were comparatively small. The company, however, increased its exports during the year. Its woolcombing unit, Isaac Holdens (India) Ltd., showed considerable improvement and a rights issue made at the end of the year was well received and fully subscribed. The working of the dye plant, however, suffered because of the shortage of dyestuffs. Following the acquisition by Woolcombers Ltd., Bradford, of the business of the company's technical consultants, Isaac Holdens & Sons Ltd., it was agreed that the name of the woolcombing company in India should be changed to "Woolcombers of India Ltd.", subject to the approval of the Central Government.

Its newly established units, that would produce carbon black, valves and beadwire were also progressing satisfactorily. The progress at the new oil refinery, in which this company has substantial shares was also expected to start functioning towards the end of the next year.

ANDHRA CEMENT

During the year ended December 31, 1963, the Andhra Cement Co. Ltd., recorded a net profit of Rs. 11.87 lakhs after charging depreciation of Rs. 8.82 lakhs. After making adjustments, the directors have proposed the payment of a sum of Rs. 5.15 lakhs towards taxation, and Rs. 1.53 lakhs towards rehabilitation fund for 1963. Dividend at the rate of 9 per cent on equity shares, subject to tax, will absorb Rs. 6.39 lakhs. It is indicated that production during the year did not improve substantially in spite of satisfactory supply of raw materials, including coal. To some extent, the short supply of transport posed a serious bottleneck with the result that there was an accumulation of stocks of clinker. The company was, however, able to carry out certain major repairs following unprecedented rains during the year. The output of cement and clinker was 160.114 tonnes and 163,219 tonnes respectively. The Government did allow an increase in the price by Rs. 2.75 per tonne (with a reduction of Rs. 0.25 per tonne in the Selling Agency Commission) with effect from June 1, 1963, but this increase was off-set by the increased costs.

ORISSA CEMENT

The working results of Orissa Cement Limited, during 1963, reveal a gross profit of Rs. 100.89 lakhs against Rs. 142.00 lakhs last year. A sum of Rs. 35.39 lakhs has been provided for depreciation and another sum of Rs. 36.05 lakhs has been provided for electricity charges relating to earlier year. The directors indicated that the profits for the year were adversely affected by the short-fall in despatches of cement, silica and basic refractories as well as general increase in costs on account of lower utilisation of production capacity in respect of clinker and certain types of refractories. Even then, the directors proposed the payment of dividend at the rate of Re. 1 per ordinary share of Rs. 10. This amount will be paid out of the dividend reserve to which Rs. 28.56 lakhs have been transferred from the general reserve, besides Rs. 10.66 lakhs appropriated out of the profit of the year under review. The company has continued with its programme of expansion. The second stage of the expansion of the basic refractories plant was completed with the installation of an additional heavy duty hydraulic press and by lighting of the second basic tunnel kiln early in 1964.

GODFREY PHILLIPS

Godfrey Phillips, India, Ltd. recorded a net profit of Rs. 12.34 lakhs, after providing for taxation, depreciation, etc., during the year ended December 31 1963. The directors have decided to transfer to general reserves a sum of Rs. 8 lakhs and to the development rebate reserve Rs. 22,000. An interim dividend of Re. one per equity share, absorbing Rs. 4 lakhs, was declared in December, 1963 and now the directors have recommended the payment of a final dividend of Re. one per share which will absorb another Rs. 4 lakhs. The sales of the company increased from Rs. 5.51 crores to Rs. 6.03 crores. The Chairman, however, indicated, that this did not represent an increase in volume, but merely reflected the increased prices. In fact, the sales in terms of volume were slightly lower than in 1962. Moreover, a larger proportion of the volume was of cheaper cigarettes with lower profit margins. In a way, the company was adversely affected by the recent increases in the various duties levied on tobacco and cigarettes. The company, however, was trying to instal latest types of machinery in order to improve its products and to increase its efficiency.

INDIAN STANDARD WAGON

The directors of the Indian Standard Wagon Company Ltd. report that during the year ended March 31, 1964, there was a profit of Rs. 17.38 lakhs which was nearly the same as last year. Although there was an increase in its turnover —sales at around Rs. 8.75 crores as against Rs. 8.05 crores last year — there was a smaller margin of profits. Provision for taxation absorbed Rs. 125.25 lakhs and depreciation Rs. 6.77 lakhs. The directors have recommended the payment of dividend at the rate of 15 per cent together with a cash bonus of 5 per cent on ordinary shares subject to the deduction of tax. A sum of Rs. 12.75 lakhs has been provided towards general reserve, Rs. 19.04 lakhs towards general development reserve, and Rs. five lakhs towards dividend adjustment reserve.

The company maintained its output of springs, forgings and wagons in spite of serious handicaps in respect of materials. The directors indicate that this uncertainty in respect of supplies is extremely unsatisfactory and precludes an accurate forecast of results for the current year. They, however, are hopeful of further expansion.

STRAW PRODUCTS

Straw Products Ltd. have recorded satisfactory working results during the year ended December 31, 1963. The gross turnover has reached a new high at Rs. 4.53 crores against Rs. 1.49 crores in the previous year. Commensurate with turnover, the gross profit has risen to Rs. 61.70 lakhs as against Rs. 16.97 lakhs last year. Amongst the allocations, depreciation absorbed Rs. 42.45 lakhs against Rs. 6.14 lakhs while a sum of Rs. 13.00 lakhs has been transferred to general reserves as against Rs. 11.00 lakhs in the previous year. A sum of Rs. 3.06 lakhs has been set aside for payment of arrears of dividend on preference shares for the year ended December 31, 1960. J.K. Paper Mills commissioned in October, 1962 made good progress during the year. After overcoming the teething troubles the mills achieved a good level of production and its total production from the Paper Mills reached 15,737 tonnes during the year under review and the sales amounted to over Rs. 3 crores.

SIMPLEX MILLS

The Simplex Mills Co. Ltd. has announced its working results for the year ended 31st March, 1964. Its sales and gross profits are the highest since the post-War period. Sales profit has sharply increased from Rs 41.53 lakhs to Rs. 55.81 lakhs in spite of rise in the cost of production specially in the

items like cotton, dyes, chemicals, electricity etc. A sum of Rs. 56.34 lakhs has been made available for appreciation after writing back the excess provision of Rs. 0.28 lakhs and balance of profit brought forward Rs. 0.25 lakhs. The directors have proposed the payment of bonus for the years 1957 and 1959 to 1962 of Rs. 10.90 lakhs and provision for depreciation of Rs. 22.94 lakhs, development rebate reserve of Rs. 0.90 lakhs, taxation of Rs 10.45 lakhs, debenture issue expenses of Rs. 0.16 lakhs, dividend reserve of Rs 10.89 lakhs. They have recommended a dividend of Rs. 9 per fully-paid and consolidated share of Rs. 50, subject to deduction of tax, i.e. 18 per cent (against 16 per cent in previous year). The company is not to be subjected to surtax.

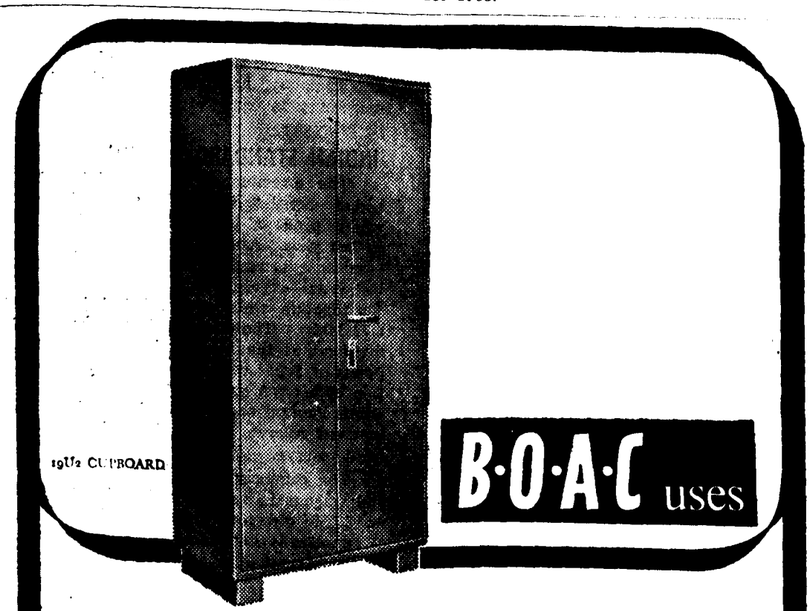
SOUTHERN BRICK

The inauguration of the mechanised brick and tile making plant of Southern Brick Works Limited, was recently performed by Mr. M. Baktavatsalam, Chief Minister of Madras. The factory was put up at Orakkad, a suburb of Madras city, at a cost of Rs. 35 lakhs, with the Czechoslovak machinery and technical assistance. The plant is capable of manufacturing one lakh bricks and 25,000 tiles per day.

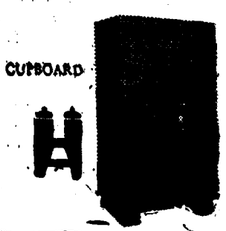
Mr. K. T. Kosalram, Director, referred to fixing the price of wire cut bricks at Rs. 65 per 1000 as low when such wire cut bricks are sold at Rs. 230 per 1000 today. The use of these bricks will result in the saving of cement mortar, labour and time while giving immense strength.

RUBY GENERAL INSURANCE ISSUE

The directors of Ruby General Insurance Co. Ltd. have decided to capitalise Rs. 6.40 lakhs out of the premium on shares for fully-paid bonus shares of Rs. 8 each in the ratio of one bonus share for every five existing shares. Meanwhile, they have proposed a dividend of Rs. 1.25 a share, less tax, for 1963.



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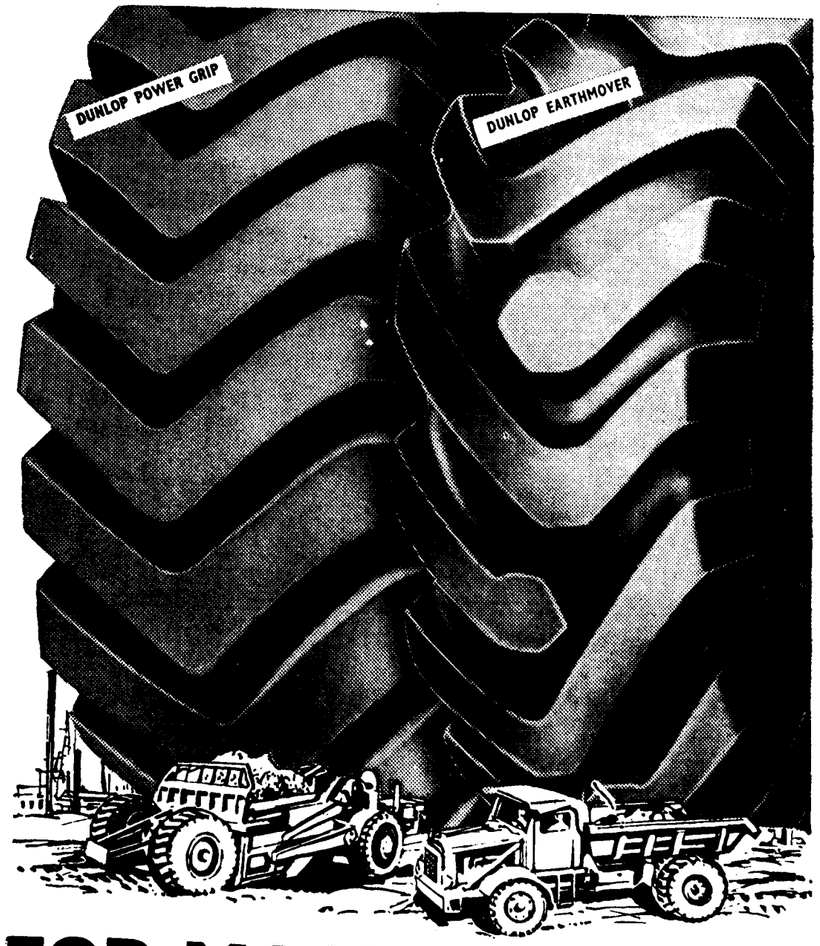
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BOOKS BRIEFLY

Pyramids of Income

Thompson Consumer Index of Markets: Incorporating a Gazetteer of towns having population of 20,000 and above; Published by Edward J. Fielden for J. Walter Thompson Company Private Ltd., Bombay; Pp. 363; Price not mentioned.

THE ECONOMIC development of this country since independence has increased the total supply of goods and services, though the increment is not distributed uniformly area-wise. The sales departments of companies dealing with consumer goods particularly have to face the problem of organising their sales in such a manner that they may be able to take the maximum advantage of this increase in income. It is not that a company selling, say, radios or refrigerators can raise its sales in the same old areas in direct proportion to its output. It has to make an effort to locate the places where new pyramids of purchasing power are coming up.

The research work done by the market research department of J. Walter Thompson Company Private Ltd., has thrown up useful information regarding the key market factors in 684 cities. Index numbers have been computed which will assist the manufacturers and distributors in broadly establishing sales and advertising targets for their products. No less than 21 different statistical series have been used in the computation of the index numbers; they relate to population, number of literates, number of households, increase in population, employment, number of telephones, number of domestic radio-sets, number of private cars, revenue collected from sales tax, revenue collected from entertainment tax, scheduled banks; electricity consumption etc. Wherever official figures were not available, the researchers made use of unofficial series based on indirect evidence.

Greater Calcutta city emerged at the top of the list when all these factors were taken into consideration. The base, therefore, related to Greater Calcutta with the consumer index number fixed at 100.00. All the other towns were evaluated with Greater Calcutta as the base. The findings of the researchers revealed that the corresponding index numbers for Greater Bombay, Delhi and Madras were 83.93, 44.70 and 32.91 respectively. The number of cities for which the rating was more than one-tenth of the base i.e. Greater Calcutta was not more than 10. Twenty-five towns of the top class represented nearly 41 per cent of the urban market. In other words, if a manufacturer concentrated his sales efforts on the first 25 cities listed in this publication he would cover more than two-fifths of the urban market. At the other end of the scale, there were 592 cities which commanded only 40.5 per cent of the urban market.

The publication has not indicated anywhere as to how the 21 heterogeneous factors were compounded into a single index and what weightage was assigned to each factor in the index. There is no common denominator between electricity consumption and employment or between the ownership of private cars and deposits of scheduled banks. Broadly the first 10 markets have followed the population trend indicating that even though the number of market factors included in the index was no less than 21, population played the dominant role. There was only a slight variation between Poona and Kanpur; whereas Poona's population at 7,78,328 was lower than that of Kanpur at 9,71,062, the index ranking of Poona was higher at 13.13 in comparison with Kanpur at 11.90. Similarly Bangalore, with a population of 12,06,961 had a small superiority over Hyderabad in the index number while its population w fractionally lower than that of Hyderabad (12,51,119).

In the absence of consumer expenditure data for the towns, the Thompson Index is, perhaps, the best possible indicator that could be computed in order to provide some bro guidance to the advertisers as well as the manufacturers. T index does not take into account the qualitative factors, nam ly, the propensity to consume which may be higher in certa areas than in others. The index can be used only as a gener guide and not as a specific indicator for particular produc The consumers of different products are different. The d mand for refrigerators will emerge from a different secti of society as compared to the demand for washing soap. Th index under review does try to take care of this factor b including certain relevant market factors, but the preponde ance of the weightage of population tends to wipe out th impact. The index is a good first attempt; the gazetteer whi gives a number of details about the towns is a useful com pendium of information.

A RISK WORTH TAKING

Report On Prospects For Private Investment in India (wit particular reference to Joint Collaboration Ventures): B Anila Graham; Published by Economic and Developme Research Ltd.; 116, Seymour Place, London, W.I.; Pp. 4 Price not mentioned.

THIS MIMEOGRAPHED document purports to undertake "first hand" examination of the climate for foreig private investment in India in the light of the currer politico-economic situation. The Report goes into the divers factors affecting the prospective investors. The approac adopted here is, first, to highlight the difficulties and deterrant coming in the way of new investment ventures contemplate by foregn investors. Then the author goes on to examine th truth and substance contained in such complaints. In thi process, the debit side of the picture is neatly summed up which is countered by listing the positive aspects of India' economic landscape, making investment in India a profitabl proposition. The central fact standing in the midst of thes several considerations is that foreign private investment i not guided more by any other consideration than by that o secure, competitive profits. Profit-earnings is evidently risky enterprise, where it is never roses, roses all the way The author points out the risks involved and asserts that they are all calculable.

Before embarking on the task of enunciating these factors Anila Graham undertakes to establish the need for foreign capital in India, particularly from private sources. In a country like India, attempting to achieve self-sustained economic development, external capital is needed both for financial and technological reasons. Failing to meet these requirements of external finance from their own sources, owing to the sluggishness of exports, a resort to other sources of finance becomes inevitable. Though inter-Government loans and advances from multilateral international institutions are the most important sources available at present to bridge the foreign exchange gap, they fall short of the total requirements. Hence there is the necessity of tapping the residual source of foreign private capital — a most promising fountain head of foreign capital which does not threaten to dry up at the will of legislators or changing alignments of international

politics. This is a source which promises to be perennial provided adequate inducemens are proffered for this purpose.

After establishing the necessity of continued flow of foreign private capital, the author discusses the policy of the Government of India which welcomes foreign private capital in the country within the broad framework of the Plan, particularly in the priority industries. To put an end to any misgiving entertained by prospective investors in this respect, she quotes Mr. Eugene Black, ex-chief of the World Bank, as saying that "the Government of India's bark is much worse than its bite". She acknowledges the special efforts made in the 1964-65 budget of the Government of India towards "opening the doors even wider to private foreign investment" as being effective. She also takes this opportunity to make it clear that in India mixed economy, public sector and planning have come to stay — though the approach is not doctrinaire. They spring from purely operational considerations. Moreover these policies do not in any way come in the way of the continued flow of private foreign capital into this country. She elaborates this point by quoting the statistics of the growth of private sector during the last decade.

Candid Talk

Coming to the discussion in this report of the snags obstructing the flow of foreign private capital, we find a mixture of candid talk and adroit analysis. It is admitted that taxation is high in India. However, there is not much in it as Dr. Scheel, West German Minister for Economic Co-operation, is quoted as saying that "taxes are high all over the world". Really important are many other factors affecting the rate of profits. Many a tax concession is granted by the Government to the technical personnel. Procedural delays and red-tape, despite a number of committees, continue to cause headache to prospective investors. Fears of expropriation in the Indian context are rather ethereal and the investors can depend on the pragmatic policy of the Government. Moreover, agreements with foreign governments are also concluded which provide certain guarantees; in case of nationalisation, the investors are promised fair and reasonable compensation.

A number of positive aspects are brought to the notice of the prospecive investor which make investing in India sufficently attractive. The first one is the indisputable fact that India is a large and growing market which a dynamic entrepreneur can ill afford to lose. Imports being heavily restricted, the surest method of entering this market is to get under the tariff walls. It is as objective fact that the profits of the foreign controlled rupee companies (about 13 per cent of invested capital) have been higher than those of the branches of foreign companies (over 7 per cent invested capital). Hence to take advantage of one of the biggest potential markets of the world which is also a good centre to serve the Afro-Asian World, foreign producers must invest in India. Here the foreign investor gets the maximum possible facilities with regard to repatriation of capital and the remittance of profits. He is given here equality of treatment with domestic capital and enjoys many fiscal incentives. Profits on foreign private investment in India are also very attractive. Profits in India of British and American companies are higher than in most other parts of the world, including Western Europe.

On the basis of this analysis, the author comes to the conclusion that investing in India is a "calculated risk worth-taking". Neither facts are concealed nor white-washing is attempted. Neither the risks are minimised nor the bright points exaggerated. The clients of this agency at whose behest the Report is prepared would undoubtedly be enlightened by it in making their decision about investments in India. The Report by Anila Graham should prove to be of help to prospective investors in reducing the errors of calculation and judgment. One might at times wish, while going through the Report, that there were less of platitudes. But this, to a certain extent, becomes unavoidable in a generalised study of this type. On the whole, it is a commendable effort which should win recognition for itself.



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COMPANY MEETING

BRITISH INDIA CORPORATION LIMITED

Extracts from the Address of Shri Satish Chandra, Chairman, The British India Corporation, Ltd., at the 44th Annual General Meeting of Shareholders held in Kanpur on 6th June, 1964.

Friends,

At the time of issuing the notice for this 44th Annual General Meeting of the Corporation, none of us could ever have imagined that we would be assembling today under the shadow of a great national tragedy and an overwhelming sense of personal grief. On May 27, 1964, our beloved Leader and Prime Minister, Jawaharlal Nehru, passed away and with him ended a glorious chapter in Indians history. With his nobility of character, humane approach to all problems, dedication to high ideals and the spirit of service and sacrifice, he moulded the lives, thoughts and deeds of our countrymen. The best homage that we can pay to this valiant fighter of our freedom struggle and the architect of modern India is to dedicate ourselves to his great ideals of national unity, secular democracy, social justice, universal brotherhood and world peace for which he worked, lived and died. Although it is not possible to fill the void created by his passing away, the work of the nation must be continued with perseverance and high endeavour on the foundation laid by him.

May I request you to stand silently in honour of his memory before I proceed with the normal business for which we are gathered today.

The period under review covers the first complete year of Management of your Company's affairs by the new Board of Directors elected by shareholders in the Autumn of 1962. You will recall the circumstances under which a General Meeting was specially convened, and an election held after several years. I am glad to report that the trading results for the year have been highly encouraging and show a substantial improvement over those of previous years. As you will see from the accounts, our turnover has increased from Rs. 928 lakhs in 1962 to Rs. 1,288 lakhs, i.e. by 38.8 per cent. Surplus for the year amounts to Rs. 236.07 lakhs as compared with Rs. 142.10 lakhs, reflecting an increase of 66 per cent over the previous year. A provision of Rs. 133 lakhs has been made for payment of direct taxes this year as against Rs. 77.54 lakhs last year.

In view of the satisfactory profitability of your Company, the Board after careful consideration have deemed it proper to recommend payment of a dividend of 15 per cent on the Equity Capital i.e., 75 nP. per share as compared with 45 nP. paid last year. It will be appropriate for me at this stage to draw your attention to the fact that out of the year's earnings a total sum of Rs. 45.61 lakhs has been ploughed back in the form of Depreciation, Development Rebate, and General Reserves in order to strengthen the resources of the Corporation.

Leather Branches: The trading results of our Cooper Allen and North-West Tannery Branches have shown reasonable improvement. As against recurring losses suffered in past years by these important branches of the Corporation, it has been possible to return a moderate figure of profit this year. There was increased activity in the footwear, chrome and bark leather departments. Footwear supplies to Defence Forces and the National Cadet Corps were substantial.

Woollen Branches: During the year under review, ou Lal-Imli and Dhariwal Woollen Branches have shown ver good results. A record output was achieved by both th factories, which ran on a three-shift basis for most of th year. In view of a complete change in the normal patter of production to meet the urgent needs of our Defence Force four Wool Advisers including the Superintendent of our Wool len Branches, Mr. V. Calloway, were selected by the Govern ment of India to plan production, negotiate prices, and arrang for raw materials. The team of Wool Advisers visited Aus tralia, New Zealand and the UK to purchase suitable cross bred wools. This co-ordinated effort on the part of Govern ment and representatives of the woollen industry enable supplies of materials for defence production to be made strictly according to specifications and delivery schedules.

The plant rehabilitation and modernisation scheme is making fairly good progress. Seventy-two semi-automatic looms imported from Poland at a cost of approximately Rs. 1 lakhs are now in process of installation. Most of the gilling, drawing and twisting machinery costing about Rs. 13 lakhs imported under rupee payment arrangements has already been received at the mills. An import licence for machinery worth about Rs. 25 lakhs for which an Essentiality Certificate has already been granted is, however, pending disposal. Import of this machinery is essential to enable us to derive the maximum benefit from the machines already purchased. Applications have also been submitted for the grant of import licences for carding, spinning, and winding machinery as well as automatic looms at a cost of approximately Rs. 60 lakhs.

The basic needs of our woollen factories for imported raw materials cannot by any means be met by the Government's present Export Promotion Incentive Schemes. I sincerely hope that allocations of import quotas will be made on the basis of a realistic assessment of the installed capacities as well as the magnitude of trading obligations of each unit. Full advantage continues to be taken by us of raw wool produced and synthetic fibres available in the country within the limits of their usefulness. If we are to remain in effective production, it is essential that the requisite quantity of imported raw material should be made available. I must point out in this context that the value of basic licences last year was reduced by Rs. 32 lakhs and this year there has been a further reduction by Rs. 21 lakhs.

Cotton Textiles: The three cotton textile mills owned by the Corporation's subsidiaries. The Elgin Mills Co. Ltd. and Cawnpore Textiles Ltd., worked at full capacity during 1963 except for the period when production was adversely affected for a few days during October 1963, due to a serious power breakdown in the city of Kanpur. Despite a larger turnover, the profits in both the companies were lower than the previous year, due to enhanced labour costs and a general rise in the prices of raw cotton and all stores and spares. Since 1960, the overall cost of production has increased by more than 16 per cent, but no corresponding increase in the prices of finished goods could be made due to the voluntary price control agreement between Government and Cotton Textile manufacturers. The rapid advance in basic costs, which has caused

profit margins to decline at a rate inconsistent with improved turnover, has now become a matter of concern to the Industry.

In addition to a licence granted to Elgin Mills in 1962 for the installation of 12,000 spindles, further licences for 12,500 spindles each were granted last year to the Elgin Mills and to Cawnpore Textiles.

The rehabilitation and modernisation programme of the cotton units is proceeding according to schedule. A sum of Rs. 44 lakhs was spent by Elgin Mills and Rs. 12 lakhs by Cawnpore Textiles during the financial year 1963. Further sums of Rs. 40 lakhs and Rs. 2 lakhs respectively have been spent by the two companies during the current financial year.

Elgin Centenary — Shastriji's Visit: The celebration of the Elgin Mills Centenary during the month of March 1964 was an outstanding event. On this momentous occasion which was indeed a landmark in the history of the Company, we had the privilege and honour of having Shri Lal Bahadur Shastri, now the Prime Minister-designate of India, as our chief guest. In his earlier capacity as the Union Minister of Commerce and Industry, he had taken a great deal of interest in the welfare of the B.I.C. Group of Industries. We are happy that he has now been chosen to guide the nation along the path shown by Gandhiji and Pandit Jawaharlal Nehru We have no doubt that under his stewardship, the nation will continue to march forward with determination and unity towards economic progress and social emancipation.

Sugar: The four sugar factories of Cawnpore Sugar Works Ltd. and two factories of Champarun Sugar Co. Ltd. experience another difficult year.

Apart from such factors as availability and quality of cane several other causes contributed to the adverse impact on profitability such as distress sales during surplus conditions and unremunerative controlled price during the subsequent shortage, the old and out-moded equipment in the units and their uneconomic capacities. About 40 lakhs rupees have been spent for rehabilitation and modernisation in these sugar units and further investment is being made.

The sugar companies are fortunate in having secured the services of Sri S. N. Gundu Rao, formerly Director of the National Sugar Institute as their Technical Adviser. Under his guidance the working efficiency of the six sugar factories in the group has already improved.

Brushware :

Saran Engineering:

Beta Picker: There was an improvement in the volume of business done by our subsidiary, Brushware Ltd. which maintained its reputation for quality products. The development programme in the Saran Engineering Co. Ltd. is in process of gradual implementation. The Corporation continues to serve as Secretaries and Treasurers for both these companies, and as Secretaries for the Beta Picker Co. Ltd.

Labour Relations: The labour relations during the year were, by and large, harmonious. I cannot, however, avoid reference to a very regrettable set-back in Elgin Mill No. 1 during the month of March 1964, only a few days after the Centenary celebrations. An infructuous and wholly unreasonable workers' strike was instigated over the issue of bonus voluntarily declared by the Company. Although in a year of decreased returns, bonus at a special rate amounting to Rs. 16.09 lakhs was sanctioned by the Management as against Rs 10.64 lakhs in the previous year with the sole object of letting the employees of the Company experience in the Centenary year a sense of joy over the progress of their unit, some trouble makers chose to launch a perverse campaign of indiscipline and agitation which led to a completely unwarranted and unlawful stoppage of work for 20 days. The workers realised only after considerable suffering that their leaders had misguided them along a wrong path to the detriment of their own interests. They subsequently admitted that they had violated the Industrial Truce Resolution and the Code of Discipline. Let us hope that such unfortunate incidents will not be repeated. In addition to loss of wages by the workers during the strike period, the loss in the mills' productivity will have its impact on profits during the current trading year and consequently on the quantum of bonus which the Company may be in a position to pay next year.

General : I think, the shareholders will agree that the affairs of the Corporation have been fairly consolidated so as to show tangible results. Although the Corporation has during the year under review shown excellent results, there are many important tasks ahead of us. The future will certainly throw up new problems in the spheres of finance, management, industrial relations, productivity, cost control, and sales. With the sound inherent strength of your Corporation, however, I am confident that we shall be able to evolve rational solutions leading to greater stability and progress

I regret to report the resignation from the Board of one of our Directors, Shri S. B. Bose, for reasons of ill-health. I am, however, pleased to welcome to the Board two new Directors, Shri B. P. Ray, the partner in a distinguished firm of Solicitors at Calcutta, and Mr. K. M. Wilcox. It is hardly necessary for me to introduce Mr. Wilcox, who has rendered long and meritorious services to the Corporation. Your Directors have thought it fit to invite him to join the Board and to appoint him as Deputy Managing Director subject to the approval of the Government.

To my colleagues on the Board I am deeply indebted for their valuable advice and guidance. Their mature judgment has been of tremendous help in finding solutions to many problems which have engaged the attention of the Management. I would particularly like to mention Shri B. P. Bajoria, the Vice-Chairman and Managing Director, whose perseverance and hard work have contributed a great deal towards the successful results of the Corporation during the year. I wish to express my thanks to all ranks of our employees for their loyalty, co-operation and steadfast devotion to duty.

Before I close, I wish to pay tribute to the gallant soldiers who either gave up their lives or suffered untold hardships on the battlefield in the defence of our motherland during the early days of the Chinese invasion. I am sure you would all like to associate with me in the expression of this humble sentiment.

YOUR ATTENTION PLEASE

To ensure prompt action, kindly address all your correspondence to :—

The Manager,
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CHAIRMAN'S STATEMENT

GUEST, KEEN, WILLIAMS, LIMITED

STATEMENT BY THE CHAIRMAN, SIR RAGHAVAN PILLAI, KCIE, CBE, ON THE OCCASION OF THE THIRTY-FOURTH ANNUAL GENERAL MEETING HELD IN CALCUTTA ON 12TH JUNE, 1964.

I have great pleasure in welcoming you to this, the thirty-fourth Annual General Meeting of your Company. The Directors' Report and the Statement of Accounts have been circulated and been in your possession for some time, and I propose with your permission that they be taken as read.

We are meeting in the shadow of a supreme tragedy. The man who made India what she is today is with us no more. Few men, in any country, or in any age, have given of their all in the service of their country, of their people and of humanity at large, as has Jawaharlal Nehru, in our country, and in our day. In him Nature wrought a rare synthesis of knowledge and understanding of the ancient and modern, of east and west, of science and the humanities, and of materialism and spirituality, and we as nation should be profoundly and eternally thankful that so unique a man should have been here to lead us in the hour of our greatest need. I count it the choicest among the blessings of my life that I had the privilege of working for him for close on eleven years first as Secretary of the Cabinet and later as Secretary General in the Ministry of External Affairs. I think of him as I knew him then — a man, before whom the dross in us seemed to melt away, and the magic of whose mind illumined and inspired our own. He is gone, and for us that remain I can think of no better wish than that we will, with renewed vigour and with his unseen guidance, go about our daily tasks, cheerfully as he would have wished, each resolved to help to fashion a new India fit in every way to take her place in this changing world, and yet not forsaking the traditional values of this ancient land.

RETROSPECT

In the lives of organisations, as of men, there comes a turning point when the past, however distinguished, seems but a preparation for what is yet to come That turning point has now come for your Company. Nineteen sixty-three has been an eventful year of outstanding significance in the history of your Company, and marks the beginning of a new period of increasing challenge as well as opportunity. The year has witnessed the consolidation of the gains from an earlier period of development; the merger of your Company and of its subsidiary, Sankey Electrical Stampings Ltd., making possible the more effective and efficient utilisation of the combined resources of the two companies; and a significant advance, beyond the stage of study and preparation, in the implementation of our further programmes of development. At a time when more than one business establishment in the country has celebrated its centenary, we must, I am afraid, count ourselves among the youthful, and for us the age of reminiscence still lies many decades away. Yet, though youthful, we can claim the advantage of vigorous growth, and it seems appropriate for us at this juncture to cast a backward glance at our own past, the better to assess our prospects for the future.

Our story opens with the formation in 1922 of Henry Williams (India) Ltd., which, in a small workshop at Shalimar, within the boundaries of the present Calcutta Works, started the manufacture of railway track and signal materials. The intention was to develop the Indian interests of Henry Williams Ltd., Darlington, U.K., which was well established as a manufacturer and exporter of these materials to the Indian railways.

In 1931 a new company was formed, under the name Henry Williams India (1931) Ltd. for the purpose, inter alia, of acquiring the former company and expanding its activities. One of the earliest major developments had been the establishment of a Bolt Works in 1926, and in consequence rolling mills were installed in 1932 mainly with the object of securing a source of the special raw material required for the manufacture of bolts and nuts.

In 1934 Guest, Keen & Nettlefolds Ltd. acquired a major holding in the company, which was then given its present name, Guest Keen, Williams, Ltd. Twenty two years later, in 1956, the Company became a public limited Company, and Indian investors now have a vital stake in the fortunes of the Company.

During the years 1939 to 1945 the Company made a valuable contribution to defence production, and at the end of the war resumed the manufacture of similar products to the pre-war range. After a period of consolidation the Company embarked on a long-term Plan of expansion which still continues and indeed has been progressively accelerated.

The first significant step was the installation of a steel melting furnace in 1952. This was followed by a second furnace in 1958.

A new unit was built at Bhandup near Bombay for the manufacture of woodscrews, and production started in 1953. Since that time the Bhandup Works has been substantially enlarged and numbers of other fasteners have been added to its range of manufacture.

At the same time much of the Calcutta Works was modernised, in particular the bolt works. A well equipped, modern toolroom was built in 1957. The manufacture of pressed steel car and trailer type wheels was introduced in 1960, and in 1961 the commissioning of extensive new rolling mills was completed, a project costing over Rs. 3 crores. In the same year the manufacture of bright steel bars was started. Fabricating and service departments have been generally improved and expanded in recent years, and the extent of overall development is clearly illustrated by the fact that the gross value of fixed assets in the Company's balance sheet has risen from Rs. 2.47 crores to Rs. 10.12 crores in the last ten years.

In December 1960 your Company acquired a controlling interest in Sankey Electrical Stampings Private Ltd This company was formed in Calcutta in 1943, primarily at the instance of the Government of India, in order to establish an indigenous supply of electrical stampings for defence purposes and at a time of acute shortage of imports.

The first works was set up at Worli in Bombay and was later moved to its present site at Bhandup in 1946. The increasing demand for stampings in Eastern India prompted the company to establish a second works in Calcutta in 1950 and a third unit came into being in Bangalore in 1959.

Apart from pioneering the manufacture of electrical stamp-

ings in India, the company, by virtue of its association with Messrs. Joseph Sankey & Sons Ltd., U.K., was in the fortunate position of being able to influence the negotiation of a technical collaboration agreement between that company and the Tata Iron & Steel Co. Ltd. in 1946 covering the manufacture of electrical steel sheets in India. That agreement with Tatas was an important milestone in the development of the electrical engineering industry in this country.

In recent years Sankey Electrical Stampings Ltd. has responded to the need for the diversification of its range of products by embarking on the manufacture of precision pressed components for various industries and several new ventures have been planned for the near future.

Finally we reach 1963, a year which has brought several important developments that have broadened the base of your Company's structure. Sankey Electrical Stampings Ltd. became a wholly owned subsidiary on the exchange of shares with Tatas, and on 10th December you approved a scheme of amalgamation whereby that subsidiary was to be merged with and operate as a division of your Company. I am glad to report that the consent of the Calcutta High Court has since been received and the amalgamation is effective retrospectively from the start of this year.

On 24th December, 1963, you approved the Directors' recommendation of a bonus share issue in the ratio of one for two. The bonus share issue and the exchange of shares with Tatas constituted a substantial increase in the issued capital which in turn necessitated raising the authorised capital of the Company, and you will recall that an increase from Rs. 6 crores to Rs. 10 crores was approved at the shareholders' meeting on 24th December, 1963.

To assist in financing expansion it was decided during 1963 to issue debentures amounting to Rs. 1.5 crores and as you may know that issue was fully subscribed in February this year. Another significant event during the year under review was your company's investment of Rs. 38.2 lacs, in the form of plant and cash, in Sankey Wheels Ltd., a newly formed company which is to make passenger and commercial vehicle wheels.

Thus, from its modest beginnings in the years between the World Wars, your Company has progressed steadily to a place of importance in our country's industry.

BOARD OF DIRECTORS

I am pleased to inform you that Mr. K. C. Maitra was appointed a Managing Director of your Company with effect from 29th December, 1963. Mr. Maitra has been the Managing Director of Sankey Electrical Stampings Ltd. for the past 14 years, and, as already mentioned, that company has now been amalgamated with your own Company

It is the intention also to appoint four additional Directors to strengthen the Board of your Company and the proposed election of Mr. N. R. Banerjee, Mr. A. H. Sethna, Mr. R. B. Ritchie and Mr. J. M. Leighton will be the subject of resolutions later at today's meeting. Mr. Banerjee and Mr. Sethna were Directors of Sankey Electrical Stampings Ltd. for a number of years, and Mr. Ritchie and Mr. Leighton are at present senior executives of the Company.

PRODUCTION

A rise in the level of output and sales of all major products was achieved in 1963, but raw material supplies were again the limiting factor which governed the extent of the advance. In particular, supplies of steel billets, which constitute the raw material for the majority of the Company's manufactures were unsatisfactory both in quantity and in surface condition, and it was only by virtue of comparatively large billet stocks at the start of the year that it was possible to maintain an adequate level of production.

At the end of the year stocks of good quality billets were critically low and output of various products has been adversely affected.

The output of the rolling mills rose again in 1963 in spite of irregular billet supplies, and in particular, production of spring steel bars for the transport services was increased satisfactorily.

Production of bright steel bars was twice the previous year's level of output but full use of the potential capacity of the plant could not be made owing to the continued shortage of free cutting steel in India.

In the forge production was affected by plant breakdowns, and steps are being taken to replace some of the older stamps. Whilst competition and raw material difficulties limited the output of certain railway track material, the production of major items, including crossing sleepers and points and crossings, was substantially increased.

A small increase in the output of fasteners in the Bolt Works was achieved, but the manufacture of special and high tensile products was hampered by the lack of quality raw material.

At the Bhandup Works, in spite of unstable conditions in the market for woodscrews and various other small fasteners, a substantial rise in turnover was achieved.

OPERATING RESULTS AND DIVIDENDS

The Accounts for the period under review have been with you for some time and you will no doubt have noted with satisfaction the improvements that have been achieved in the Company's operating results.

Turnover improved to Rs. 16,37,49,450 from Rs. 13,06,09,872 in 1962 representing an increas of 25.4 %. The increased income from sales helped by vigilant efforts to exercise economies has earned for the Company a total surplus before taxation of Rs. 217,43,217 compared with Rs. 1,27,55,590 for 1962. The available profit for disposal has not however, risen proportionately owing to a much higher charge for taxation which for 1963 amounts to Rs. 1,36,59,114 compared with Rs. 55,60,000 for the previous year.

The increased charge for taxation arises mainly from the issue of bonus shares in December last year for which an additional tax of Rs. 26,34,114 is payable calculated at the rate of 12½% on the face value of the shares issued. Furthermore a provision of Rs. 4,29,656 had to be made in respect of the new levy of 7½% on equity dividends introduced by the Finance Act, 1964. It is unfortunate that the welcome exemption from the payment of additional tax in respect of bonus shares, when issued out of share premium account, came just too late for your Company to benefit as its bonus issue was made prior to 1st April, 1964. As a silver lining to this disappointment, shareholders will have no doubt noted with some measure of relief that under the provisions of the Finance Act, 1964, as finally passed, this bonus issue will not attract capital gains tax in their hands.

In my statement to you last year I had occasion to mention that the Company would have no liability to Super Profits Tax in respect of its profits for 1962 but that a provision of Rs. 1,20,000 on this account had already been made, based on the original proposals in the Super Profits Tax Bill. As you know, the Super Profits Tax has now been replaced by a Surtax, but it is estimated that no Surtax will be payable on the Company's profits for 1963. Accordingly, the provision of Rs. 1,20,000 made in 1962 has been written back in the 1963 Accounts.

After all required transfers and appropriations the profit available for disposal is Rs. 66,86,070. An interim dividend of 60 paise per share has already been paid and your Directors have recommended a final dividend also of 60 paise per share, making a total distribution of Rs. 1.20 paise per share for the

52 weeks ended 28th December, 1963. The balance of Rs. 3,64,196 has been taken to General Reserve. Members of the the Company will, I am sure, appreciate that the reduction of 20 paise per share in the total distribution for 1963 compared with that for 1962 was inevitable in view of the additional tax payable on account of the bonus shares issued and the levy of 7½% tax on equity dividends, which amounts would otherwise have been available for disposal.

Whilst on the subject of the accounts. I should like to mention again some of the important features of the Balance Sheet.

The authorized capital of the Company was increased to Rs. 10,00,00,000 in December last year primarily to enable the bonus share issue to be made. The paid-up capital of the Company was also increased from Rs. 4,00,00,000 to Rs. 6,32,18,740 by the issue of 2,14,583 shares of Rs. 10 each to the Tata Iron and Steel Co., Ltd. in exchange for their holding in Sankey Electrical Stampings Ltd., and by the allotment of 21,07,291 bonus shares of Rs. 10 each out of the Company's share premium account.

Opportunity was taken last year of the Company's Debentures being offered at or below par to purchase and cancel Debentures worth Rs. 10,25,000 by utilizing the amount standing to the credit of the Debenture Sinking Fund. The outstanding liability for debenture loan at the end of 1963 has therefore been reduced to that extent. The effect of this operation is fully reflected in the movement in the Debenture Sinking Fund Account.

On the other side of the Balance Sheet you will find an investment of Rs. 38,20,000 in equity shares of a new Company, Sankey Wheels Ltd. This is in accordance with a Resolution approved at your Annual General Meeting last year.

SANKEY ELECTRICAL STAMPINGS LTD.

For our subsidiary Sankey Electrical Stampings Ltd., the year 1963 was an abnormal one. At its major works at Bhandup, as a result of inter-Union rivalry, a large number of workmen resorted to 'go-slow' tactics which culminated in an unjustified strike. Weeks of tension followed, but, thanks to the unequivocal stand taken by the company, with the support of the findings of the State Evaluation Committee and of its own commendable record of labour relations, and thanks, also to the understanding of the company's stand shown by those with authority and competence to judge, the strike was called off unconditionally after 108 days. I had intended to share with you today some thoughts evoked by this deplorable strike, but the recent constitution of a Court of Inquiry by the Government of Maharashtra to inquire into certain issues connected with the strike makes it inopportune for me to do so. Before leaving this topic, however, I should like to commend the devotion and loyalty displayed by all members of the management, the supervisory staff and those workmen who, during the period of the strike, worked under great stress, and at considerable personal risk, to ensure that essential supplies, in particular to the Defence services, were not interrupted. I should like at the same time to say a special word of gratitude to the company's wide circle of customers, both big and small, who, by their patience and forbearance, though being put to serious inconvenience and worse themselves, gave strength and support to the company during those trying days.

Apart from this unfortunate labour trouble, the Company was hard put to it to obtain sufficient supplies of transformer grade steel which have all to be imported. In spite of these major handicaps, the Company was able not only to maintain but actually to increase its turnover to a small extent. The programme for diversification of the range of manufacture continues to make good progress, and in fact, the increase in turnover is due entirely to these new products. There is now in hand another important project, the manufacture of brake components for the automobile industry, which in due course will further augment turnover.

FUTURE DEVELOPMENT

Construction of the new steel melting shop is making good progress and the Stage I plant will be in production next year. A year ago I mentioned the proposed reorganisation of the rolling mills, and I am now glad to inform you that this project has since been approved by the Government of India. The reorganisation includes the installation of a new merchant bar mill in new buildings and will permit the running down of some of the old mills which have been in service since 1932.

Much of the old plant in the Calcutta bolt works is being replaced by specialised, modern equipment and this is expected to lead to improved quality and some diversification in the range of sophisticated fasteners manufactured.

Work started towards the end of the year on the extension of the bright steel bar shop. The new plant has since been commissioned and will contribute to earnings in 1964.

At the Bhandup Works certain outmoded machines were replaced during the year by modern, high production plant and a new material storage bay and pickling plant were constructed and commissioned. The expansion of woodscrew capacity was largely completed and the plant is now being worked up to the required level of efficiency. The Government of India granted approval for the expansion of self tapping screw capacity and it is hoped that the plant will be installed next year.

Many other projected schemes for expansion and modernisation are on the drawing board, and, whilst newly installed plant is being carefully nursed into a state of optimum efficiency, planning for your Company's future continues.

To enable you to obtain a clearer idea of the scale of our development programmes, I should like to add that capital expenditure during the three years 1964-66 on planned expansion and rehabilitation projects is expected to be Rs. 7½ crores, of which a sum of Rs. 2½ crores represents foreign exchange. Expansion will naturally continue beyond this period, but as plans are under continuous revision in the light of changing demands and shifts in priority, it would not be realistic to give an estimate of the cost of such future expansion. By far the greater part of the foreign exchange required will be in sterling, and for this we shall be dependent on the liberal aid which, with a vast and invaluable fund of technical advice, we have been receiving from Guest, Keen & Nettlefolds Ltd.

Never since independence have the preservation of our national unity and the achievement of rapid and accelerated growth, in industry and possibly even more in agriculture, been as urgent and crucial as now. Yet, it is to be doubted whether we are continuing to hold our own with other large and developing countries with whose standards of performance our own will necessarily be compared. More than ever before, the pursuit of our national purpose must therefore today form the prime motive behind the efforts of us all. It is in this realization that your Company will continue, within its capacity and its resources, to play its part in helping to build the industrial strength of our country and promote the well being of our people.

Finally, I should like to express on your behalf, and on my own, our thanks to the staff and all employees who have worked keenly in the Company's interest during the year. Rapid growth and reorganization bring many frustrations in their wake, and the success of the Company's operations is a tribute to the loyalty and enthusiasm displayed by its personnel.

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

a new dimension to investment

The Unit Trust of India—established by an Act of Parliament—offers you a unique form of investment which is safe, brings a steady return and is liquid enough to realise when you are in need of funds. This is : Units under the Unit Scheme, 1964.

The object of the Unit Trust is to pool the savings of the community by sale of units and to invest them in well chosen securities of diverse types. The investment policy of the Trust is to build up a balanced portfolio of investments, yielding an average return of over six per cent per annum.

Barring expenses limited by statute to a maximum of five per cent of the income, the Trust will distribute the balance to the unit holders as dividend.

Income from dividend up to Rs. 1,000 is free of income-tax in the hands of unit holders.

The management of the Unit Trust is vested in the Board of Trustees consisting of representatives of the Reserve Bank of India, State Bank of India, Life Insurance Corporation, commercial banks and business and financial institutions.

Each unit will be of the face value of Rs. 10. You can buy ten or a multiple of ten units. There is no upper limit to investment in units.

The Trust offers the initial sale of units at par from July 1 to July 31.

By investing in units, you get these advantages :

Safety of Capital
Assured Income
Promise of Capital Growth
Spread of Investment
Tax Concessions
A Share in the Nation's Growing Industrial Prosperity

Details of the unit scheme and application forms will be available at over 3,500 offices of the following banks from July 1 :

State Bank of India, Bank of India Ltd., Central Bank of India, Punjab National Bank Ltd., United Commercial Bank Ltd., Allahabad Bank Ltd., Bank of Baroda Ltd., State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, Bank of Maharashtra Ltd., State Bank of Mysore, State Bank of Patiala, Bank of Rajasthan Ltd., State Bank of Saurashtra, State Bank of Travancore, Indian Bank Ltd., Devkaran Nanjee Banking Co., Krishnaram Baldeo Bank Ltd., New Bank of India Ltd., Syndicate Bank Ltd., Tanjore Permanent Bank Ltd., United Bank of India, Union Bank of India Ltd., British Bank of the Middle East Ltd., Chartered Bank, First National City Bank, Hongkong and Shanghai Bank Ltd., National & Grindlays Bank Ltd., Netherlands Trading Society Ltd., Mercantile Bank Ltd., Oriental Bank of Commerce Ltd. and Indian Overseas Bank Ltd.

Unit Trust of India

Amar Building, Pherozeshah Mehta Road, Bombay-1.

BA 64/119

RESERVE BANK OF INDIA

Applications are invited for the following posts in the Reserve Bank of India :—

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

(i) **Deputy Chief Officers, Department of Banking Operations :** Rs. 1275-75-1575.
(ii) **Banking Officers:** Rs. 430-430-55-815 EB 55-925-60-1045.

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

In addition to pay, the selected candidates in both the categories mentioned above will be eligible to draw local pay (at centres where it is admissible) and house allowance at rates prescribed from time to time. Dearness Allowance is also admissible to Category (ii) at rates prescribed from time to time.

(B) **QUALIFICATIONS :**

(i) **Deputy Chief Officers:** Applicants should have a minimum of 15 years' commercial banking experience out of which not less than five years should be in a responsible position. Preference will be given to applicants with high academic qualifications who have made a special study of Economics, Banking, Commerce or Accountancy.

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

Candidates who have applied for these posts in response to previous advertisements issued during the last three years need not apply again.

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

(C) **AGE LIMITS AS ON 1ST JULY, 1964:**

(i) **Deputy Chief Officers:** Candidates should not be over 45 years of age.

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

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

3. Applicants for the above posts must remit with their applications a fee of Rs. 7.50 for each post by cheque or Bank draft on a **Scheduled Bank** payable at Bombay or by Postal Order. **The application fee is in no case refundable.** In the case of candidates belonging to Scheduled Castes/Tribes, the fee will be reduced to one-fourth.

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Hyderabad, Trivandrum, Lucknow, Patna and Jaipur accompanied by copies (originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the Graduate and post-graduate degree examinations and two testimonials should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the 25th July, 1964.

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

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

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

8. Selected candidates will have to appear for interview/s before the Selection Board at any of the Bank's Offices.

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

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

11. Canvassing in any form will be regarded as disqualification.

RECORDS AND STATISTICS

Swaminathan Committee Report

THE GOVERNMENT of India in the Ministry of Industry constituted a Committee, (which has come to be known as the Industries Development Procedures Committee) by their Resolution dated September 24, 1963. The terms of reference of the Committe were to review the procedures relating to the operation of the controls applicable to the establishment of additional Industrial capacity under the Industries (Development and Regulation) Act, 1951, the import of capital goods, the issue of capital, and foreign investment and collaboration and to suggest such modifications as would reduce delays in decision. In a subsequent letter dated October 11, 1963, from the Secretary to the Government of India, in the Ministry of Industry to the Chairman of the Committee, it was clarified that the procedures governing the licensing of raw materials for industry could also be deemed to be included in the terms of reference of the Committee. The Committee submitted an interim report on December 17, 1963, which appeared in the Records and Statistics section, on page 115 in 'Eastern Economist' dated January 17, 1964. In this final report, the Committee has considered procedures and matters other than those covered by the recommedations in the Interim Report.

Forms of application for industrial licences and licences for the import of capital goods. The Committee has given detailed consideration to the form of application prescribed for industrial licences (form D prescribed under the Registration and Licensing of Industrial Undertakings Rules, 1952) and also the application prescribed for import of Capital Goods, and wishes to suggest some modifications to these forms, mainly with a view to ensuring simplification in some ways and provision of all information necessary for a quick and satisfactory decision. Another consideration that has been taken into account is the extent of detailed information likely to be available to the applicant at the time of his application. The forms have been revised (not reproduced here).

Tax Machinery Tightened

Item (2) in the form of application for the import of Capital Goods relates to Income-tax Verification Certificates. The machinery of tax collection has been progressively tightened up since these certificates were originally asked for. And, in any case the certificate relates to a past period and does not necessarily ensure that in the immediate period preceding an application for a licence, the applicant has not either evaded or defaulted on tax payment. This item appears to the Committee to be of doubtful value. While the Committee does not specifically suggest the deletion of this item from the form, it has requested the Chairman to discuss with Government the need for the continued retention of this item in the form. The obtaining of the certificate often entails delay which is avoidable.

The Committee has recommended the submission of two applications for industrial licence, one, a preliminary application to enable the issue of a 'letter of intent' speedily, and the other a final application at a later stage at the time of the issue of a formal industrial licence. The Treasury Challan, as prescribed, need accompany only the preliminary application. The consideration which has guided the Committee in suggesting two applications instead of one application as hitherto is that at the time of initial application, the entrepreneur does not have a detailed, clear picture of all the items prescribed in the application form. It is not unlikely that in respect of many of the items on which information has been furnished by the applicant in the preliminary application the position may change substantially after consultations and negotiations with foreign collaborators and machinery suppliers, both indigenous and foreign. The preliminary application would enable the speedy issue of a 'letter of intent,' after a broad and not too meticulous examination of the essential features of the proposal to establish an industrial unit. As the Licensing Sub-Committee's final decision on the conversion of a 'letter of intent' into an industrial licence would depend on a correct final appraisal of all material factors, a final application is being proposed. In the case of 'key' industries, this final application should be considered along with the simultaneous consideration of the subsequent clearances relating to capital goods imports, foreign collaboration terms, issue of capital etc. In the case of the remaining industries, the form of final application should be submitted either along with the capital goods import application or at some other suitable point of time, when all the relevant final details are available to the applicant. This application should be considered by the administrative Ministry concerned with the industry before conversion of the 'letter of intent' into an industrial licence. Where there is a substantial departure in the final application from the details given in the initial application in material particulars, the administrative Ministry concerned should, where necessary, place the case again before the Licensing Sub-Committee, before the 'letter of intent' is converted into a licence.

Requisite Amendments

The Committee recommends that appropriate amendments, where necessary, should be made in the Registration and Licensing of Industrial Undertakings Rules to give effect to the above recommendations. Meanwhile the Committee recommends the immediate adoption of the revised procedures suggested.

Form of 'Letter of Intent.' The speedy issue of a 'letter of intent' has been recommended by the Committee so that it may be possible for the entrepreneurs to carry on negotiations with foreign collaborators and/or manufacturers of machinery. In order that the 'letter of intent' may fully serve this end, it is necessary that this document should contain a positive assurance regarding the eventual issue of an industrial licence, subject to conditions to be specified being fulfilled. Accordingly, the Committee has given some thought to the form in which the 'letter of intent' should be couched. A new form has been recommended by the Committee (not reproduced here).

Priority treatment for certain industries other than 'key' industries which are import saving or substantially export oriented. The Committee has noted that substantial imports are at present taking place in certain industries listed below. It recommends that, though these have not been included in the list of 'key' industries, the accelerated procedures recommended in the Interim Report should, as far as practicable, be made applicable to them also, so as to ensure that adequate manufacturing capacities are speedily established.

Key Industries

Industrial chains, Transformer Oil, Insulating Paper, High Tensile Galvanised Steel Wires, Laboratory Glassware, Detonators and Detonating fuse, Synthetic Fibres, Caprolactum.

The Committee recommends similarly that accelerated procedures may also be adopted in the case of any industries which Government consider to be of a special importance from the point of view of earning substantial amounts of foreign exchange through exports.

Residual action in cases where letters of intent/licences have already been issued for 'key' industries. As a sequel to the recommendation in the Interim Report regarding the procedures for 'key' industries the Committee further recommends that cases of applications in which letters of intent or licences have already been issued for 'key' industries should be examined with a view to fixing time limits for the completion of formalities and obtaining of clearances for capital goods imports, foreign collaboration, capital issue i.e., (six to twelve months from the date of the grant of the letter of intent or licence, as the case may require). The accelerated procedure of simultaneous clearance by the Licensing Sub-Committee should be applied when the holders of these letters of intent/licences come up for other clearances.

Procedure for industries other than 'key' Industries. The Committee has considered whether in the case of industries other than 'key' industries the procedure for simultoneous consideration of all subsequent clearances after the initial issue of the 'letter of intent' could be adopted. For various practical reasons, including the foreign exchange shortages which make difficult the prompt clearance in all cases of import of capital goods, it has not been found practicable to follow the procedure recommended for 'key' industries.

3-Month Limit

In the case of these industries, the Committee, however, recommends that, wherever the availability of foreign exchange is not the main limiting factor, after the issue of a 'letter of intent,' all subsequent clearances such as applications for the import of capital goods, approval of foreign collaboration terms and the issue of capital, should be given within three months from the date of receipt of the respective applications. In order to keep a watch on the disposal of these applications, and to ensure that the prescribed time schedules are followed, as far as practicable, it is recommended that a list of cases which have not been disposed of within three months from the date of receipt of the applications should be put up for consideration at each meeting of the C.G. and Foreign Agreements Committees. Cases where applications for the issue of capital have not been disposed of within three month should be brought to the notice of the Licensing Sub-Committee at each of its meetings.

Procedure relating to licensing of raw materials/components. The Committee has examined the existing procedures for licensing of imported raw materials/components required by industry. It has been represented to the Committee that there are considerable delays in the issue of licences which are often issued only at the end of each licensing period. This delay is usually caused by the delay in the allocation of foreign exchange, owing to uncertainties connected with the availability of foreign exchange. As delay in the issue of licences for raw materials affect industrial production, the Committee recommends that ways and means should be found of issuing the licence within three months of the commencement of each licensing period. If, for any reason, this procedure is not found practicable, in the interests of ensuring continuous production, the Committee recommends that ad hoc licences equal to 50% of the value of the licences for the first half of the previous licensing year should be issued. The Committee realises that this would entail additional work, but in the interest of uninterrupted industrial production, this procedure is recommended.

According to the current procedure, only 50% of the value of the licence can be utilised during the first half of the licensing period. For the second half, a further announcement of policy by Government has to be awaited. The Committee recommends that by a general notification all licensees should be authorised to utilise at least 50 per cent of the value of the licence for the second half, pending the final announcement of policy for the second half of the licensing period. This would enable a minimum quantity of raw materials (or components) being ordered in time to maintain uninterrupted production. In many cases raw materials (or components) take a few months after order to be delivered.

Value-Wise Restriction

The Committee further recommends that while issuing licences, the limitation should normally be value-wise and not quantitative, so that the licensee has the direction to import any of the permissible items listed in the licence in such proportions as may be necessary. If it is seen that the adoption of the practice leads to misuse of the concession, appropriate remedial action in the case of the individual units concerned could be taken. In any case, "banned" items may not be imported.

Import Licence for spare parts either received short or in damaged condition and replacement of which is made free of cost either by the supplier or on payment by Insurance Company. Representations have been made to the Committee about delays in the issue of import licences for spare parts which are either received short or in a damaged condition and replacement of which is made free of cost either by the supplier or on payment by the Insurance Company. Delay in receipt of such spare parts often holds up production. The Committee recommends that where the cost of replacement is being paid by the Insurance Company, a licence should be issued automatically. Where the cost of replacement is met by the supplier, the Committee recommends that special efforts should be made by the Licensing authorities to issue the licences expeditiously.

Procedure followed by the Industrial Credit and Investment Corporation of India and Industrial Finance Corporation for the grant of loans—special procedure for 'key' industries. The Chairman of the Committee has had discussions with the Chairmen of the Industrial Credit and Investment Corporation of India (ICICI) and of the Industrial Finance Corporation (IFC) regarding the procedures followed by them. It has been agreed by the Chairmen of both the Corporations that if the parties concerned could approach the I.C.I.C.I./I.F.C. immediately after the issue of the 'letter of intent,' in the case of 'key' industries, the Corporations would take up consideration of their cases without waiting for clearances by the Capital Goods Committee. Final clearance of the application by the Corporation would, of course, be subject to clearance by the Capital Goods Committee. This procedure would result in a substantial saving of time and the Committee recommends the adoption of this procedure.

Reconstitution of the Committee after a year: Government has already implemented the main recommendations in the Interim Report. The Committee hopes that Government will soon take a decision on the recommendations in this Report. The Committee considers it important that the actual working of the revised procedures should be studied over a period of time. Accordingly, the Committee recommends that this Committee, with the same composition as far as may be, be reconstituted after a year to study the results of the working of the revised procedures and asked to make a report and suitable recommendations to Government. The co-ordinating Section in the Ministry of Industry should maintain statistics showing particularly the pace of disposal of applications under the revised procedures and other details so that the Committee, if and when reconstituted, may have the necessary

factual information for an appraisal readily available. At that point of time the feasibility of adopting the accelerated procedures in the case of industries other than 'key' industries could also be studied.

Govt. Decision

Government accept in principle the above recommendations of the Committee. As regards the Committee's recommendations regarding the licensing of raw materials/components, Government believe that it should be possible to issue licences within a period of three months from the commencement of each licensing period; every endeavour will be made to ensure this. Should there, however, be delay, Government have devised a simpler alternative procedure to secure the object which the Committee had in view. Instead of issuing ad hoc licences, it is proposed to take action as under:

(i) In the case of industries where annual licensing is done and where the raw material requirements are not likely to be met from newly developed indigenous sources, annual licences of the same value as for the previous year would be issued subject to the condition that during the first half of the licensing period only 50% of the value of the annual licence can be utilised. There would be simultaneous authorisation for the utilisation of an additional 25 per cent from the commencement of the second half of the licensing period. The value of these licences would be suitably adjusted when the final policy for the period is announced.

(ii) In other cases, licences for the industry's requirements for the first half year will be issued of a value not exceeding the value licensed for the first half of the previous licensing period.

The additional authorisation of 25% of the value of the annual licence for the second half of the licensing period will not, however, be made in the case of established importers.

Appropriate steps are being taken to implement the recommendations of the Committee.

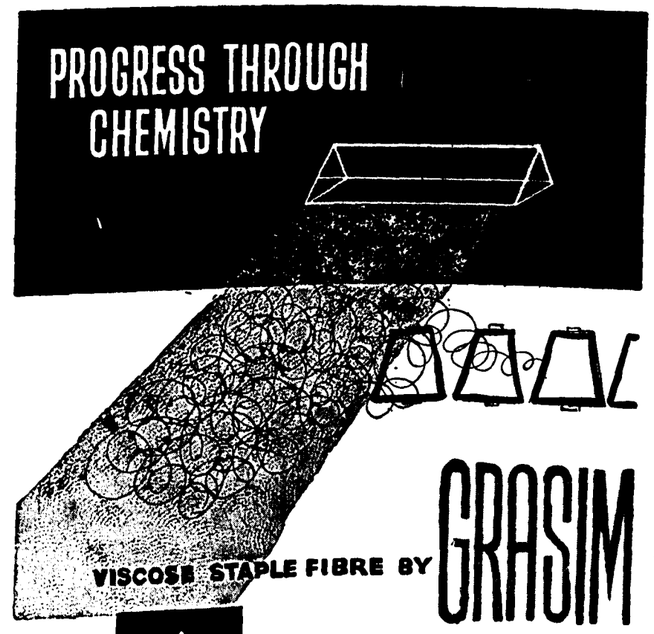
DIRECTION OF INDIA'S FOREIGN TRADE

(Rs. Lakhs)

Country	Imports		Exports*	
	1963-64	1962-63	1963-64	1962-63
E.E.C.				
Germany, West	88,67	98,66	18,60	15,17
France	13,86	14,20	8,86	8,50
Belgium	8,62	8,16	6,51	4,42
Luxembourg	Neg.	Neg.	Neg.	Neg.
Italy	16,18	22,21	11,16	9,48
Netherlands	10,44	13,82	10,40	8,88
Total E.E.C.	137,77	158,05	55,53	46,45
E.F.T.A.				
United Kingdom	168,89	186,56	160,71	162,24
Norway	1,00	1,78	1,23	99
Sweden	11,47	8,55	1,81	1,69
Denmark	2,10	2,31	2,78	2,61
Switzerland	12,05	10,42	1,05	1,62
Austria	3,38	2,90	31	30
Portugal	27	33	20	21
Total E.F.T.A.	199,16	211,85	168,09	169,66
Other West European Countries				
Yugoslavia	10,11	7,89	9,29	11,07
Finland	2,13	2,11	34	27
East European Countries				
U.S.S.R.	63,99	58,64	52,10	37,99
Germany, East	9,74	7,82	10,08	8,48
Poland	10,36	8,13	9,49	11,55
Hungary	6,63	2,96	6,06	6,14
Rumania	1,85	2,61	2,75	3,38
Czechoslovakia	17,34	19,71	15 16	11,14
Bulgaria	3,74	2,37	2,82	1,70
Total East European Countries	113,65	102,24	99,46	80,38

Country	Imports		Exports*	
	1963-64	1962-63	1963-64	1962-63
Asia				
Aden	2,20	2,90	6,15	4,78
Afghanistan	4,98	5,26	7,57	6,14
Bahreen Islands	5,11	5,06	2,08	1,80
Burma	8,99	9,09	6,31	5,01
Ceylon	6,01	8,18	19,15	13,36
Federation of Malaya	12,09	10,71	12,75	6,65
Indonesia	1,68	1,38	2,41	4,05
Iran	47,90	45,88	4,66	6,36
Iraq	1,63	1,84	3,25	3,71
Japan	62,63	64,86	58,55	33,37
Kuwait	44	20	4,07	3,91
Pakistan	9,36	16,65	7,17	9,38
Philippines	46	18	43	29
Singapore	5,31	8,11	17,30	9,37
Thailand	83	95	1,13	1,99
Africa				
Ghana	66	30	1,47	1,40
Mozambique	8,06	5,34	68	82
Nigeria	76	12	3,78	6,15
Sudan	8,52	17,11	7,84	8,96
Kenya	3,45	5,66	5,02	5,45
Uganda	80	1,30	66	64
Tanganyika	4,98	5,64	2,47	2,77
Zanzibar and Pemba	1,46	2,38	29	29
America				
U.S.A.	390,24	346,84	128,32	113,81
Canada	24,16	16,87	21,17	22,19
Argentina	5	10	10,08	8,08
Oceania				
Australia	17,22	24,28	17,59	18,54
New Zealand	1,32	1,83	7,26	6,25
Total (incl. other countries)	1143,60	1131,48	762,89	678,15

*Excluding re-exports.



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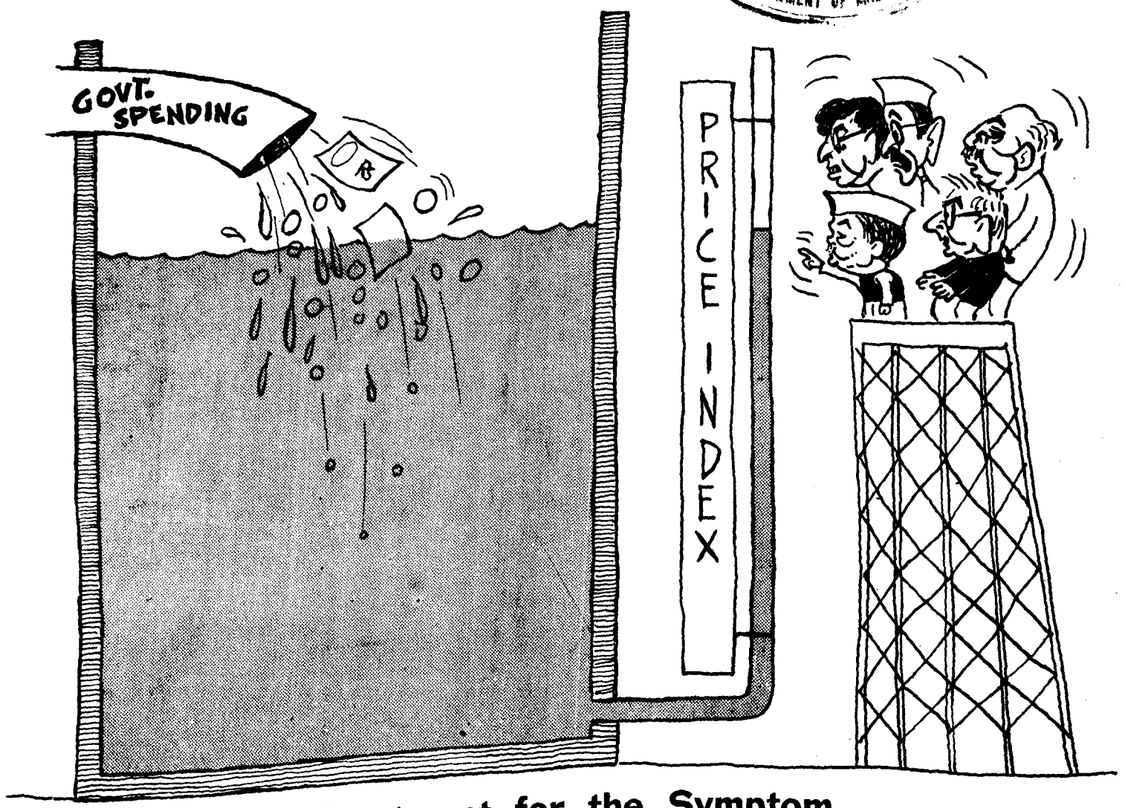
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The Truth About Prices

THE NEW Minister for Food and Agriculture faces a situation where the problem of prices is changing not simply quantitatively but also qualitatively. That the cost of living has been slowly and steadily rising is indeed no new phenomenon. Thus between 1960 and 1963, the all-India cost of living index had gone up from an annual average of 123.6 to 134. But lately a significant new trend seems to be emerging. Until some time ago the increase in the cost of living was noticed mostly in the second half of the year which, given our agricultural cycle, is relatively the leaner part of the year. In the current year, however, the average of the all-India cost of living index for the first three months of 1964 was 142 as against the average of 137 in the second half of the previous year and 131 for the first half. Now the significance of this altered trend in the behaviour of the cost of living evidently is that the economy has been driven deeply into a phase of price inflation. A chronic malady has now become an acute one as well.

This assessment has a special meaning for the problem of prices. It is, no doubt, true that the spurt in the cost of living in the earlier months of 1964 and over the closing months of 1963 was provoked considerably by a reduction in the size of the kharif crop. But that alone cannot account for the fact that, in the case of a wide range of essential commodities, supplies are becoming increasingly hard to get at prices which were prevailing only a short time ago. It should be tempting to attribute higher prices simply to lower outputs or to consumption growing more rapidly than production. That this explanation has a great deal of substance in it will not, however, help to make it completely true. It is a fact of current and common experience that many things are scarce only in a relative sense, that is, they are scarce at yesterday's prices, but they promptly become more accessible once the consumer is prepared to pay somewhat more. To this extent it is certainly true that hoarding in the sense of producers or the trade holding on to their stock in expectation of rising market is prevalent to some extent and is not a factor which could be ignored in discussing the price line. But it must be noted too that sellers' resistance is motivated by and subsequently borne out by the rising market.

The basic problem, therefore, is why there is this rising market. Is it because people are becoming steadily more and more prosperous and are able to afford to buy and consume more and more? If that were the entire explanation, rising prices will cease largely to be the serious social problem it is, although it would still be, in some ways, an economic problem. But this is surely not the situation now. While over the last 17 years, the economy has developed to some extent and the benefits of that development have percolated to the people, the improvement in the capacity of the mass of the people for increased consumption has certainly not been very large. In any case, there has been no particular gain in the dimensions of this improvement in the last two or three years. If, therefore, there is still this problem of rising prices associated with a disequilibrium between demand and supply, it must be regarded not so much as a reflection of prosperity but as an aggravation of poverty. The problem of prices essentially is a problem of dealing in a comprehensive manner with inflationary forces of the economy which have now gathered dangerous momentum.

Viewed in this manner, the question of food prices also becomes, in its essence, an economic problem of very wide dimensions. It is necessary

to see this clearly. Otherwise, there is a danger that hand-to-mouth measures of limited value or utility will be resorted to in enthusiasm but will end up in disappointment and frustration. This is why we would say that some of the remedies which are currently fashionable and which the Central Government will be discussing with Chief Ministers of States this week are irrelevant or at least unhelpful beyond a point. The Finance Minister some time ago spoke about state trading in foodgrains. His logic, no doubt, is perfect. In theory, given the basic inflationary situation, if the food price line is to be held, it is impossible to deny the inevitability of a very strict system of food controls. The Finance Minister's view seems to be that this system should be exercised primarily at the wholesale stage. This has the merit of avoiding the known defects of Government monopoly procurement from farmers at the one end and total rationing of consumers at the other. But it is significant that discussions among officials have tended to conclude that even this pattern of control

ALL-INDIA COST OF LIVING INDEX

(Base: 1949=100)

Month	1960	1961	1962	1963
January-June (Average) ..	122.3	123.8	128.0	131.0
July-December (Average) ..	125.0	127.8	132.7	137.3
Percentage change of second half over first half	+2.2	+3.2	+3.7	+4.8

might place excessively heavy burdens on the administrative machinery. Hence much of the current talk about the so-called strategic controls without anyone really seeming to know what these strategic controls are to be.

Fortunately, while the Government might permit itself the luxury of theoretical exercises, when business comes to be talked at the Chief Ministers' conference, more pragmatic considerations are bound to come into play. We would, of course, readily concede that, in the present circumstances, private trading in foodgrains is not functioning satisfactorily. But we would also say that there is no reason at all to suppose that any extensive government intervention with the channels of distribution at this stage will be a help to the consumer. Whether we like it or not, between now and the next kharif harvest there lies a period during which the food price line will continue to be distressingly undisciplined. This may be a disagreeable fact but it is, nevertheless, one which will have to be honestly faced. This is, of course, not to say that the Government need not or cannot take short-term relief measures to ease the position. That may and should, of course, be done. The new Food Minister has started well in this respect by readily accepting the demands of Maharashtra and Gujarat for supplies of foodgrains needed to tide over difficult conditions in those States. In the same manner the requirements of West Bengal too will now have to be provided for. But the Government's capacity to go to the rescue of strained or stranded States is not unlimited and is entirely dependent on how soon more grain will be reaching this

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Group and Sub-group	Week-ended 30-5-64	Week-ended 1-6-63	Percentage change of (1) over (2)
	(1)	(2)	(3)
I. **Food Articles**	150.1	133.0	+12.9
Cereals	130.3	110.4	+18.0
Pulses	137.1	107.0	+28.1
Fruits and Vegetables ..	177.6	138.9	+27.9
Milk and Ghee	138.3	128.8	+ 7.4
Edible Oils	176.7	149.6	+18.1
Fish, Eggs and Meat ..	154.9	147.9	+ 4.7
Sugar and Gur	192.3	183.0	+ 5.1
Others	177.7	177.5	+ 0.1
II. **Liquor and Tobacco** ..	118.6	118.7	— 0.1
Tobacco	115.6	115.8	— 0.1
III. **Fuel, Power, Light and Lubricants**	141.7	139.9	+ 1.3
IV. **Industrial Raw Materials** ..	150.3	138.4	+ 8.6
Fibres	135.2	134.3	+ 0.7
Oilseeds	177.7	151.2	+17.5
Minerals	103.2	93.4	+10.5
Others	130.6	125.0	+ 4.5
V. **Manufactures**	133.8	130.5	+ 2.5
(a) **Intermediate Products**	146.6	139.1	+ 5.4
(b) **Finished Products** ..	131.7	129.1	+ 2.0
(i) **Textiles** ..	128.9	127.2	+ 1.3
Cotton	137.4	135.0	+ 1.8
Jute	98.5	102.1	— 3.6
Woollen ..	168.7	142.7	+18.2
Silk & Rayon ..	141.9	137.3	+ 3.4
(ii) Metal Products	168	161.5	+ 4.6
(iii) Chemicals ..	119.4	117.1	+ 2.0
(iv) Oil Cakes ..	185.0	164.6	+12.4
(v) Machinery and Transport Equipment	125.8	123.2	+ 2.1
(vi) Others	127.5	128.0	— 0.4
VI. **All Commodities**	144.5	133.0	+ 8.6

country under PL 480. The country, in other words, will have to live from ship to mouth in the coming months.

The more basic problem, therefore, is what we are going to do with the underlying economic situation which, more than the changing sizes of the harvests, seems to dominate and direct the trend in food prices and indeed in the general price line. Part of the answer —and this will be a large part — is that production should be increased as rapidly as possible and over as wide a range as possible. Again, while agricultural production has to be stepped up particularly, even the problem of food prices cannot be adequately coped with unless there is a general increase in the production of all consumer goods. It is rightly said, of course, that food prices call the tune for all other prices in the economy. But it is not less true that, under inflationary conditions, the pressure of demand on food prices could and ought to be dispersed by diverting it to other consumer goods the producion of which must, therefore, be increased as well. In fact, one of the reasons why the general price situation has been deteriorating is that in recent years the expansion of production of consumer goods has not been receiving the attention that is its due. Whereas in 1963 the output of producer goods recorded a rise of about 13.9 per cent over 1962, the corresponding increase in the output of consumer goods was only 5.2 per cent. In 1962 itself the rate of rise in the output of producer goods (at 14 per cent) was seven times the increase in the output of consumer goods which was only two per cent in that year. Unless an entirely new attitude is introduced in the Government's planning regarding the relative importance which is to be given to investment in and production of consumer goods industries, an attempt to deal with food prices on a limited basis cannot be made effectively nor can it give much satisfaction to the community.

Equally important is the need for the Government to attend to the general economic aspect of inflation.

INDEX NUMBERS OF WHOLESALE PRICES OF SELECTED COMMODITIES

(Base: 1952-53 = 100)

	30-5-1964	1-6-1963	% change of (1) over (2)
Rice	133	122	+ 9.00
Wheat	114	88	+29.5
Gram	119	89	+33.7
Milk	144	135	+ 6.7
Ghee	131	121	+ 8.3
Sugar	153	136	+12 5
Spices & Condiments	165	154	+ 7 1
Cotton Manufactures	137	135	+ 1.5

The variations in the three major indicators, namely, national income, money supply and wholesale prices show that money supply has been rising at a faster rate than the other variables. As against a rise of 30.2 per

MONEY SUPPLY WITH THE PUBLIC

(Rs. Crores)

		Percentage change
1960-61	2868.46	. . .
1961-62	3045 65	+ 6.2
1962-63	3316.97	+ 8.9
1963-64	3752.90	+13.1

cent in national income in 1963-64 over 1955-56, the increase in money supply was of the order of 69.1 per cent. If the velocity of circulation of money is assumed static in the period under study, wholesale prices should

Eastern Economist 20 Years Ago

JUNE 23, 1944

THE INDO-BURMA Immigration Agreement of 1941, which was concluded only for three years, has lapsed. The possibility of a new agreement between the Government of India and the Burma Government at Simla in the near future has set afoot negotiation. It is apprehended in some quarters that the weakness of the Commonwealth Relations Department whenever Indian interests are involved within the Commonwealth, will result in discriminatory provisions being adopted against Indian migration and investments similar to those in Ceylon or Kenya. The agreement of 1941 had failed to satisfy Indian interests, not only because it sacrificed certain special safeguards under the Act of 1935 for them, but also because it conceded wide limits within which the Burmese Government could effectively discriminate against them. There is evidence to show that the Burma Government lost no opportunity to take unfair advantage of those liberal concessions, and some of its acts went a long way to violate the spirit of the agreement. It is pleaded, on behalf of the Indian interests similar to those for British interests in future Burma, that domicile should be the recognised principle of citizenship and no other consideration should be admitted. In view of the fact that the enemy occupation would have destroyed many records, liberal treatment should be accorded in conferring citizenship rights to Indians after the war. It is further pointed out that Indo-Burmese relations stand on a plane different from the normal international relations. Every eleventh Burman is of Indian origin or domicile having migrated there when the two countries were one. The country is being liberated from a foreign yoke by an army predominantly composed of Indian soldiers. It is the natural outlet of population pressure in India. Its economy is complementary to that of India and it lies within the sphere of India's security. There is no doubt some element of truth in all these points, but it ill befits a country fighting for its own emancipation from the grip of alien economic interests to view her relations with other peoples from such a narrow angle.

have, theoratically speaking, remained unchanged if money supply with the public was increased by 30.2 per cent only. The excess rise of money supply by 38.9 per cent increased prices by 38.4 per cent which, however, is not a true reflection of the rise; the wholesale price index is so constructed that it under-estimates the magnitude of the inflationary spiral.

It is unfortunate that every time the suggestion is made that the Government should not be an agent of inflation through its policies of expenditure, it is protested that planning and development are being assailed. There is, of course, no truth in this defence. There are at least two broad ways in which Government expenditure could be curtailed without development being delayed or diminished. There is, first, the tremendous leakage of the tax-payer's money through corruption and inefficiency in the execution of projects which may in themselves be worthwhile. No honest Minister or administrator can really deny this very considerable element of unproductive expenditure in Government spending. It is useless to try to put a figure to this waste of resources. But we have little doubt in our mind that if the position in this regard is improved adequately, a very large saving in expenditure, amounting to some hundreds of crores of rupees annually, could be effected, thereby lightening the pressure of inflation on the economy. Secondly, there is the no less serious waste of public money in the form of projects which are obviously unproductive or worthless. Here again, neither the existence of this wastage nor its vastness can really be a matter of debate. It is true that official spokesmen have frequently stood up in Parliament and elsewhere to claim that most of the government spending is necessary or productive. But their words have never been taken at their face value; nor is it likely that they themselves really believe what they are saying. Now that the harm which unproductive and wasteful government expenditure does to the economy has become so serious, academic debating becomes an imperti-

nent exercise in cheating the public. Let the Government face the fact that prices are rising in the case of food or other commodities because an inflationary situation has been created, largely by government spending and that a good part of the spending does not contribute to the country's strength or its economic progress, and could, therefore, be eliminated here and now. This matter of food prices in other words is not a matter for ideological witch-hunting or administrative legerdemain. It is a matter to be dealt with primarily through honest policies of government spending and a reform of this spending is a necessary corollary of any short-term schemes of relief which may be recommended and accepted at the Centre's conference with Chief Ministers.

NATIONAL INCOME, WHOLESALE PRICES AND MONEY SUPPLY

	National Income(b)		Wholesale Prices		Money Supply(a)	
	Rs. Abja	Index Number (Base: 1955-56=100)	(Base: 1952-53=100)	Index Number (Base: 1955-56=100)	(Rs. crores)	Index Number (Base: 1955-56=100)
1955-56	104.8	100.0	99.2	100.0	2219.92	100.0
1956-57	110.0	105.0	105.1	105.9	2345.30	105.7
1957-58	108.9	103.9	106.1	106.9	2417.00	108.9
1958-59	116.5	111.2	112.1	113.0	2530.27	114.0
1959-60	118.6	113.2	116.7	119.6	2725.04	122.8
1960-61	127.5	121.7	127.5	128.5	2874.11	129.5
1961-62	130.2	124.2	122.9	123.9	3049.45	137.4
1962-63	133.5	127.4	127.1	128.1	3316.97	149.4
1963-64	136.5(c)	130.2(c)	135.3	136.4	3752.90	169.1

(a) Figures relate to the last week of the financial year.
(b) At 1948-49 prices.
(c) Estimated.

Justice for the Tax-Payer

I.A.T. is the accepted abbreviation of Income-tax Tribunal, but, it seems, it might as well stand for "Invariably A Target" For, off and on, over the score and odd years during which I.A.T. has been there, agitations and attempts have been made — although unsuccessfully so far — to abolish it. Periodically, arguments have been advanced both for and against abolition but, eventually, I.A.T. has always come out unscathed. Assuredly this is not because it has any charmed life. Tested utility obviously has been its *talisman*. More is required than the personal likes or dislikes of even the most powerful in the land, therefore, to give the short shrift to I.A.T. The final say in this matter belongs to the tax-payer and he has said in no uncertain terms that I.A.T. has come to stay and must stay.

Before such an agency as I.A.T., which, according to a fairly large section of tax-payers, has been serving a useful purpose, is abolished, it is necessary to go into the reasons for its establishment and find out whether those reasons have ceased to hold good today. Equally, it is important to make sure that the change proposed is a distinct improvement on the existing position. Now, the *raison d' etre* for the constitution of I.A.T. as an independent agency was the incessant complaint that the Appellate Assistant Commissioners of Income-tax invariably tended to lean more towards the Department. Human nature being what it is, officials in any department, especially of Government, would be averse to going against or reversing a decision of another official, even of a junior, in the same department. It is a sort

of unwritten convention. Moreover, in an income-tax appeal, tax issues are not merely confined to law but also involve technicalities of accounting and commercial practice, not to speak of administration and functioning of industries. So it was that the Government wisely decided, about 24 years ago, to have an independent agency on which there should not only be a judicial member to interpret the income-tax law but an accountant member as well to provide the accounting expertise. This happy blending (of legal acumen with accounting expertise) has served to ensure justice to the tax-payer on all complicated tax issues. Those considerations that prompted the constitution of I.A.T. are as relevant today, more perhaps than at the time of its establishment. Not only are there more tax payers but also more taxes and a bewildering variety of them to boot.

What is to take the place of I.A.T., if it is decided to abolish it as proposed? Tax courts or Revenue courts or recruitment of Appellate Assistant Commissioners from among the more senior officers have been mentioned. None of these, however, can be expected to achieve the same satisfactory results as I.A.T. has been providing. Tax courts or Revenue courts in the present set-up do not appear to command the same measure of confidence as I.A.T. Furthermore, in such courts, it is possible that the fine balance now obtaining as between the judicial and the accountancy elements may not continue to prevail, especially if, as has been suggested by some, the proposed bench should contain two judicial members and one accountant member. As for appointing senior officers of the department, the same arguments as are raised in regard to existing Appellate Assistant Commissioners would apply. So long as the officers belong to the same department, whatever their seniority, the informal convention cannot and will not be broken. If complete independence in deciding tax cases is the desideratum, Appellate Assistant Commissioners should belong to a different department, say the Ministry of Law, as the tax-payers have been urging. In matters of taxation, particularly appeal matters, even more than in respect of other matters, it is very necessary that justice should not only be done but also appear to be done.

All these apart, what will happen to our High Courts if I.A.T. is abolished and all appeals from the orders of the Appellate Assistant Commissioners are sent up to the High Court? The resulting colossal accumulation of work has only to be conjured up to abandon the proposal unceremoniously. How many more benches and how many more judges must we recruit to keep pace with such accumulation? As it is, many of our High Courts are reportedly suffering from an oversurfeit of cases which they are not able to dispose of as expeditiously as many who believe in the axiom that justice delayed is justice denied would wish. The tagging on to them of thousands of tax case appeals would only throw the entire appellate machinery out of gear and create avoidable confusion.

It may be argued that expert bodies like the Law Commission and eminent jurists have advocated the abolition of I.A.T. To this, those who are opposed to the abolition of the I.A.T. retort by pointing to a few of the arresting observations of the Direct Taxes Administration Enquiry Committee. In the unequivocal opinion of this Committee, there is clear need for such an organisation as I.A.T. According to it, similar independent appellate agencies exist in the USA and the UK. It also declared — and this is very important — that the judiciary of the land could not be expected to go into the minute technical and accounting aspects involved in tax appeals and that the High Courts, as presently constituted, would not be able to devote sufficient time to dispose of the large number of cases which are now being dealt with by I.A.T. and which would have to go to them if the suggestion to abolish I.A.T. were accepted. The High Courts and those connected with them may disagree with this view, but the tax-paying public has no illusions on the subject and, in the ultimate analysis, it is but fair that the voice of the tax-paying public must prevail.



PUNJAB COLD STORAGE

Highlights of the Week

SONS AND SINNERS

THE REPORT of the Das Commission, upholding grave charges of corrupt practices against Mr. Pratap Singh Kairon in his capacity as Chief Minister of Punjab, which was released in summary form by the Government of India on June 21, is a profoundly disturbing document. The gravity of its findings spills over a much wider area of public interest than the misdeeds of a Chief Minister who connived at the amassing of wealth by his sons and relatives through improper means and through the exploitation of his position in the State Government, or of some of his colleagues in his Ministry as well as quite a few senior officials in the administration who thought nothing of flouting law or ethics in their scramble to please the Chief Minister by serving the ends of his sons and relatives.

The gravamen of the indictment made by the ex-Chief Justice, Mr. S. R. Das, lies elsewhere. Said the Santhanam Committee only recently: "There is a large consensus of opinion that a new tradition of integrity can be established if the example is set by those who have the ultimate responsibility for the governance of India, viz., the Ministers of the Central and State Governments. The problem is too difficult and delicate. Ministers are necessarily the leaders of the political party which succeeds in obtaining a majority in elections on adult suffrage. There is a widespread impression that failure of integrity is not uncommon among Ministers and that some Ministers who have held office during the last 16 years have enriched themselves illegitimately, obtained good jobs for their sons and relations through nepotism and have reaped other advantages inconsistent with any notion of purity in public life. The general belief about failure of integrity amongst Ministers is as damaging as actual failure. That these Ministers have held office in the name of the Indian National Congress which had evolved the highest notions of personal integrity and service under the inspiration of Mahatma Gandhi has given rise to an exaggerated view of their failure to maintain high standards of integrity. It is a pity that neither the Congress authorities nor the great leaders who took over the Government of India realise the importance of evolving a suitable machinery and procedure for preventing or dealing with such corruption. We are convinced that ensuring absolute integrity on the part of Ministers at the Centre and at the States is an indispensable condition for the establishment of a tradition of purity in public services".

And Loving Fathers

This was, no doubt, a bold statement for a Committee presided over by a professing Congressman to have made, but it would be doing no injustice to Mr. Santhanam or his colleagues on that Committee to point out that their utterances on the subject of integrity among Ministers must sound unduly cautious in the context of the Das Commission's Report. What the Santhanam Committee hesitantly recorded as a widespread and possibly exaggerated impression of failure of integrity among Ministers has now been shown, in the particular case of a Chief Minister and three of his colleagues, to have been a clear and well-founded suspicion of deliberate and consistent abuse of the opportunities and advantages of high office. The question is: Was not the Santhanam Committee rather squeamish in facing the fact that the failure of integrity among Ministers is something more solid and substantial than a mere impression among the public? It may be tempting for the Congress party to yield to a view of Mr. Pratap Singh Kairon as an unusually affectionate or accommodating father, but the Home Minister who has been quick to claim — in our view, without adequate justification — the dethronement of Mr. Kairon as a triumph of the Nanda crusade against corruption, no doubt, has enough evidence in his Ministry to suggest that paternal — and, let us add, "fraternal" — feelings of the kind which had taken possession of the pliant heart and soul of the Chief Minister of Punjab are not by any means a rare sentiment among Congress Ministers. Actually it is within public knowledge that at least in two other States the presiding personalities in Government and party had just managed to evade their own Das Commissions by getting "Kamrajed" in time. Mr. Kairon, in other words, has simply been less fortunate than some other satraps of the nation's principal political party; but he has surely not been the most venal.

The leadership of the ruling party may hasten to claim credit for such actions as has been taken by it on the Das Report or such consequences as have followed almost automatically from that report, but it is necessary to point out here that the Das Commission having arrived at the sort of findings it had been driven to, it was just not possible for the Central Government or for the Congress High Command to let Mr. Kairon continue as Chief Minister of Punjab. As a matter of fact, within the limited area left to it for manoeuvre, the Congress leadership, both at the party level and at the level of the Central Government, had certainly dealt with Mr. Kairon less firmly or brusquely than was justified by the indictment in the Das Report. Thus, in spite of the fact that the Prime Minister, the Home Minister and the Congress President were fully aware all the time of the nature of strictures passed on Mr. Kairon, the latter was not only asked to continue as the head of the Caretaker Government after he had resigned and his resignation had been accepted by the Punjab Governor, but he had also been permitted to sponsor or veto candidates for the succession. In the circumstances, it is unlikely that the Kairon episode would succeed in serving as an effective sop to Cerberus. On the contrary, an aroused and now thoroughly apprehensive public opinion will certainly demand that the other Kairons in the Congress party who too may be having paternal, fraternal or other family or friendly instincts of the kind which were harboured in the Kairon bosom should be brought under judicial inquiry. The charge of corrupt use of government office or political power made against the ruling party cannot any longer be regarded merely as an election slogan of the Swatantra party.

THE GENEVA CONFERENCE

THE DIALOGUE between the developed and the developing countries of the world which was carried on for three months at Geneva on matters of trade and development came to a close on June 16, 1964, without yielding any spectacular results, though the joint declaration of the developing countries stated that the Conference had been a "significant step towards creating a new and just world economic order". On the credit side, the Geneva Conference may claim three broad gains. In the first place, the developed countries have accepted in principle, that they would contribute one per cent of their gross national product by way of resources for the development and aid of the developing countries. Secondly, a decision has been taken to form a continuing machinery — the Trade and Development Board — to implement the decisions of the Conference. Lastly, the Conference would be convened at intervals of not more than three years; the next meeting would, however, be in 1966.

What is the true significance of all these decisions? The resolution to contribute one per cent of the gross national product is not a new one. A similar declaration was made by the developed countries about four years ago. No attempt has, however, been made since then to take the volume of assistance for the developing countries to that level. There is no guarantee that this promise will take practical shape in the years to come. Again, the new Board consisting of 55 members elected by the Conference would be plagued by the special conciliation procedures, although each member has been given one vote and decisions on matters of substance will be taken by a two-third majority. According to the recommendation made for special conciliation procedures, a special committee will be appointed by the United Nations Secretary-General to prepare proposals designed to establish a process of conciliation to take place before voting. Since the next Conference will be held in 1966, the present nebulous state of affairs in international trade and aid will continue for another two years. The same jugglery may be repeated in 1966.

Other Recommendations

A number of other recommendations were approved by the Conference which were all of a general nature and did not grapple with specific problems. Regarding competition from synthetics and substitutes, the Conference recommended "special action of a national and international nature, with a view, among other things, to raising technical efficiency of production of primary commodities, improving quality and grading, intensifying market research, co-ordinating investment planning and policies in the field of natural and synthetic sectors". It was also recommended that developed countries should avoid giving special encouragement to the production of new competitive synthetics when such investment could be employed more effectively in other fields.

The following recommendation couched in vague terms, once again, is an eye-wash, the developed nations knowing fully well that they would lose nothing by lending support to it: "Developed countries are recommended to help the developing nations with technical and other assistance. The US should provide to the developing countries technical assistance to improve one another's markets and to help them overcome the practical difficulties which at present limit trade in primary commodities between developing countries". A few of the other recommendations — all lacking precision — adopted and incorporated in the final Act were:

(a) "The United Nations General Assembly at its 19th Session should take suitable action with a view to the establishment of a specialised agency for industrial development. Pending the establishment of such an agency the existing centre for industrial development of United Nations should, in addition to its present functions, fulfil the functions of the new body".

(b) "The Secretary-General of the United Nations should make appropriate arrangements for the establishment as soon as possible for a committee of governmental representatives drawn from both developed and developing countries to consider the matter with a view to working out the best method of implementing preferences on the basis of non-reciprocity from the development countries as well as to discuss further the differences of principle. The Committee should take into account the recommendations, documents and declarations considered by the Conference as well as the relevant work of other international institutions. The Committee should report to the Secretary-General of the United Nations within a time limit to be set by him. The report of the Committee should be circulated to the Governments participating in this Conference and to the continuing machinery established following the United Nations Conference on Trade and Development".

(c) "The developing countries should take into consideration and for subsequent action various measures relating to integration of exports of manufactures and semi-manufactures in development plans and policies; productive efficiency and cost reduction programmes; standardization and quality control; financial, monetary, fiscal and other aids and incentives; training and research facilities; technical assistance; and national market information and trade promotion centres".

(d) "Whenever international measures to stabilize prices of primary products in relation to the prices of manufactured goods are inadequate, arrangements should be made on an equitable and universal basis, and without prejudice to the general level of financial aid to developing countries, to correct and compensate the deterioration in terms of trade and short-term decline in the export earnings of countries exporting primary commodities with a view to facilitating the implementation of economic development plans and programmes".

Perhaps the only noteworthy success of the Conference was that it produced unity amongst the developing nations who collectively exerted pressure on the powerful, developed nations to yield some ground in extending aid and liberal terms of trade. In regard to aid, the participating countries got divided into two blocs of North and South as against the political division of East and West. The thaw in cold war brought about this new look for the first time, cutting across some of the political affiliations.

MIKOYAN'S VISIT

THE SOVIET First Deputy Premier, Mr. Mikoyan, was in New Delhi on a two-day visit on Sunday and Monday last. During his short stay, he is stated to have exchanged views with the new Prime Minister of India, Mr. Lal Bahadur, the Union Finance Minister, Mr. T. T. Krishnamachari, and the Union Defence Minister, Mr. Y. B. Chavan, on the pressing world problems and Indo-Soviet relations. Reports suggest that Mr. Mikoyan assured Mr. Lal Bahadur and the Union Finance Minister of substantial assistance from the Soviet Union for the fourth five-year Plan. But apart from Bokaro for which aid has already been promised by the USSR, the quantum of the other assistance likely to be available for the fourth Plan from this source may not be known exactly until Russia's own next Plan, beginning in 1966, gets under way.

The Union Government is understood to have impressed upon the Soviet First Deputy Premier the need to expedite the execution of the MIGs project for bolstering India's defences.

The world problems discussed, it is learnt, included the situation in Laos. Mr. Mikoyan, while appreciating the gravity of the Laos situation, is said to have counselled against any alarmist view. He reiterated the Soviet Union's stand on the Kashmir issue and appreciated that the Lal Bahadur Government was striving to follow Mr. Nehru's policy of non-alignment and co-existence.

Mr. Lal Bahadur was invited by Mr. Mikoyan to visit the Soviet Union. The invitation has been accepted, but no date has yet been fixed for Mr. Lal Bahadur's visit to the USSR. Mr. Mikoyan's visit at the present juncture when India is slowly overcoming the shock it suffered from Mr. Nehru's demise and Mr. Lal Bahadur's sojourn to Moscow in the near future should strengthen Indo-USSR relations further and pave the way for greater mutual understanding between the two Governments.

Shares for All

ASIMAVA CHANDA

A FEW weeks ago, giving the third lecture under the auspices of the Economic Research and Training Foundation (B. F. Madan Memorial Lecture Series), Mr. S. G. Barve, Maharashtra's Industries Minister, said among other things:

> "In fact, what we want is a widespread blossoming out of enterprise among the people at large rather than its monopolisation by a few; we also desire for industrial shares a far wider and more popular base of ownership especially including the working classes than is the case today."

Ever since the corporate sector has been on the move for expansion, the idea has gained ground that a wider share-ownership is imperative not only in the interest of society but all the more so for a matching contribution by the largest organised sector of trade and industry to step up the growth of our economy. But despite this widely shared idea and the pressing need for increasing domestic investments, there has been very little concerted effort, except the establishment of a Unit Trust, to broaden the shareholding community; and none so far in the direction suggested by Mr. Barve. The need for a popular base of share ownership has at least been conceded and voiced by many, but practically no serious thought has been given so far to embrace the working class in the share-owning community. Coming as it does from a Government spokesman, one may legitimately hope that Mr. Barve's idea will prove something more than mere wishful thinking and some early steps will be taken not only to attract the industrial workers to this end but also to make it possible for them to share in the ownership of corporate enterprises for the success of which their contribution is by no means mean. An attempt will be made here to develop this idea of share ownership by industrial workers and employees and also to suggest some steps whereby the idea may be put into effect.

Tapping Funds

It is said that in the USA anyone can buy a few shares over the counter while waiting for a train at the Grand Central Station. Now, India is indeed not America but the desirability to try to make the Indian workman as ready as his American counterpart to believe in the advantages to him, his company and his country of profit-making and of investment by him in Industry cannot be disputed however formidable the obstacles may prove initially. From the point of view of urgent development needs of Indian industry, it is clear that unless employees generally come forward to invest their spare cash in the industrial expansion, that expansion will be woefully limited in the future. For a faster growth of the economy to achieve the prosperity which scientific and technological progress potentially command, tapping the funds of the ordinary man and woman may well prove a sizable addition to our limited investment resources. From the social angle too, it is only right and becoming of a country wedded to democratic socialism, that no person should be deprived of sharing to the full, as far as he can, in the growth of Indian industrial and commercial progress. It would be wrong and even social injustice not to try to remove the obstacles which prevent a wage-earner to partake in the country's investment programme, however slender might be his contribution. From the national standpoint also, the ideal of a property-owning democracy would surely be brought nearer by more widespread dispersion of share ownership among those who work in the industries. And, if such ownership becomes really widespread, the identity of interest of all who work in our industry —of employees and their employers — would certainly become much more generally recognised than ever before.

Although such ideas have been discussed and generously advocated in the past followed by various industrial co-partnership schemes, nearly all such schemes have been too narrow in scope and aim to disperse the share ownership to the extent in view. For the schemes, restricted to ownership of shares only in the company for which the employees work, could not go far to stimulate investment in general. Experience of countries which applied co-partnership schemes, notably the UK among them, have shown that they have failed to make saving by investment general or to make it as easy for the wage-earner as for the man of means. Then again, these schemes have involved, by and large, such an element of subsidy to the employee as to fall short of true ownership.

Obstacles to Share-owning

There are indeed far too many obstacles in the way of workers entering into the domain of share-ownership. Apparently, a camel going through the eye of a needle seems easier than for a workman in India to break into investment in shares. The appalling ignorance of the working class coupled with its proverbial poverty possibly makes it an outrageous proposition. But there are unmistakable signs that the position of workmen is changing, however modestly, for the better not only in bigger pay packets (offset, to some extent, by the rising cost of living) but also in the direction of literacy and general consciousness. Even so, it would undoubtedly appear to many to be too premature to think of any scheme whereby workers could participate in investment programmes. But growing to manhood in the Planning age the workers, especially in a socio-democratic setup, must play their role as partners of the growing and expanding enterprises to which we have jointly set our hands. To give this partnership a minimum realistic basis, a beginning must be made sometime now and not in the remote future to open up opportunities for the workers to participate in the ownership of enterprises for which they work, even if it is an infinitesimal fraction of the total ownership, to start with.

In suggesting the steps with which to give a shape to the proposal of share ownership by workers, the writer is reminded of the UK plan announced by "Aims of Industry" in 1958. This plan, intended to remove the obstacles, legal and practical, in the way of investment by employees and to make it as easy for the working man to save some of his wages by taking a share in the British industry as it is for him to buy a packet of cigarettes is still considered much too sophisticated for the Indian conditions. The essence of this plan is that bearer share warrants will be available for purchase over the counter inside the factories so that they can be transferred from one owner to another without registration or filling-in of forms; they are transferable by delivery — literally from hand to hand, and as easily as a currency note. But the operative part of the plan is rather unsuitable for India at this stage For firstly, money has to be provided for purchase on the stock exchange of the initial stocks for sale i.e. the supply of share warrants on the counter. Companies adopting the plan are required to advance the initial amount of money on loan. The loans are made to a small "shop" company, formed by the sponsoring company taking the form of a private company, limited by guarantee, whose memorandum and articles of association ensure that the income and property of the company are applied solely to achieve the objects

of the company which, basically, are to provide facilities for saving through investment by wage earners. Much though the plan attempts to simplify the sale of warrants to the employee customers, it has necessarily to go through minimum formalities to avoid contravention of the Companies Act and connected legislations. However, since it is not intended to make a case for adoption of this plan in this country, a detailed discussion on it is neither necessary nor is likely to prove very useful. That the idea of share ownership by workers has been actively pursued in the UK in a systematic method and proved feasible no doubt provides us with an example whose salient features may well prove worth following. Besides, the 'core' of this plan, that is, provision of facilities whereby ownership of shares is easily available to workers who have possibly no more than Rs. 30 to Rs. 40 to invest in a year, remains much the same with what is suggested for India.

Thanks to the establishment of a Unit Trust in the public sector, a number of hurdles in the way of extending opportunities of investment in shares by workers have been obviated. For unlike the British plan, it would not be necessary either to create a chain of "shop" companies initially financed by loan from the sponsoring companies or to base the scheme on sale of bearer share warrants requiring a good number of companies to issue them. For one thing, share warrants are seldom issued in India and many companies, for reasons of their own, may not be willing to issue them. For another, the British plan is dependent on the willingness of the sponsoring companies to advance the initial fund. Such willingness is a more uncertain factor in the Indian conditions. Moreover, formation of 'shop' companies will naturally involve compliance with many financial and legal requirements. For instance, under the British plan, it is incumbent on sponsoring companies to be careful to make loans to the small 'shop' company they set up so that the latter is constituted a trustee for the purpose of buying shares in the former. And loans for this purpose should be separate from loans for acquisition of shares in other companies to circumvent such difficulties as purchase of its own shares by the sponsoring company.

Over the Counter

What is proposed, therefore, is the extension of the Unit Trust inside the factory — to set up a counter, preferably near the pay office or the canteen, to sell and buy the sub-units at convenient times and to deal with dividend coupons The pre-requisite to this is, of course, that a supply of sub-units shall be readily available to the intending customers. This will at once dispense with complicated legal precautions and what is more, the scheme will enjoy the robust confidence of state backing, inasmuch as the Unit Trust is in the public sector, right from the inception. In regard to the operation of the 'counter', the plan envisages that suitable publicity measures to explain its objectives and popularise the scheme among the worker-investors would be taken and factual information made available to them whenever required. Unfamiliarity with investment and its method may in the beginning make it difficult to sell the sub-units but once their interest is roused, which may indeed take some years, the workers are likely to prove themselves as steady investors as their resourceful counterparts in the investment market. Their readiness to buy the sub-units will, however, be stimulated when it is made clear to them that these are not only salable on mere delivery by the purchaser wherever he pleased, but would always be bought back at the 'counter' at their current market price. Moreover, receipt of returns on their investments twice yearly will undoubtedly be a sustained incentive to the worker-investor. For the provisions relating to the allocation and disposal of the Unit Trust's annual income and relief from taxation are likely to render the returns comparatively attractive and possibly steady. On the whole, under this scheme, the advantages to the worker of saving by investment over the counter are that first, the opportunity is there, in the works, today, when he has pay in his pocket; secondly, he not only benefits from the expert investment skill but also gets a wider spread for his investments; thirdly, he owns the sub-units without registration or filling-in of forms and is spared of the incidental charges which, compared to the size of his investment, may prove prohibitive; fourthly, he may convert the sub-units into cash whenever any pressing need compels him to do so; fifthly, the denomination of the sub-units being as small as Rs. 10, it enables him to venture in investment. This may be made easier if the scheme adopts the 'thrift plan' whereby regular or even irregular savings of even small amounts (as little as a rupee) may be paid over to the counter and when sufficient, used to buy one or more sub-units; alternatively, issue of sub-units of smaller denomination, say, of Rs. 5, may also be considered.

A Drawback

Admittedly, one drawback of the scheme is that sub-unit holders although owners of the underlying investments, would be on a different footing from the shareholders and, as such, deprived of the rights as to voting, attending meetings etc. But, as we all know, such rights are rarely, if at all, exercised by even enlightened small investors. The cost of providing attendance at the counter to sell and buy the sub-units at convenient times and to deal with dividend coupons together with the cost of publicity campaigns to popularise the scheme may be initially high but there is no doubt that as its operations expand, the costs would decline.

It will be noted that the scheme outlined is primarily meant for industrial employees and workers. Its success or failure will depend on how efficiently it is organised and managed. In any case, for proper functioning, it will require helpful and prompt service to the worker-investors who, besides being strangers to investment, have little or no education. For this reason, establishment of a separate unit trust, also in the public sector, which will exclusively serve the employees and workers of our industries, deserves active consideration. Public sector is suggested because, apart from the confidence it will enjoy from state backing, it would ensure both integrity and efficiency of management of the Trust which will ultimately contribute to its success. Besides, a unit trust in the private sector for this purpose would find it extremely difficult to raise initial capital for covering management costs and yield maximum return to unit holders on their invested capital. Moreover, at the present juncture, what is needed is to inspire confidence among the potential worker-investors in the institution of unit trust and once this has been created, more unit trusts may be allowed to be set up in the private sector.

The part which unit trusts, and only unit trusts, can play in broadening the ownership of industry and in providing an element of stability in the capital market is coming to be ever more clearly and widely appreciated; undoubtedly the influential quarters will begin to concern themselves in the national interest to encourage such a development.

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'WINDOW ON THE WORLD

Italy's Prosperity Crisis

From Our Special Correspondent

PARIS:

THE ITALIAN ECONOMIC crisis is heading for a denouement that will probably take the form of a new and more serious round of austerity measures followed by a loan from the other Common Market countries. The other five have already agreed to make the loan (though it will be less than the $1,000 million asked for by Rome), conditional on the Italian Government first enforcing a fairly tough disinflationary policy: higher taxes, increased charges for public utilities, lower State spending and, as far as possible, a wage freeze. The alternative would be that the payment deficit would continue to mount, and before the year were out, Italy would be obliged to devalue the lira and isolate itself from the Common Market for a time. However, there is no reason to foresee that disaster. The measures that Rome is now preparing to take, with an extraordinary slowness, will no doubt be adequate to handle the situation, given the foreign assistance that is promised.

For the Italian crisis is rather less alarming than France's case was in 1958. It is in every sense a prosperity crisis, that could have been dealt with quite expeditiously by a strong and self-confident government. Unfortunately, that is just what Italy lacks today, the electors having returned an assembly that can be governed only by an uneasy coalition. However, before looking at the political complications, let us recall the basic economic malady, which constitutes a textbook case. The long economic boom led to a doubling of industrial output between 1953 and 1961, while national income increased by three-quarters in the same period. The boom seemed to gather pace in 1959-60, when folk started talking about the Italian "economic miracle". The quickening of the tempo of expansion was in reality a bad sign, due to the absence of a firm hand at the reins in Rome, and also to a sort of intoxication with material prosperity in a country that found itself rich for the first time in 2,000 years.

First Experience

Before taking too moralistic a tone about this giddy eagerness to consume which overtook the Italians about four years ago, one must note that the thing they were spending most of their extra money on was food. The conspicuous consumption of the class of insolent rich (more evident in Italy than elsewhere in Europe) and the automobile craze were actually less dangerous than the vast increase in just plain eating and drinking by lakhs of poor people who, in many cases, were having their first experience of regular employment. In the two years 1962-63 workers' wages (which make up two-thirds of the national income) rose by 43 per cent — and outlays on food jumped 28 per cent. It happens that the marketable produce of Italian farms rose by only 1 per cent in each of those years. Obviously, the extra food had to be imported: food purchases abroad soared by 54 per cent in the one year, 1963. Exports of manufactures could not compensate for this, so the trade deficit grew alarmingly.

In other words, there occurred a transfer of resources to a class whose propensity to save is minimal, whose propensity to consume is maximal, and whose consumption centred on a sector where the elasticity of supply is low, agriculture. For industry these same facts meant that in 1962 and 1963 the labour-cost per unit of output rose 27 per cent. Industry absorbed the shock in very creditable fashion; Italian industrial prices rose only 7 per cent in that period, and export sales were maintained (they have actually increased this year). But to do so, industry pared its profit margins and is unable to finance new investment; savings from outside are quite inadequate, for we have noted that income had been transferred to folk who do not save. When a credit squeeze was introduced as a first step toward controlling the situation, the last source of finance for industry, bank credit, dried up. Thus Italian enterprise is desperately short of cash, its expansion plans are on ice, its profits are diminished or wiped out, and of course its stock has plummeted in the share market.

For all that, its situation is fundamentally healthy; witness the alacrity with which the Americans are offering to supply sorely needed ready cash in return for a stake in Italian industry. Montecatini, the country's major chemicals producer, has been bailed out by Royal Dutch Shell, which has taken over half of Montecatini's petrochemicals subsidiary in exchange for the liquidities the Italian firm required. Minnesota Mining and Manufacturing took over Ferrania the photo and films company; Dow Chemical bought a substantial interest in a major Italian drugs firm Ledcga; and so on. Olivetti, similarly in a bad way for ready cash, avoided falling into General Electric's hands, but the Olivetti family had to hand over control to a group of banks and industrial companies who had more cash (Fiat, Pirelli).

Unstable Mixture

This painful shake-out need not have lasted more than a few months, and, given suitable Government action, it would soon have appared in retrospect to be a mere incident in Italian expansion — the sort of skid into which most rapidly developing economies have slipped at least once. The trouble is that suitable Government action was not forthcoming fast enough. Steps were taken in Rome at the start of this year, and they were far from ineffectual. The improvement in the situation (or the slower pace of deterioration) is very evident already, and encourages the belief that if Rome now takes a second and more determined bite at the cherry, the Italian economy will be back on an even keel in six to 12 months. The reason for delay and confusion is that the Government is a coalition of Social Democrats, the Left wing of the Christian Democrats and the Right wing of the Socialists. This unstable mixture is called the Centre-Left Government. It would be more effective if the whole Christian Democrat party and the whole Socialist party were committed to it, but in reality there is a hostile wing of each party that is opposed to working with the other, and keeps up a guerrila war against colleagues in the Cabinet. Thus ex-premier Fanfani is constantly taking pot-shots at fellow Christian Democrat Moro, who heads the coalition, while Signor Nenni, who led the Socialists into the coalition is under fire from pro-Communist Lombardi in the party's paper 'Avanti'. Naturally, under these conditions the Government finds it difficult to take the decisions, some of them unpleasant, that the situation cries out for.

One has seen, notably in India and France, motley coalitions of this sort handle quite dangerous economic crises thanks to a firm and courageous finance minister. But, because of distrust between the parties, Italy today is cursed with three finance ministers: a Christian Democrat "Treasury Minister", Colombo; a Socialist "Budget Minister", Giolitti; and a Social Democrat "Finance Minister", Tremelloni. Each has a say in the formation of economic policy, and at a moment when determined action is needful three cooks are quite enough to spoil the broth. These political details are required if one is

to understand why the Italian economic crisis has dragged on longer than seems reasonable, and why it appears graver than it is really.

However, the period of hesitation is at an end. There is strong pressure from Italy's partners in the Common Market to correct the situation, pressure which, as Signor Colombo said lately in a letter to the premier, "grows every day less cordial". Negotiations between the other five and Rome (kept secret at the Italian Government's request) have been going on for over a month and have culminated in a veritable ultimatum from Brussels: either Rome adopts the measures recommended by her partners or she devalues. In the former case, generous help will be forthcoming, principally from West Germany. The disinflationary procedures chosen will perhaps be known before this is in print, so there is no point speculating on them; they will be a tougher version of the stabilisation measures taken in France last September.

More important are the long-term lessons to be drawn from Italy's prosperity crisis. Some are saying that it proves that the Italian economic miracle was a "false miracle", that there was something radically unsound about the long and spectacular boom. I see no reason to accept that view; accidents are likely to happen when millions of poor people are catapulted into the Christmas-tree society. Consumption runs ahead of production, especially as regards farm produce; savings dry up; impatience knows no bounds and trade unions get to believe that wages can be raised indefinitely by strikes. As the governor of the Bank of Italy says in his latest report. "No economic system could have stood up unshaken before the shock of a redistribution of revenues and of the consequent displacement of demand, on the scale that such phenomena have assumed in Italy in the last two years". Still, there are precautions that could have been taken.

One is that the shift in demand consequent on the transfer of unemployed or under-employed masses into industrial work can be foreseen and should be anticipated: from the moment the Italian boom started, over a decade ago, increase in agricultural output should have been a first concern. If, despite that, demand for food outruns supply, there is no sense in gearing wages rigidly to the cost of living, i.e. essentially to food prices in these cases of developing economies. However "just" it may appear that workers' wages should rise in step with food prices, once we are all wage-earners then we are only chasing our own tails by boosting wages, hence food prices, hence wages again. To index wages on food costs is to build inflation into the system, to do nothing about increasing food supplies, and to price our exports out of world markets. A final lesson concerns the need to offer new forms of saving to redistributed income. Italy, for example, does not even have unit trusts (*mutual funds*). As from now, India is ahead of her on that score at least.

How Weak is Sterling?

PAUL BAREAU

LONDON:

IN THE foreign exchange market sterling has recently fallen to its lowest level for three years in terms of US dollars, and is now at the lowest of its permissible margin of fluctuation in relation to the German mark and French and Swiss francs. These exchange movements have cast a cloud of gloom over the investment scene. The Stock Exchange has been in the doldrums, not so much because of the approach of a general election, which increasingly looks as though it will be the harbinger of a Labour Government but because the weakness of sterling brings with it hints of another balance of payments crisis and the promise of the all too familiar series of restraining measures designed to bring our present boom to an end.

Is this the beginning of a big slide in sterling: the combined effect of a balance of payments deficit due to overexpansion at home, together with the withdrawal of capital that could precede a general election in which the odds are clearly on a Labour victory? Events so far do not justify a firm positive answer to this question. The domestic economy has admittedly been expanding at a highly satisfactory rate, but apart from some serious bottlenecks in the labour situation, and a real shortage of skilled workers in the engineering industry, there is as yet no evidence of inflationary overstrain. Wages and prices are being held back far more successfully in Britain than on the Continent of Europe, including some countries whose currencies are for the time being seemingly much stronger than sterling.

The current balance of payments has, it is true, switched from appreciable surplus in 1963 to a modest deficit in the early months of 1964; but much of this is due to a vast piling up of inventories of imported industrial materials. This reflects not only the increasing pace of industrial expansion, but also anticipation of still higher commodity prices and, therefore, precautionary stocking up of the commodities in question. Even so, the balance of payments deficit is still marginal. Looking to the future, there is no cause for alarm. The export order book of British industry is well filled. In the matter of costs and prices British industry remain competitive.

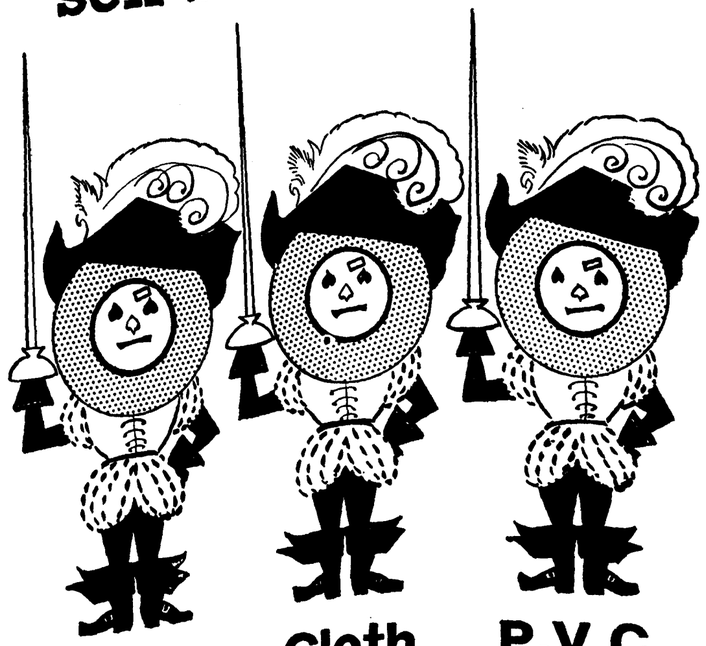
How then does one account for the weakness of sterling? The first and at present most important factor which began to operate in the second half of May has been the sudden tightening of credit conditions in many countries of Europe. The anti-inflation measures taken in France, Italy, Holland and Denmark have led to real stringency of credit. In Holland and Denmark Bank rate has been increased. In Paris the scarcity of credit has been such that up to 6¼ per cent is now being paid for day to day money. In these circumstances a considerable amount of short term money has left London for these centres where it can earn at least 2 per cent more. This is unquestionably the influence which set in motion the decline in sterling that began towards the end of May and has persisted ever since.

Fear Complex

It was soon reinforced by commercial purchases of foreign currencies occasioned by fear that the movement might go further. Many importers in the sterling area countries, seeing sterling declining, rushed into the market and covered their requirements of dollars, marks and other foreign currencies in order to protect themselves against such possible eventuality as a devaluation. This is a typical illustration of the "leads and lags" in the exchange situation which, in a currency as widely used in international trade as sterling, can impose very serious strain on the reserve. It does not, however weaken the basic position, since these anticipatory purchases of dollars and other currencies merely mean that the purchases in the latter part of the year will be proportionately smaller.

The next point to note is that the authorities in London have seen fit not to intervene in the market to any appreciable extent. The dealers at the Bank of England are very well informed about what is going on in the market. The leads and lags can be left alone since in due course they will reverse themselves. As for the movement of short term

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These industries, with the multiplicity of techniques employed and the complexity of operations involved, afford excellent training ground for a variety of technical and scientific personnel. A number of these industrial firms—notably Hindustan Motors Ltd.—have organised training schemes for apprentices and for engineering graduates and are conducting special courses for mechanics (including sons of factory workers), workshop and service personnel.

The financial contribution made by the Automobile Industry to the Government in the form of taxes, duties and other levies also helps to develop various schemes under the Five Year Plans, such as public sector industries and technological institutes which again provide scope for training technical manpower. A Hindusthan Ambassador car, for instance, contributes as much as 5140 rupees or 33% of the "on the road" price of the car in Calcutta to the national exchequer.

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Indigenous ancillary components :	24%
Imported components :	11%
Dealer's commission including distribution, service, advertising etc. :	7%

THE AUTOMOBILE INDUSTRY IS A KEY INDUSTRY

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capital, why should the authorities intervene and support the rate when by doing so they will merely give the "hot money" operators a more favourable rate at which to convert their sterling into French francs or other currencies? The fall in the rate of sterling has, therefore, been accompanied by little if any encroachment on the reserve of gold and convertible currencies.

This absence of intervention does not, however, suggest that either the means or the will to intervene are absent. They are both there — and in abundant measure. The gold reserve was further strengthened in May and now stands at just on £1,000 million. Under the "Basle arrangements" with Continental central banks the Bank of England could mobilise up to the equivalent of $1,000 million. By activating the standby credit with the International Monetary Fund (which will certainly be renewed next month) the Exchange Equalisation Account could lay its hands on a further $1,030 million. The swap arrangement between the Bank of England and the Federal Reserve Bank of New York puts another $500 million at the disposal of the Exchange Equalisation Account, if there is need for it. Finally, there are dollar securities held by the Treasury — the remnants of the dollar investments that were mobilised by the Government during the war — last valued at $800 million and available as collateral for raising further credit in the United States.

The ammunition available to defend sterling will not run short. The sense of co-operation between central banks and finance ministers, in the cause of maintaining exchange stability is greater today than it has ever been. There is a far wider recognition among them that the main currencies of the world hang together; that serious damage to one will inevitably react on the others. If, therefore, stering is subject to further pressure as a result of the withdrawal of short-term capital, or by reasons of speculative attacks in anticipation of the general election, the day will come when the authorities in London will hit back and do so with massive power.

This, however, is not to say that all is well and that the amplitude of available reserves ensures that sterling can and will hold its ground. It will only do so if the balance of payments remains somewhere near the point of equilibrium and if there is no evidence of a runaway inflationary movement in the British economy. Since there is no sign of that yet, since a certain amount of foreign capital continues to come in (note the Chrysler bid for a stake in the Rootes Motor Group) and since, above all a great many other countries appear to be inflating a little faster than Britain, sterling is by no means as weak as recent movements in the exchange market would appear to suggest.

Growth Without Inflation

GUY SIMS FITCH

WASHINGTON:

THE U.S. ECONOMY is in its 40th month of sustained and vigorous expansion, and the accumulating evidence points to a firm and continuing strength. As a matter of fact, Americans expect economic activity in the United States to remain high for some time to come, if historically reliable government surveys are given their usual credence. One study has found that manufacturers are looking ahead to further improvement in their sales, with gains of two per cent anticipated in both the second and third quarters of this year. While these advances would not quite equal the spectacular first quarter rise, they would surpass by a comfortable margin the quarterly average of the last two years. Another survey shows that business men now expect to spend a record $43,900 million on new plant and equipment this year, 12 per cent more than last year's high. More importantly, the survey reaffirms the steadily rising trend in investment planning that is characteristic of periods of sustained busines expansion. Only three months ago, business men were talking of a $43,200 million outlay on new plant and equipment in 1964.

Consumers, no less than business men, have been boosting their spending and raising their economic sights. Confirming earlier indications based on preliminary weekly data, retail sales in May did score a new monthly high of $21,700 million, seven per cent above that of May 1963. Recent surveys, moreover, show an escalation in consumer confidence and buying intentions that generally parallels the upward trend in business investment plans. As an example, the number of people planning to buy new cars and other consumer goods this year has continued to increase by a small but significant margin as the months have passed. Bearing out this promise, the already buoyant automobile market has continued to grow, with sales of new cars in April and May hitting new peaks for those months. The industry is becoming increasingly confident that 1964 will see another milestone reached with the sale of eight million new passenger cars. Deliveries of trucks, according to some analysts, also are proceeding at a record pace.

With production and demand high, and with new construction maintaining its record rate, the steel industry's prospects also are growing increasingly brighter. May output of steel was five per cent more than that of April, and major steel mills already are raising the estimates of June shipments they made only a few weeks ago. Present projections suggest that the usual seasonal let-down in steel operation this summer will amount to no more than 10 per cent from the spring peak. In 1955 and 1957, the industry's two biggest years up to now, summer declines of about 20 per cent occurred. Steel industry officials usually are a rather cautious group not given to extravagant predictions. But they, too, are growing more optimistic with each passing month. They look for a substantial seasonal upsurge in steel output this autumn, and are beginning to talk openly of a new annual production high that will surpass the record of 117 million short tons (one short ton equals 0.91 metric tons) set back in 1955.

Economy Looks Up

All of this brings one back to the recurring but basic theme. The state of the US economy clearly indicates that — so far at least — the recent tax cut is working about as its proponents claimed it would. It is providing an additional lift to both consumer and business activity, and it has not provoked any unsettling "boom" conditions. Those who assumed that the tax cut would bring no benefits to the economy are being proved wrong, as are those who warned of inflationary consequences. On this score, a staff study by the US Federal Reserve Board is highly informative. It finds that even with the rising production trend, there still is enough room in the buoyant US economy to expand output further in major industries — especially because of the prospect of a five per cent increase in plant capacity this year. The study also finds that while some skilled labour shortages could develop, the overall labour supply situation is not likely to impede further significant gains in output.

Thus, there is no imminent threat to the impressive record of stability in prices and in unit labour costs that has been maintained over the last several years. In other words, the present prospect for the United States is for continued buoyant economic growth without inflation.

LISTENING POSTS

Mixed Bag from Geneva

By Our Special Correspondent

NEW DELHI:

THE DECISIONS of the Geneva Conference on Trade and Development have been received here with a mixed feeling. While acceptance by the developed nations of the need for setting up a continuing machinery to implement the decisions of the Conference is considered a major victory for the developing countries, disappointment is being expressed at nothing concrete having emerged in regard to extension of the commodities agreements and provision of preferential treatment by the developed nations to the manufactures of the developing countries.

The outcome of the Geneva Conference has been hailed here as a good beginning for tackling the world trade problems from a new angle which would safeguard the interest of the less-developed countries. The decisions of the Conference are subject to the concurrance of the U.N. General Assembly which would be meeting for adopting them some time in November. The official sources here, of course, do not anticipate any difficulty in the major proposals of the Geneva Conference being approved by the General Assembly.

The Trade and Development Board recommended to be set up by the Geneva Conference, on present indications, is likely to have its headquarters at New York. Any other location, it is felt, would mean a higher budget for it and will make its co-ordination with ECOSOC and the UN Special Fund cumbersome. As decided at Geneva, the UN Secretary-General would set up a small expert committee to decide on alternate procedures for the functioning of the Board. This, it is gathered, was the concession made to the Western countries some of which sought special weightage for them in voting procedures.

The other decisions of the Geneva Conference have been welcomed in New Delhi. One is the acceptance by the Conference of the principle that the developed countries should transfer one per cent of their national income for development of the less-developed countries. The second relates to the agreement on providing an international forum for discussing shipping matters. For the first time, arrangements are being made now to set up an international body which can keep a watch on shipping freights and also on the acquisition of merchant fleets by the world nations.

Although no concrete results have flowed from the Geneva Conference on commodity agreements, it is believed that in the next few years, 5 or 6 more commodity agreements might come into being on the basis of the discussions at Geneva.

**

The export trade in manganese ore is proposed to be thrown open to the private sector from next year. This was announced here on Friday last by Mr. Govind Narain, Chairmain of the State-owned Minerals and Metals Trading Corporation of India. The MMTC, Mr. Narain added, hoped to fulfil all its barter agreements in this commodity by the end of this year. No barter agreements for managenese ore exports are envisaged to be entered into for shipment after December 31, 1964.

From January 1, 1965, any person who wants to export manganese ore on his own will be allowed to do so. The services of the MMTC, however, will be avaliable for others who find it difficult to effect exports on their own. For the benefit of such mineowners and exporters, the MMTC will be entering into long-term arrangmeents with the foreign buyers so that they could be assured of a regular off-take and reasonable prices.

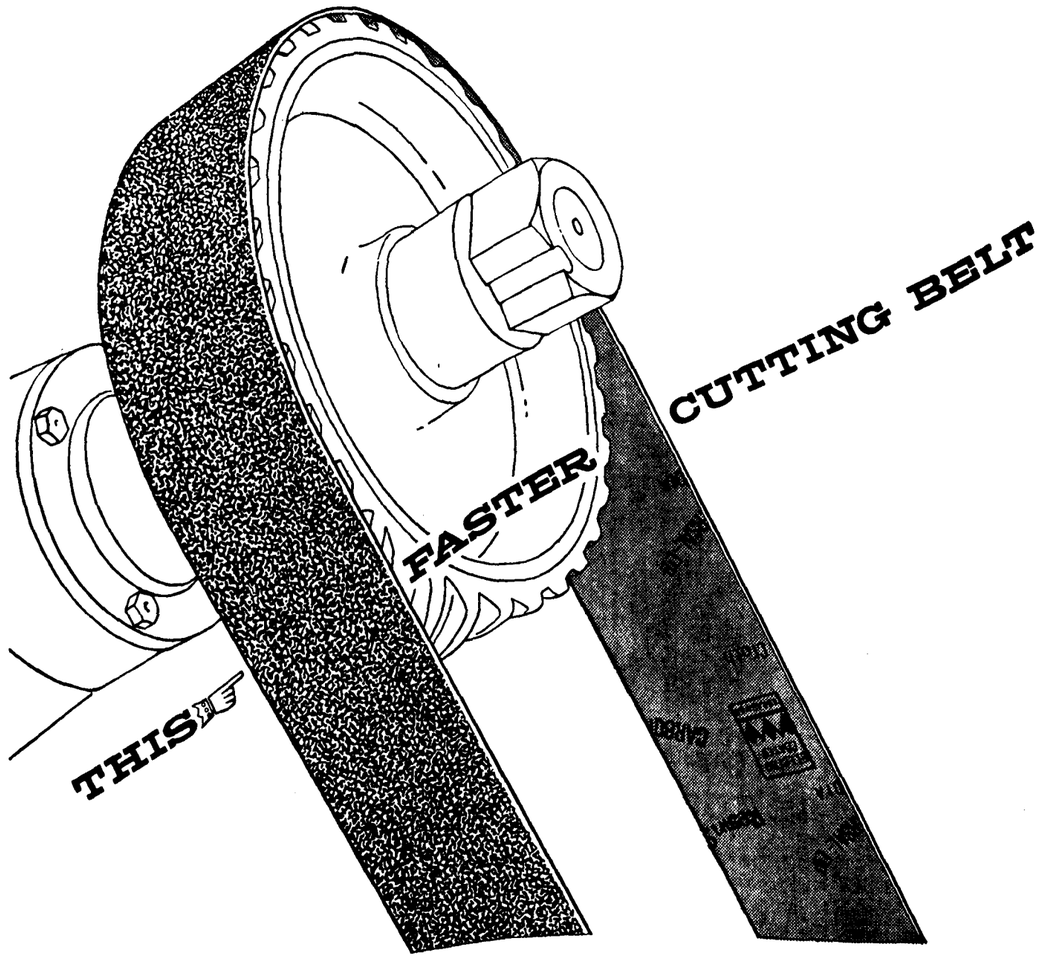
The decision to stop manganese ore exports on barter basis, it is understood, has been taken in view of the desire on the part of the foreign buyers to have direct trade links with the Indian exporters on a long-term basis.

Mr. Govind Narain also expressed the opinion that if everything went well, India would not only be able to achieve the 25 million tonnes iron ore exports target set for 1970-71, but might even exceed it. He expected that the third Plan target of 16 million tonnes iron ore exports would be exceeded by about one million tonnes. At least 11 million tonnes of iron ore are expected to be exported during the current financial year — 6 million tonnes from Goa and 5 million tonnes from the rest of the country. In 1963-64, India exported nearly 9.5 million tonnes of iron ore — 5.3 million tonnes from Goa and the rest from the other areas.

**

In the last two issues, we published the details of India's liability up to 1975-76, on account of repayment of principal and payment of interest on the loans received by her up to the end of 1963 from the members of the Aid-India Consortium (including the World Bank and the International Development Association) and the USSR. The following are the details of the burden to be discharged by India [in million dollars, on account of principal repayment (P) and interest charges (I)] in the case of the credits made available by Kuwait, Switzerland, Poland, Czechoslovakia and Yugoslavia — the remaining five countries which have extended loans to India for her economic development:

Kuwait	1964-65 — P 6.7, I 2.6; 1965-66 — P. 6.7 I 2.2; 1966-67 — P 6.7, I 1.9; 1967-68 — P 6.7, I 1.6; 1968-69 — P 6.7, I 1.3; 1969-70 — P 6.7, I 1.0; 1970-71 — 6.7, I 0.7; 1971-72 — P 6.7, I 0.3; No liability thereafter.
Switzerland	1964-65 — P nil, I 0.3; 1965-66 — P 1.1 I 1.3; 1966-67 — P 1.1, I 1.5; 1967-68 — P 2.1, I 1.4; 1968-69 — P 3.6, I 1.3; 1969-70 — P 6.4, I 1.2; 1970-71 — P 7.6, I 1.1; 1971-72 — P 6.3, I 0.9; 1972-73 — P 2.2, I 0.8; 1973-74 — P 2.0, I 0.6; No liability thereafter
Poland	1964-66 & P nil, I 0.3; 1965-66 — P nil, I 0.5; 1966-67 — P nil, I 0.6; 1967-68 — P 3.3, I 0.7; 1968-69 — P 3.3, I 0.6; 1969-70 — P 3.4, I 0.5; 1970-71 — P 3.3, I 0.4; 1971-72 — P 3.4, I 0.3; 1972-73 — P 3.4, I 0.2; 1973-74 — P 3.4, 0.1; 1974-75 — P 3.3, I nil; 1975-76 — P nil, I nil.
Czechoslovakia	1964-65 — P nil, I 0.2; 1965-66 — P nil, I 0.5; 1966-67 — P 3.2, I 0.6; 1967-68 — P 3.2, I 0.6; 1968-69 — P 3.2, I 0.5; 1969-70 — P 3.2, I 0.4; 1970-71 — P 3.2, I 0.3; 1971-72 — P 3.2, I 0.2; 1972-73 — P 3.2, I 0.1; 1973-74 — P 3.2, I nil. No liability thereafter.
Yugoslavia	1964-65 — P nil, I nil; 1965-66 — P nil, I 0.2; 1966-67 — P nil, I 0.3; 1967-68 — P nil, I 0.4; 1968-69 — P 2.1, I 0.5; 1969-70 — P 2.1, I 0.4; 1970-71 — P 2.1; I 0.4; 1971-72 — P 2.1, I 0.3; 1972-73 — P 2.1,



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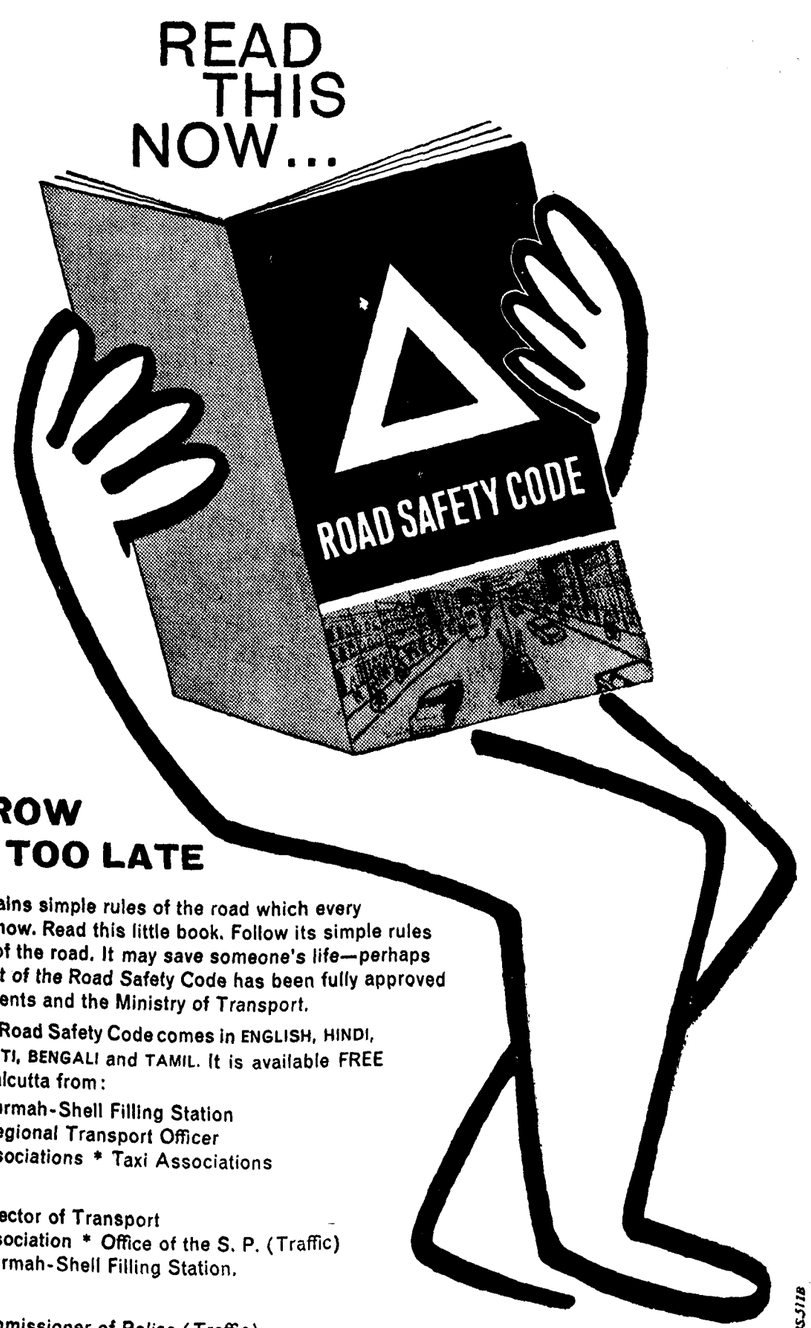


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I 0.2; 1973-74 — P 2.1, I 0.2; 1974-75 — P 2.1, I 0.2; 1975-76 — P 2.1, I nil.

India's total liability, upto 1975-76, on account of principal repayment and payment of interest on the loans secured by her upto December 31, 1963, thus, amounts to $3,639 2 million. The year-wise break-up of this, aggregating the amounts due to all the lenders, is as follows:

($ million)

Year	Principal Repayment	Interest	Total
1964-65 ..	126.5	121.4	247.9
1965-66 ..	184.2	133.6	317.8
1966-67 ..	220.3	134.4	354.7
1967-68 ..	230.2	125.0	355.2
1968-69 ..	243.4	115.8	359.2
1969-70 ..	237.6	104.7	342.3
1970-71 ..	230.7	94.3	325.0
1971-72 ..	221.3	83.4	304.7
1972-73 ..	210.0	74.1	284.1
1973-74 ..	209.8	64.5	274.3
1974-75 ..	192.4	55.8	248.2
1975-76 ..	179.2	46.6	225.8
TOTAL: ..	2,485.6	1,153.6	3,639.2

★★

The Governments of India and the United States concluded last week an agreement under which the US Administration will be providing, through the US Agency for International Development, a loan of $7.8 million (Rs. 3.7 crores) for the construction of India's first methanol plant at Trombay. The project will make India self-sufficient in methanol, a key chemical used in the manufacture of plastics, drugs, resins, synthetic fibres and dyestuffs.

The methanol plant will be put up by the Fertilizer Corporation of India adjacent to its Trombay fertiliser factory. It will have an annual capacity of 33,000 tonnes of methanol and is expected to go into production in the second half of 1965. It will utilise synthesis gases produced during the course of fertiliser manufacture.

The Trombay fertiliser factory, designed to produce 420,000 tonnes of chemical fertilisers annually, has also been financed by the United States to the tune of Rs. 27.7 crores. This loan had been made available partly in dollars to meet the foreign exchange cost and partly in rupees out of the PL 480 counterpart funds to meet the expenditure in Indian currency.

A portion of the loan for the methanol project will also be used for the installation of ancillary facilities, including a sulphuric plant and an argon gas recovery unit in connection with fertiliser production. The argon gas recovery plant will have an annual production capacity of 116,820 cubic metres and will be the second such production unit in India.

A contract has been entered into by the Fertiliser Corporation with the Girdler Corporation, Louisville, Kentucky, USA, for designing, fabrication and erection of the methanol plant. When in full production, this plant will save the country foreign exchange equivalent to nearly Rs. 4 crores a year.

★★

The first one-million-tonne unit of the State-owned Barauni refinery is expected to go on stream shortly. Trial runs have already been started at this venture with the crude oil supplied by Oil-India.

The Chairman of Oil-India, Mr. Khandubhai K. Desai, in his annual statement to the shareholders — Oil-India is a 50 : 50 partnership between the Government of India and the Burmah Oil Company — has assured that the company will be able to meet fully the requirements of the Digboi, Nunmati and Barauni refineries according to stipulated programme. Despite delay in the commissioning of the Barauni refinery, Oil-India has been able to show satisfactory working during 1963 and has declared a divided of Rs. 120 per share on the paid-up capital of the year. This amounts to a minimum dividend of 9 per cent, after payment of all taxes. Another notable achievement has been that despite the difficulties faced in acquiring land, Oil-India has been able to accomplish its drilling targets for 1963 and in spite of increased cost of material and labour and also heavy expenditure incurred on exploratory drilling in new concession areas, it could contain the drilling costs through improvement in operations.

Mr. Desai has also assured the Union Government and the Government of Assam that natural gas from the Nahorkatiya and Moran oilfields in excess of the present commitments to various Government projects, would be available for sale to other approved projects at a price which would be sufficient to enable the company to compress and store gas to the extent necessary to provide for uninterrupted supplies over the periods required by the consumers.

★★

The Constitution (Seventeenth Amendment) Bill, 1964, to pass which special sessions of the two Houses of Parliament had to be summed on May 27, has received the assent of the President. The Act amends the definition of "estate" in Article 31A of the Constitution by including therein lands held under ryotwari settlements and also other lands in respect of which provisions are normally made in land reform enactments.

The Act also provides that, where any law makes a provision for the acquisition by the State of any estate and where any land comprised therein is held by a person under his personal cultivation, it shall not be lawful for the State to acquire any such land as is within the ceiling limit applicable to him under any law for the time being in force or any building or structure standing thereon or appurtenant thereto, unless the law relating to acquisition of such land, building or structure provides for payment of compensation at a rate not less than the market value. The Act, further, amends the Nineth Schedule to the Constitution by including therein 44 State enactments relating to land reform in order to remove any uncertainty or doubt that may arise in regard to their validity.

★★

Prime Minister Lal Bahadur Shastri is leaving for Bombay on July 5 en route to London, where he will be attending the Commonwealth Prime Ministers' Conference. He will be accompanied by Mr. M. J. Desai, Secretary-General of the External Affairs Ministry, Mr. K. Ram, Principal Private Secretary and Mr. Rajeswar Prasad, Special Assistant. Mr. Lal Bahadur will visit Paris and Cairo on his way back from London.

★★

The Lockheed Aircraft Corporation is making a bid for entering the commercial market for cargo transport aircraft with its Hercules C-130E. This giant plane is currently on a round-the-world demonstration and goodwill flight. It showed its paces here at the Palam airport last week.

A preliminary certificate of airworthiness was granted to the demonsrtator aircraft by the US Government on May 15. It is expected that commercial certification will be made avail-

able by the end of the current year, both for passenger and cargo transport.

— Eight countries — Australia, Canada, Indonesia, Iran, New Zealand, Pakistan, South Africa and the US — are already using C-130Es for their military services. One of the series of the C-130 planes helped the Indian Air Force alsoo during the days of Chinese aggression.

The Lockheed Aircraft Corporation claims that Hercules C-130E provides for the lowest ton-mile operating cost for short and medium range services. It can land on unprepared landing strips. Its maximum payload is 45,000 lbs., which can be airlifted more than 22,000 nautical miles.

★★

The Industrial Development Bank of India Act, 1964, came into force with effect from June 20, 1964.

Bihar's Fourth Five-Year Plan

From Our Correspondent

CALCUTTA:

IN LINE WITH the rest of the country, Bihar too has drawn up an ambitious plan for the next five-year period. The State's draft fourth five-year Plan is estimated to cost Rs. 675 crores, which is more than double the outlay for the third Plan. The Government is prepared to raise one-third of the proposed outlay for the next Plan out of its own resources, and it expects that the Centre would provide two-thirds. The distinctive (and sensible) feature of the Plan is that it places its main reliance on rural industries, leaving heavy industries to the Union Government. Agriculture too has been given a key place — in fact, most of the outlay is proposed to be spent on agriculture, community development and allied activities. It is planned to modernise agriculture as much as possible with the aid of machines and power in all practicable cases. It is rightly felt that as long as agriculture and rural industries remain as backward as they are, the real per capita income of the people of the State will never rise. Not that the State Government and its Planning Board do not realise the importance of large industries, but they realise their limitations and feel that there is not much in this field that is in their power to accomplish.

They, however, do plan for certain industries, based largely on the resources of the State. Only one project will require substantial outside help, and that is for a machine tool plant. The State Government has sought Hungarian collaboration for this purpose. The Hungarian response is said to be favourable, not only for the proposed machine tool plant, but for a number of small State-sponsored industries in the Patratu area where a Russian-aided large power house is being built. One of these latter is to make coloured polyestar sheets as a substitute for corrugated sheets, another is to manufacture wire braids and nettings and a third one is to make furniture and clothes. The schemes relating to north Bihar, the State's relatively less industrially developed region, are based on sugarcane and its by-products. The huge quantity of bagasse produced by the 28 sugar factories in Bihar are at present being wasted, being used mainly as a kind of domestic fuel. Bagasse is a raw material for industries making pulp boards, jointings, etc., and some industrial schemes are designed to put it to industrial use. There are other projects for using molasses to make industrial alcohol, which is in great demand, and Bihar is now wasting at least 50 per cent of its present output.

Mineral development and improvement of transport and communications have been allocated only Rs. 50 crores, but Rs. 77 crores are proposed to be spent on social services and education. In the Rs. 337-crore third Plan, these latter have got only Rs. 23.87 crores. The planners apparently feel that the past neglect of social services should be remedied in a big way. It is not known how the Planning Commission and the Union Government which is expected to provide the bulk of the funds react to the State's plan, but Bihar apparently has based its case on the need to achieve a balanced development of the country as a whole, on the ground that this is one of the fundamental objectives of planning.

★★

Civil work for the Bokaro plant, a Central Government project in Bihar, is about to start soon. The steel project authorities have been receiving maximum co-operation from the Government of Bihar. The West Bengal Government, which once opposed the construction of a dam at Tenughat, which will supply most of the water for the projected steel plant and township, has already given its consent to the building of the dam. Land acquisition is proceeding apace and some 7,000 acres have already been acquired. Eventually, 36,000 acres will have to be taken over, displacing some 7,000 families spread over 55 villages, but the Bihar Government is making prompt arrangements for the rehabilitation of the families affected. Progress of the construction of link railway lines is satisfactory, and the railway authorities have already surveyed the site for a marshalling yard. All this brisk preparation is on account of the time schedule which the Union Steel Ministry has drawn up for installing the plant in the fourth Plan. According to this time schedule, the first stage of the plant, for which Russian aid has been assured, will be completed by 1968 to yield an output of 1.5 million tons. Th second stage is to be completed by 1970, when the full design capacity of 4 million tons of steel ingots will be achieved. (By the latter date, the Bhilai steel plant, also a Russian-aided project, is to reach th capacity level of 4 million ingot tons, according to current expansion plans.)

Lower Estimates

The cost estimates prepared by the consultants, Messrs. Dastur and Co., are appreciably lower than those of the US technical team which studied the techno-economic feasibilities of the Bokaro project when India was seeking American aid. According to Dasturs' estimates, a sum of Rs. 450 crores will be required to complete the first stage of the project, and another Rs. 600 crores or so for the second stage. Of this, roughly 20 per cent will be in foreign exchange. The Steel Ministry is, however, exploring ways and means to economise the cost by adopting some of the features of Japan's steel technology. An expert team has just returned from Japan after studying that country's steel-making techniques, and it is reported that it has gathered ideas which can be usefully aplied in Bokaro. The Heavy Engineering Corporation's factories in Ranchi are also likely to contribute part of the plant and machinery, which will save some foreign exchange expenditure. It is, however, not the cost which is the main issue, but the speed with which the plant can be constructed and commissioned. Bokaro is designed to produce flat products. These are at the moment critically short in the economy, and many vital industries, particularly engineering, are suffering on account of this shortage. The Bokaro plant is also designed to produce a sizable quantity of foundry grade pig iron, which too is acutely short. The foundry industry is able to use barely 50 per cent of its installed capacity due to inadequate supplies of pig iron, its raw materials, and Bokaro was expected to supply more than one-fifth of the total quantity of salable pig iron during the third five-year Plan.

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The Union Rehabilitation Minister, Mr. Mahabir Tyagi's visit to Assam recently highlighted the serious refugee problem which this border State is now facing. It is estimated that some 125,000 people have so far come away, now living in 20 camps or so, but where it will not be possible to live much longer because of the monsoon. Mr. Tyagi discussed the plan for dispersing the refugees, and naturally, the Assam Government took advantage of his presence to press its case for more Central aid in the shape of funds as well as bigger allocation of foodgrains. Most of the refugees are tribals, simple and hardy folk, who could be turned into an asset by making them take to agriculture in the vast tracts of land in the State now lying waste. These lands can be reclaimed for the rehabilitation of the displaced persons. In the NEFA area too, land available for resettlement is said to be plenty. Even so, operation resettlement will require considerable funds and efficient organisation of the official machinery which is to be entrusted with the work.

The Assam Government's plan is to resettle as many of the refugees on land as possible, but some suitable new industries will be needed to take in those who cannot be so resettled. The State Government has, therefore, drawn up schemes to set up a jute and a spinning mill in Goalpara (in this sub-division the bulk of the refugees are now housed in transit camps), a ceramic factory in Gauhati, a paper mill in the Mikir Hills, a sugar mill in Cachar and addition of capacity to Charduar and Gauhati spinning mills. During his visit, Mr. Tyagi is reported to have agreed that these projects are necessary, and he is even reported to have assured that he would try his best to secure as much Central assistance for this purpose as possible. But a curious thing which the Union Rehabilitation Minister is reported to have stated at a Press conference, he held in the course of his visit to Assam, is that India has not yet reached the saturation point in the matter of absorbing refugees from East Pakistan. Although he later hastened to add that this country cannot possibly accommodate the entire minority community of Pakistan. He did not quite indicate where exactly the saturation point would lie. Already half a million or thereabouts have crossed the border, and the flow continues. West Bengal, in particular, finds it very difficult to absorb any more refugees than it has already done, and the problem becomes much more difficult due to the preference of the displaced persons to live in West Bengal.

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The West Bengal Financial Corporation wants to extend its lending activities, and with that end in view, a number of steps have been taken. A panel of technical advisers has been appointed for examining the technical soundness of the schemes for which the Corporation's loans are sought; a law officer has been appointed to avoid unnecssary delay in processing loan applications; and to stimulate the interest of entrepreneurs all over the State in the Corporation's loan schemes, it has been decided to hold meetings of the Board of Directors at different important centres. One such meeting has already been held in Assansol, where the board convened a conference of the industrialists of the area. The Corporation has, however, not been able to function as the agent of the State Government for routing the latter's funds to small-scale industries. The Accountant-General has raised certain issues which remain to be cleared. Meanwhile, the

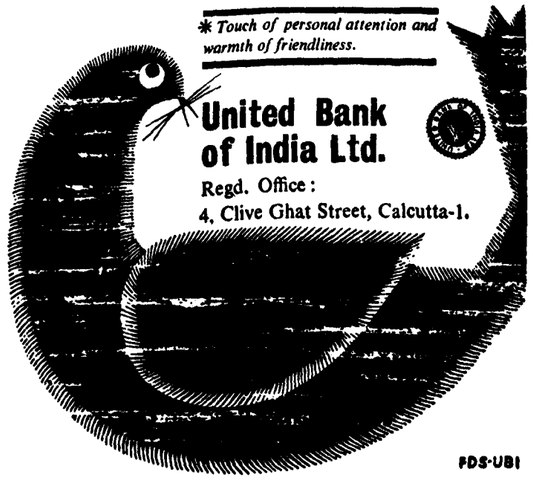
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Reserve Bank has taken up the matter with the State Government, and it is hoped the procedural or legal difficulties will be overcome.

In order to expand its lending activities, the Corporation must increase its rseources. The avenues which have been open to it so far are (a) borrowings from the Reserve Bank against 'ad hoc' bonds; and (b) borrowings from the Refinance Corporation for Industry by way of refinance. The Corporation is now authorised to accept deposits from the public. It proposes to take appropriate steps to attract deposits from them, but not much fund is expected to flow in this way. Another important avenue left with it is to raise funds by issuing bonds. In the past, the Corporation has raised Rs. 2 crores through such issues, and recently, it decided to raise a crore of rupees through bonds. It is reported that some scheduled banks have already agreed to subscribe to the issue and more are expected to follow.

In keeping with its objective of providing more and more assistance for the industrial development of the State and for increasing employment potential, the Corporation has steadily increased its financial assistance over the years within the limits of its means. During the year ended March 31, 1964, the Corporation sanctioned loans totalling Rs. 1.71 crores, while disbursements amounted to Rs. 1.29 crores. The percentage of disbursement to loan sanction was 76 as against 46 in the previous year, and is the highest proportion reached so far in the life of this body. Also for the first time, it underwrote shares and debentures to the extent of Rs. 25 lakhs. According to the report of the Board of Directors for the year ended 31st March, 1964, the commitments of the Corporation since its inception up to 31st March, 1964, are as follows: total loans sanctioned Rs. 7.84 crores; the total amount disbursed Rs. 4.93 crores; loans declined by the applicants or not made available for one reason or another Rs. 1.08 crores; amount yet to be disbursed Rs. 1 83 crores. The gap between the loans sanctioned and the amount actually disbursed is big, which requires to be reduced. Speedier processing of loan applications should help in reducing the gap.

Maharashtra's Mounting Needs for Finances

From Our Correspondent

BOMBAY:

WITH THE setting up of the Fourth Finance Commission, a careful review of the entire problem of State finances has assumed urgency, especially in the context of the fourth five-year Plan. It would be instructive to study how the finances of Maharashtra have been shaping in the period of the first four years of the third Plan. On the revenue side, tax revenue would increase from Rs. 103 crores in 1962-63 (Accounts) to Rs. 129 crores in 1964-65 (Estimated) i.e. by about Rs. 26 crores. Under taxes on income, the significant trend is a decline in yield from Agricultural Income-Tax, from Rs. 75 lakhs in 1963-64 (Budget) to Rs. 5 lakhs (Revised) for the same year and Rs. 15 lakhs (Estimated) for 1964-65. The taxes on property and capital transactions are practically at the same level, with marginal variations. The revenue from general sales tax has shown an upward trend from Rs. 36 crores in 1962-63, to Rs. 50 crores in 1964-65 (Budget). Under non-tax revenue, the striking trend is the increase in grants-in-aid and other contributions from Rs. 13 crores in 1962-63 to Rs. 22 crores in 1964-65 (Budget), the total non-tax revenue registering a rise from Rs. 146 crores to Rs. 184 crores during the period. The trends show that there is not much of buoyancy in the tax-system of the State.

Rural Bias

On the expenditure side, development expenditure would rise from Rs. 64 crores to Rs. 89 crores, in the period 1962-63 (Accounts) to 1964-65 (Budget). Education, Medical and Public Health, Agriculture, Veterinary and co-operation, Irrigation, and Rural and Community Development projects have significantly shared in the increase. On the whole, the developmental expenditure has decidedly a rural bias in Maharashtra. The non-development expenditure would rise from Rs. 78 crores to Rs. 95 crores in the period under reference. The notable increases are under the heads of collection of taxes, duties etc., debt services and civil administration. The civil expenditure has also risen up on account of the trend towards increased social security benefits to the Government servants. The total expenditure, on revenue account, would rise from Rs. 143 crores to Rs. 184 crores in the period.

On capital account, while the receipts would fall from Rs. 81 crores to Rs. 70 crores, the capital outlay would increase from Rs. 27 crores to Rs. 40 crores; including other items, the total disbursements would rise from Rs. 67 crores to Rs. 80 crores leaving a deficit of over Rs. 10 crores. Thus, due to the lack of buoyancy in tax-receipts and the growth of Central assistance at a faster pace, the State may not be free from facing the ways and means difficulties in the period of the balance of the third Plan and in the fourth Plan. While the State Government has spared the economy from additional taxation in the budget year, how far it can continue this policy is a matter for speculation.

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At the quarterly meeting of the Scientific and Surgical Instrument Manufacturers' and Traders' Association, Bombay, it was disclosed that the glass industry is on the threshold of a revolution. Because of the astonishing progress made by chemical technology, processes are being developed which will help glass industry to give its products innumerable forms, shapes and sizes, thereby expanding the field of glass. It also assures a bright future for the industry. Besides the members of the Associations, 75 glass technologists from different States of the country attended the meeting. Emphasis was laid on close coordination among manufacturers, distributors and consumers. Complete automation in the industry was ruled out in view of the need for employing human labour in the present circumstances. It was agreed that the best possible use should be made of all the raw materials, machinery and products needed by the industry and available in the country with the object of reducing dependence on foreign suppliers. The vast possibilities of exporting specialised glass products to the Far East were also indicated

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Mr. S. L. Khemka, Chairman of the Meter Manufacturers' Association of India, addressing the 30th Annual General Meeting of the Association observed that the meter industry is passing through a crisis. If the Government does not take proper steps soon, the industry will not survive. To put the industry back into shape, he suggested a cut in output and increase in export incentives and drawbacks, grant of subsidy, enough supply of raw materials, components and spares, and diversification. Above all, the industry should be united in its efforts to eliminate unhealthy practices of under-selling. The output cut should be on a graded basis, i.e. units with an annual capacity of 60,000 meters should cut their production by 10 per cent, those with a capacity of 120,000 meters by 15 per cent and those with a capacity of 200,000 meters by 20 per cent. Since the world price of a meter was Rs. 11 to Rs. 14 a piece f.o.b. port of shipment, and the Indian manufacturers were unable to quote so low a price, they should be permitted a higher export incentive of about 200 per cent against the present 75 per cent. The drawback should also be enhanced. He pointed out that a few producers were under-quoting the selling price of their meters around Rs. 28 a piece f.o.r. destination, against the normal prices charged by others around Rs. 40. In view of this, most units, which could not quote such low selling prices owing to their high cost of manufacture, suffered losses. To prevent these units from closing down, the Government should intervene, bring about a proper understanding on the industry's sales policy as a whole and give a subsidy of Rs. 5 a meter in the meantime. He asked for the grant of liberal import licences to meet the urgent needs of the industry in respect of raw materials like zinc, copper, stainless steel wire, condensor paper, precision tools like drills, taps, jigs, fixtures and numerous other necessary items. A thorough study of the industry's problems and a careful united action for their solution were called for.

In a review of the industry by the Association, it is stated that while output of meters has improved substantialy from 34,356 numbers in 1952 to 11,30,000 numbers in 1963 the offtake, which was expected to reach 20,00,000 meters a year by 1965, has actually been limited to only 10,00,000. So far, 33 units are licensed with a capacity of 27,50,000 meters a year. Of these, 10 are in production. Most of the existing units have begun completing their expansion also. The overall production will, therefore, be far more than at present. Due to high cost structure, the industry has found it difficult even to exploit the export markets, where it has to contend with severe competition from East European countries and Japan.

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The Demographic Training and Research Centre, Bombay has completed its study on 'migrants in Greater Bombay' and the report will be published shortly. The study is concerned mainly with analysis of the demographic, social and economic characteristics of migrants, and the extent to which they differed in their characteristics from non-migrants living in the city and from the general population. An attempt was also made to analyse the tempo of migration to the city during the last 20 years. It is seen that the fall in the rate of growth of Greater Bombay's population from about 5 per cent per year during 1941-51 to 3.2 per cent per year during 1951-61 was wholly attributable to the fall in net migration. While in the former decade Greater Bombay experienced a net migration of approximately 950,000 persons, in the latter decade, the net migration was less than 600,000 persons. Propensities to migrate to Bombay City were found to be significantly greater for minority religious groups, for those who were not married, and for these who had high educational attainments. Migrants who came to the city before the marriageable age showed a definite tendency to adjust their marital pattern to the conditions in the city. The longer such migrants had been in the city, the closer their marital pattern and educational attainments resembled those of city-born persons. The analysis of economic characteristics by industry and occupation of the migrants revealed that they were well represented in all commodity-producing industries of Bombay, four out of every ten being engaged in manufacturing. However, migrants born in different States of India showed considerable differences in their industrial attachments.

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Mr. Upendra Bhatt, Chief Engineer of the Gujarat Refinery of Koyali revealed that the Ankleshwar oil-field was expected to yield about 53 million tons of oil. Arrangements were being made to step up production of oil and its processings. He said that work on the Gujarat Refinery was progressing according to schedule, and the first stage to process one million tons of oil would be ready by the end of the current year. By June 1965, the capacity to process another million tons would have been installed and the three-million-ton capacity would be achieved by the end of 1965. The Soviet experts are currently negotiating with the project authorities in Koyali on the expansion of the refinery capacity to three million tons. When the refinery reaches its full capacity the country would save about Rs. 7 lakhs per day in foreign exchange.

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The port charges, which vary widely, and have a differential incidence on commodities of export, are a factor to be examined in improving the competitive position of Indian exports. The Gujarat Government has under consideration, the welcome move to reduce port charges by about 20 per cent so that bauxite exported from Saurashtra ports could compete in foreign markets. This was revealed by the Director of Ports, Mr. B. C. Mehta; the latter also said that Gujarat ports would be equipped with new flotilla and machinery, with the grant of Rs. 35 lakhs as foreign exchange by the State for the purpose. Engines for nine tugs at Saurashtra ports were to be imported. He added that while the State's schemes for port development were proceeding according to schedule, except in the case of Porbandar, Government was reconsidering the proposal of having an oil mooring berth at Okha in view of the establishment of an oil refinery at Koyali.

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The Bombay Region is an industrial centre of major importance and the efficacy of productivity methods and the training programmes sponsored by the National Productivity Council would be judged by the success they had in this area. Addressing the sixth annual meeting of the Bombay Productivity Council, Mr. S. G. Barve, Maharashtra Minister for Industries, emphasised that the adoption of productivity methods was a prime necessity in India, because many Indian goods were priced out of international markets because of their higher cost. The issue of productivity was particularly relevant in India because industries in this country were functioning in a relatively sheltered and protected market, without the urge to improve that came from keen competition. The public sector, moreover, had a virtual monopoly in certain lines of production. In such conditions, it was all the more necessary to study the various factors that influenced productivity. In this context, he felt that it is important to make industrialists productivity conscious,

Training Programme

Earlier, welcoming Mr. Barve, Mr. Y. A. Fazalbhoy, the President of the Council, referred to the progress the Council had made; he said its membership had passed the 1,000 mark, and included 274 institutional members, about 14 of which were from the public sector. Against 14 training programmes held by the Council in the previous year, it had held 16 during 1963-64. The number of participants had risen from 333 sent by 261 organisations to 435 from 308 organisations. It was the aim of the Council to devote more attention to training programmes for the lower echelons of management and men on the shop floor. It had accordingly conducted courses in Marathi, Hindi and Gujarati. The Council had also introduced a training course on methods improvement and cost reduction in small-scale industries. Realising the need for technique-oriented study groups, it had set up three study groups on Maintenance Practice, Materials Control and Purchase Procedures and Standardisation of Tools and Tools Control. It would shortly set up a fourth group on Fuel Utilisation Practices. Mr. Fazalbhoy stated that three factors influenced productivity; a man at work required economic and social security; the institution that employed workers also needed security and the laws and enactments of government had to assist in the development of an industrial society. He mentioned two services that had recently been introduced by the National Productivity Council. The first was the Fuel Efficiency Service to help industries to secure efficient and economical use of fuel, and the second was a Productivity Survey and Implementation Service for industries employing

100 to 300 workers to assist them to adopt techniques of improved management and operational efficiency.

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At the Exporters' Chamber meeting, Mr. Asoka Mehta called upon traders not to be 'backward-looking', but to adjust themselves to changes in the process of economic development. He wanted them to be 'pioneers and not mere passengers' by going into new production lines, without looking only for opportunities to exploit scarcities. They ought to be in the vanguard of development and transform and dynamise the economy. Mr. Mehta cautioned that unless there was self-regulation, governmental regulation could not be avoided.

How Many Steel Plants for the South?

From Our Correspondent

MADRAS:

THE STATEMENT by the spokesman of Hindustan Steel to the effect that the World Bank does not favour the erection of a number of steel plants in the South, excepting a unit at Goa, has had a disturbing effect in this part of the country. It had been generally expected that the schemes for constructing three medium-sized steel plants at Visakhapatnam, Salem and Goa would be vigorously pursued and that these units would be established during the fourth Plan period. The arguments put forward in favour of the establishment of these three units were based on the broadening of the base of industry and dispersing steel making capacity besides providing the scope for further expansion in the coming years. It was also felt that a number of steel plants operating on an economic basis in different States would lead to the promotion of new engineering industries and eliminate the backward character of some regions.

The importance of three new units, besides Bokaro, will be realised if it is pointed out that the existing units in the public sector cannot profitably be expanded to have a capacity beyond 3 million tons each. The two big units in the private sector will also be expanding to the fullest extent so that, in the fifth Plan, only the Bokaro project will be capable of further expansion. Even allowing for the fact that the big units in the steel belt can grow further in size, the needs of other regions will have to be taken into consideration especially as abundant iron ore reserves are available in the three States of Andhra Pradesh, Madras and Mysore.

Imported Coal

It has been argued that a big unit in Visakhapatnam can be erected drawing its ore supplies from the newly developed Baladilla region while another plant can be erected at Goa, the ore reserves in the Bellary-Hospet area being utilised for this purpose. In both these cases, there will, of course, be need for importing coal by sea either from foreign countries or from the West Bengal region. The economics of this scheme will perhaps have to be more closely examined though it is contended with justification that, if Japan can build up an efficient industry based on imported ore as well as coal, the Southern States could develop the steel industry by importing metallurgical coal. The erection of these units cannot be delayed for long.

It is not clear how the spokesman of Hindustan Steel has stated that the World Bank will be agreeable to provide the foreign exchange required for a steel plant at Goa.. The World Bank has not so far financed the construction of any steel plant in the public sector though the two units in the private sector have been granted liberal loans and their present expansion plans will also be implemented with the help of this institution. This statement does not square with the observations made by Mr. C. Subramaniam sometime back, when he was Minister for Heavy Industries and Steel, that the offer of assistance from friendly countries will be availed for constructing medium-sized plants in the Southern States.

Whatever might be the argument put forward by the Hindustan Steel spokesman, it will be generally recognised that the Salem steel project is on an entirely different footing. There cannot be any objection to this project on the score that fuel resources are not available in the same locality. In fact, it is claimed that the Salem Steel Plant has all the advantages possessed by the steel units in North-East India. Thus, iron ore, lignite, limestone and other raw materials are available within a radius of 50 miles. In fact, limestone reserves are available in areas close to the iron ore deposits. There, was for a time, a controversy regarding the feasibility of lignite as a reducing agent. It has now been proved beyond doubt the lignite can be used for this purpose and for smelting processes electricity can be used in large quantities for producing steel. Arguments were also put forward by the opponents of the Salem steel project that lignite could be used to greater advantage for generating power and that there might even be a net loss on the production of pig iron based on Salem iron ore and lignite. These arguments were fallacious and tendentious as the value of output of pig iron will be very much more than the value of power generated with the same quantity of lignite. It might be said that the use of power by the consumer goods and engineering industries will result in a larger value of output. But this argument is equally true in the case of other steel plants. The cost of coal or lignite and power used in the manufacture of pig iron or steel will be higher expressed as a proportion of total costs than it would be in the case of other industries.

Adequate Resources

What is really relevant to the controversy is the availability of adequate quantities of lignite for power generation as well as steel making. It has been emphasised by the Madras State Government that adequate reserves exist in the Neyveli area and that there will not be at any time a clash between the power generating schemes and the Salem steel plant. The Neyveli thermal station is being expanded to have a capacity of 400 mW by the end of this Plan. There is also a programme to raise the capacity further to 600 mW in the fourth Plan period. Indeed, it has been emphasised by the Planning Commission that a second super station should be located in the same area so that the capacity can be raised ultimately to 1,000 mW. It is being examined whether a second mine-cut can be opened for this purpose and whether lignite available in deeper areas can be successfully exploited.

In any case, the Salem Steel Plant is not expected to have initially a capacity of more than 500,000 tons of ingots. The quantity required for this purpose will be 1.5 million tons of lignite. It has even been suggested that without waiting for the expansion of the mining operations, the briquettes produced at Neyveli can be used for reducing purposes and power use for other processes. There will, no doubt, be a denial of briquettes for use as fuel in households on account of the diversion for purposes of steel making. But the briquetting plant is capable of easy expansion and there are schemes for increasing the output of lignite from the existing minecut to 4.8 million tons annaully. Besides, it is also being examined whether dried lignite can be directly used as a reducing agent. There is confidence that this process will be commercially feasible and that further expansion of the steel plant to over one million tons can be undertaken in this manner. The position in regard to the availability of lignite will improve considerably if the efforts now being made to locate new reserves in Ramanathapuram district prove successful.

It has also been claimed that Salem iron ore is ideally suited for manufacturing alloy steel because of its low phosphorus content. Estimates regarding the cost of production of Salem Project compare favourably with the actual cost of Hindustan Steel while there is every likelihood of a premium being realised on pig iron or steel produced by the Salem project. The low phosphorus content will enable malleable castings to be produced in large quantities on an economic basis. There is no case, therefore, for shelving or even postponing the Salem Steel Project. If an adverse decision is taken by the Centre, public opinion will react violently and the impression will gain ground that the South is being denied legitimate opportunities for growing at a fast rate even though the requisite facilities exist.

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The power cut in Madras State came into force on June 15, and it was at first announced that all industries, excepting those adopting the continuous processes, would have to reduce their consumption by 50 per cent in the hydel areas and by 40 per cent in the thermal areas. But the Madras State Electricity Board had to decide on the imposition of even more drastic restrictions because the expectations regarding adequate rainfall in the catchment areas did not prove correct. Actually, the demand for power was so great that even on the restricted basis, the Electricity Board found it difficult to keep the industries functioning. There was confusion in Coimbatore for a time and the mills could not operate even on the restricted basis as there were frequent interruptions and breakdowns. It was felt that a total cut would enable them to lay-off workers. The complete cut became effective from 18th June in the hydel areas while in the thermal areas the industrial consumers were allowed to operate at only 20 per cent of their capacity. The continuous process industries are, however, exempt from the cut. The fresh restrictions were necessitated by the precarious level of water storage in the various hydel reservoirs. For a few hours, one of the units in Neyveli thermal station also was out of commission on account of minor trouble. The authorities, therefore, got alarmed and decided to enforce drastic restrictions.

It is difficult to imagine what would have happened if the Neyveli thermal station had not been supplying large blocks of power. At the present moment with all the five units functioning, the power available from this source is 5 million units daily against the total consumption of 8 million units daily, with restrictions force. In the absence of rains, it may not be possible for the hydel stations to produce even 2 million units daily. It is hoped that Neyveli would continue to operate at maximum efficiency and that the difficult situation would be got over early in July. Heavy rains for even two days in the catchment areas would be sufficient to enable the Electricity Board to lift the restrictions. There is a large hydel capacity which can be used to advantage if only there is adequate water storage. The delayed monsoon has upset all calqulations. In the last year there was a similar cut in June-July and there have been cuts in 6 years in the past decade.

Production Loss

The textile mills in Coimbatore and elsewhere are at a standstill. The various industrial units are also unable to continue their operations and it is feared that the backlog of orders cannot be easily cleared. Some effort might be made to offset the loss of production by working multiple shifts in later months. This may, however, be found difficult in the case of units which are already operating on a multiple shift basis. The loss of cloth production would be keenly felt though there is no danger of the powerloom or handloom weavers being denied their requirement of yarn. Curiously enough, while there is a brisk demand for mill-made cloth, powerloom and handloom weavers have not been able to dispose of their current production without difficulty. There has actually been an increase in stocks and mills were complaining about accumulations of coarse and medium counts of yarn in their godowns. The suspension of production will enable the clearance of accumulated stocks. Serious difficulties will, however, be felt in other directions as there are shortages of many manufactured goods and any decline in output will have its undesirable effects. The value of production lost during the period of the power cut will amount to Rs. 8-10 crores.

The question is now being asked whether there will be a repetition of the happenings next year. It is difficult to give a straight answer, though it is expected that one more unit would have been added at Neyveli and that new hydel capacity would have been installed on a large scale. The Madras State Electricity Board, however, hopes that it would be possible to conserve available water resources by judicious operations of the different hydel stations. If the lakes get filled in all places, this procedure may prove successful.

Hastening Industrialisation in Punjab

From Our Correspondent

CHANDIGARH:

FRESH EFFORTS are being currently made to impart added tempo to the process of industrialisation in this dynamic State. An ambitious programme has been chalked out by the State to create an industrial belt along the entire Grand Trunk Road running from Delhi to Ambala. Recently the Chief Minister made public the scheme of the State Government in this respect. Significant inducements to the private enterprises have been offered by way of large concessions and facilities for this purpose. The Government proposes to set up an Industrial Estate at Ganaur, 10 miles from Sonepat. The decision of the State Government to set up a pig-iron plant at Hissar should give further impetus to the industrialisation of this area. This plant, with an annual production capacity of 150,000 tons of pig-iron, is expected to cost Rs. 4 crores. Moreover, the Department of Industries of the State Government has started preparing feasibility reports for various types of industries that can be successfully operated in this area. It is proposed to give greater attention to the development of those industries which hold out a hope of contributing sizably to the foreign exchange earnings of the country. Such industries as machine tools hosiery, iron-pipes, sewing machines, bicycles and dry colours fall under this category. With the already achieved developments in the field of industries, power, road transport and technical training, these programmes should be able to attract industrialists willing to go ahead with new ventures. However, some snags remain. Quite significant among these seems to be non-availability of imported equipment and basic raw materials. With assured Government support, this should not prove to be insurmountbale.

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The programme with regard to rural electrification is acquiring a changed look. The Punjab State Electricity Board —the agency entrusted with the task of implementing rural electrification schemes—has recently revised its policy so as to give priority to the electrification of relatively backward areas. Accordingly, a quarter of the total allocation for rural electrification schemes will be reserved for the under-developed areas of the State. The selection of villages for inclusion in this programme is promised to be made purely on merit, though without sacrificing the financial interest of the Board. During the current year, a crore of rupees have been set aside for this purpose. The Board itself realises the inadequacy of the amount. It is making efforts to get loans from the State Government and the Life Insurance Corporation. The Board is also

contemplating a number of economy measures with respect to the machinery for selecting personnel, purchasing procedures and retrenchment of superficial staff, especially in the highest cadres.

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The third Plan programmes of agricultural development are proceeding satisfactorily. The wheat package programme aiming at increased per acre yield of this major crop of the State has been initiated in the major wheat-growing districts of the State, namely Hissar, Rohtak, Amritsar and Ferozepur. The programme has already covered Ludhiana district. A major part of the programme would be to extend the use of improved seeds over 10,00,000 acres of land under cultivation. It is also expected that the number of warehouses in the State would increase from 74 to 110 by the last year of current Plan. Some 13 warehouses were set up during 1963. Another 26 are to be set up in the year 1964. Of these 3 warehouses would be set up by the Central Warehousing Corporation in addition to 7 warehouses already set up by it.

★★

The State Government is devoting itself to the task of checking the rise in wheat prices. It has already banned the export of wheat and has prohibited the licensed foodgrains dealers in the State from building up inventories of wheat exceeding 250 quintals. This amounts to a ceiling of one wagon load of wheat stock for each licensee. Moreover, it has been decided to license only those dealers who in the past had been keeping stocks of wheat of one wagon or more. As a result of such measures, it is expected that prices would show signs of downward movement before long. As soon as the prices reach the minimum level, set by the Government, it would embark on building up buffer stocks of wheat. Meanwhile, everybody is watching with interest the talks about state trading in foodgrains emanating from New Delhi.

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The moving finger writes

I DO NOT care greatly for the Congress High Command's manner of finding a new Chief Minister for Punjab. The proper course, of course, is to let the Congress Legislature party in Punjab to elect a successor to Mr. Pratap Singh Kairon. It is true that there was a possibility at one time that, in the event of the High Command refraining from giving a lead, that party might have been unduly influenced by Mr. Kairon or the Kairon group in the choice of its new leader. But that risk vanished the moment the Das Report was published. It is surely not possible now for Mr. Kairon or for those who have been closely associated with him in the administration of the party to play a decisive part in the shaping of Punjab politics for some time to come. It follows that it should have been possible for the Congress High Command to contemplate the desirability of the Congress Legislature party in Punjab choosing Mr. Kairon's successor without any interference or even advice from above.

It is therefore a pity that neither the Congress President nor the Prime Minister seems to have understood the wisdom of permitting the Congress Legislature party full and real freedom of choice of leadership. It is a commonplace of Congress history that imposed leadership is seldom successful either in consolidating the party strength or in providing a competent government to the State concerned. It is extremely undesirable that the big bosses of the Congress organisation should set out to nominate Chief Ministers or other Ministers on the least provocation. That way the post-Nehru era in Congress politics is unlikely to be less free from factionalism in the States or even at the Centre than the Nehru era was. I said advisedly "at the Centre", because once the High Command begins to indulge in power politics at the State level, the inevitable consequence would be for the top leaders themselves to get divided among warring cauc uses scrambling to build up positions of power or prestige. Even if the Congress Legislature party in a State were to make an unwise choice of leader, no great catastrophe would result. An error of that kind could always be corrected in due course. The only responsibility which the High Command should assume in the matter of the selection of a Chief Minister is that it should try to ensure that no undemocratic or otherwise improper methods are followed. The election, in other words, should be free and should be decently conducted.

★★

Mr. Swaran Singh has once again proved to be an extremely durable Central Minister. Some of my colleagues in the profession who are physically more active than I am, had been telling me in the past few days that the results of their news-hunting had convinced them that so far as Mr. Swaran Singh himself was concerned, he was not exactly unwilling to take up the challenging responsibility of succeeding Mr. Kairon. I, however, continued to have my doubts. Mr. Swaran Singh is a man of varied talents, but I would not count among them the qualities that would be needed to govern Punjab successfully in the wake of Mr. Pratap Singh Kairon. The Minister for Industry is a master of the art of the interminable talk which gives away nothing. This may be useful in certain fields of diplomacy, but it is unlikely to be helpful where to decide and to act would be more important than to talk and to please. By the same token, Mr. Swaran Singh may well be successful in the mission in which he has been sent to Chandigarh by Mr. Kamaraj and Mr. Lal Bahadur, that is, assuming that the Congress High Command has already made up its mind on who should be the next Chief Minister and is asking Mr. Swaran Singh simply to sell its man to the Congress Legislature party.

★★

I have said earlier that I doubted that Mr. Swaran Singh could be enthusiastic over trading his Central Ministership for the Chief Ministership of Punjab. I am, however, quite ready to agree that the Prime Minister, for his part, was equally far from being keen on releasing Mr. Swaran Singh from the Central Cabinet. Not that I had ever thought that Mr. Swaran Singh's achievements were outstanding or even completely satisfactory in any of the many portfolios which he has been holding from time to time. But there is this fact to reckon with that Mr. Lal Bahadur believes in playing safe, as is evident from, for instance, his Cabinet-making. And there is nobody who is "safer" than Mr. Swaran Singh. He is such a completely normal human being that his very presence at one's side must be reassuring. To one of Mr. Lal Bahadur's temperament it would certainly not appeal to let a man like Mr. Swaran Singh go. This apart, in more concrete terms, Mr. Swaran Singh's leaving the Central Government would have given rise to problems and complications of a kind which Mr. Lal Bahadur would most definitely be reluctant to face. Gossip in the Capital has it that, in the event of a vacancy in the Industry Ministry, Mr. S. K. Patil, for one, would have lost no time in pressing his claim for the post. Again, there is the question of a Sikh replacement. Whether Mr. Hukum Singh would finally have decided to give up the Speakership of the Lok Sabha for a Ministership at the Centre I do not profess to know. But my suspicion is that it might be easier to find a satisfactory successor to Mr. Kairon in the Punjab Government than to Mr. Swaran Singh in the Central Cabinet.

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These are days when politicians seem over-ready to become business men, while business men appear to be equally keen on turning politicians. It is, therefore, always a pleasure, as real as it is rare, to come across a business man who chooses to remain one even when he has to deal with politicians. That agreeable experience I had while listening a few days ago to the Chairman of the Indian Woollen Mills Federation, discussing the ways of the Government with the woollen industry. The points which Mr. R. K. Birla makes are simple enough. In the first place, an industry which has been officially rated as of high priority for defence purposes should surely be given adequate equipment and raw material to achieve full production. Secondly, an industry which, besides being important for defence, is also engaged in supplying essential articles of consumption to the public, should be assisted in its efforts to cut down costs by working its existing equipment fully and also by modernizing its machinery. Mr. R. K. Birla believes that in both these respects the Government's policies have been by and large unhelpful and illogical. It is true that there is a shortage of foreign exchange and so the woollen industry's requirements of imported wool or imported machinery should be carefully scrutinized. But, there is surely no sense in restricting the industry to obviously low rations of its essential imports unless, of course, the Government has decided as a matter of policy that the woollen industry should reconcile itself to partial production or aging machinery, no matter how important its output may be for defence and the economy.

V.B.

Trade Winds

STC IN ROTTERDAM

AS A part of the plan to expand and consolidate trade between India and West European countries the State Trading Corporation has opened a branch office at Rotterdam (in Holland) which is the biggest port of Europe with up-to-date port facilities. The new office, which is a depot-cum-trading centre, will endeavour to step up STC's activities in Western Europe generally and provide facilities for marketing, warehousing and exhibition of samples to Indian exporters. The office will function in three sections. The commission agency and marketing section will endeavour to supply to West European markets manufactured, processed and semi-processed goods of standard quality as well as Indian raw materials in demand in these markets, at competitive prices. For this purpose the section will undertake market surveys, study consumer preferences and contact prospective importers at personal level and assess their requirements. It will ensure proper performance of contracts and supply of goods in accordance with the delivery schedules and the prescribed quality standards. Wherever feasible, it will also arrange credit facilities.

The barter or link section will arrange and supervise barter or link deals between trading parties in India and Europe in relation to commodities and monetary ceilings approved from time to time. It will also sponsor visits of purchasing missions to India.

The third section will deal with collection and stocking of samples of a wide range of goods at Rotterdam, thus providing a show-window for Indian products. It will also arrange for bulk stocking of goods in bonded warehouses so that ex-stock deliveries will be possible whenever intending purchasers place orders after on-the-spot inspection of samples. Necessary facilities will be provided for reprocessing and repackaging of goods. The items which this section will handle to begin with, include superior varieties of cotton, silk, art silk and woollen textiles, knitwear, ready-made garments, carpets and other floor coverings, coffee, tea, spices, cashewnuts, leather and hides, handicrafts, and artware, coir and jute goods, frozen and tinned fruits, juices and marine products, oil cakes and tobacco. In order to bring its activities to the notice of the trading community in Western Europe the Rotterdam office will organise an intensive publicity drive through the media of 'participation in trade fairs and exhibitions', radio and television, local festivals, advertisements, cinema snippets, hoardings at important places, etc.

BLANKET TOLL INCREASE

The Chairman of the Suez Canal Authority, Mr. Mahmud Younes, has announced a blanket toll increase of one per cent on all shipping through the canal with effect from June 30, 1964 and an additional two per cent increase on all ships with a draught of more than 37 feet. The two per cent increase is evidently to be levied on vessels which benefit from President Nasser's plan to deepen and widen the canal with a view to permitting heavier ships to transit through it. The prices of certain good imported into India may go up as a result of the increase in tolls.

INDO-POLISH TRADE

The negotiations between the visiting Indian Trade Delegation and the Polish Government at Warsaw resulted in the signing of a mutual trade agreement on June 18, 1964 for trade between the two countries during 1965 and 1966. The agreement envisages the volume of trade between the two countries to be of the order of Rs. 38 crores both ways by 1966. It will also entail considerable diversification of goods to be exported by India and will include engineering goods and cotton textiles. There will also be expansion of trade in traditional goods such as iron ore, manganese ore, mica, jute goods and tobacco. Poland is also interested in imports of de-oiled linseed cakes from India. Among the items to be imported by India from Poland are: steel, machine tools, textile machinery and chemicals.

WORLD PRODUCTION OF FERTILISERS

The UN Food and Agriculture Organisation, in a recently brought out publication entitled "Fertilizers — An Annual Review of World Production, Consumption and Trade for 1962", has estimated the world production of all commercial fertilizers based on nitrogen, phosphorus and potash at 31,200,000 tons in 1961-62 — six per cent higher than in 1960-61. The world consumption has been estimated at 29,340,000 tons for 1961-62, an increase of about three per cent over 1960-61. The volume of world trade in fertilizers in 1961-62 has been estimated at 3,050,000 tons representing just over 27 per cent of the world consumption compared with 26 per cent in the previous year. The total world output of 31.2 million tons in 1961-62 comprised 11.5 million tons of fertilizers based on nitrogen, 9.3 million tons of those based on potash and 10.4 million tons of phosphate fertilizers. According to the FAO review the pattern of fertilizer consumption varies widely from continent to continent. In Europe, South America and the Soviet Union, for example, the three plant nutrients have come to be used in nearly equal quantities. In Asia there has been an emphasis on nitrogen-based fertilizers because of the large acreage of irrigated paddy land, though in recent years the need for greater use of phosphorous and potash based fertilizers has been recognised. Phosphate fertilizers have remained the most popular fertilizers in Australia, South Africa and in New Zealand.

Europe was the largest net exporter of fertilizers in 1961-62 with 1.7 million tons, followed by the Soviet Union with 464,000 tons and North and Central America with 29,000 tons. The other continents were net importers, Asia being the largest with 1.1 million tons, followed by Africa with 327,000 tons, Oceania with 148,000 tons and South America with 122,000 tons.

INSTANT TEA

Addressing a press conference at the end of his two-week tour of the United States and Canada, the Chairman of the Tea Board of India, Mr. A. S. Bam, said that instant tea was proving increasingly popular in North America and might also catch on in the continent. He disclosed that a big instant tea plant would soon go into production in India and would help to meet the new demand. The consumption of instant tea had, however, not caught on in Britain which was the biggest tea consuming nation in the world.

WORLD RICE PRODUCTION

According to the FAO's Consultative Sub-Committee on the Economic Aspects of Rice, the world production of rice reached record level in 1963-64 season and, on the whole, both the volume and value of international trade in 1964 should remain well above the average of recent years. The committee estimates that the production of paddy in 1963-64 (excluding the mainland of China) will reach a record level of 158 million tons — nine million tons more than in the 1962-63 season — despite lower output in some parts of the Far East, in Latin America and in southern Europe. Among the importing countries, there were good crops in India and Pakistan, and bad crops in Indonesia and Cuba. As for exporters, crops were heavier in the United States, the United Arab Republic, Thailand, Vietnam, Madagascar and Korea, while production fell in Burma, Taiwan, Brazil, Italy and Spain. As regards stocks, the committee reports that since the carry-over supplies in some countries have been offset by reduced production, "world supplies available for export this year are probably more or less the same" as last year.

TEXTILE MACHINERY IMPORTS

The Textile Commissioner has invited applications from units in the woollen textile industry for imports of permissible items of woollen textile machinery. Yugoslavia is in a position to supply semi-automatic and automatic woollen looms, drying chambers for wool, wool dying and wool washing machines, rag tearing machines and cross winding machines. The interested parties may submit their applications in the prescribed form, together with proforma invoices and giving full justification for the import, to the Joint Chief Controller of Imports and Exports, Bombay, (with a copy to the Textile Commissioner) so as to reach him on or before July 15, 1964.

INDO-SOVIET TRADE

According to Mr. V. F. Sinev, Deputy Trade Representative of the USSR in India, the annual turnover of trade between India and the Soviet Union is expected to exceed Rs. 200 crores by 1968. The trade turnover between the two countries in 1963 was over Rs. 100 crores compared with Rs. one crore in 1953. In 1964, the turnover is expected to be over Rs. 135 crores.

DISPOSAL OF DIAMONDS

According to the Japanese Finance Minister, Mr. Kukuei Tanaka, Japan may offer 160,000 carats of diamonds for sale abroad through international tenders next year in order to replenish its foreign exchange reserves. These diamonds were collected by the Government from the Japanese people during World War II. The number of the diamonds is estimated at 1.5 million pieces, valued at 7,200 million yen.

BILLIONAIRES CLUB

The U.S. Billionaires Club increased its membership to 62 in 1963. The club, restricted to companies with annual sales or revenues of at least $1 billion (listed on the New York Stock Exchange), opened its doors to four new members in 1963, while dropping two others from its rolls. The newcomers were Continental Oil, General Tire and Rubber, National Tea and Food Fair Stores. The dropped companies were Martin-Marietta and US Rubber. As usual, the General Motors rated first in 1963 with annual revenues of $16.5 billion, followed by — again, as usual — Standard Oil (N. J. with revenues of a little more than $11 billion. The relative ranks of the top ten were exactly the same in 1963 as in 196 with one exception — Sears Roebuck which took over th sixth position from General Electric which in turned dippe to the seventh place. The sales and revenues of the billion aires in 1963 totalled $159 million, showing an increase of 6 per cent over the previous year. The total net profits increased to $11.3 billion in 1963 from $9.9 billion in 1962.

FAIR PRICE CORPORATION

The Punjab Government has decided to set up a corporation in the public sector for the establishment of a chain of fair price shops in the State to keep down the prices of essential commodities. To begin with fair price shops will be opened in 40 to 50 important towns. In course of time such shops will be opened in villages also.

I.D.A. CREDIT FOR PAKISTAN

The International Development Association, an affiliate of the World Bank, has extended two credits totalling the equivalent of $39.5 million to assist in financing highway projects in Pakistan. One credit of $22.5 million, is for the construction of a 150-mile highway between Dacca and Chittagong in East Pakistan. The other credit, of $17 million, is for the construction of a 90-mile highway between Karachi and Hyderabad and of three bridges to the north in West Pakistan. The credits will also finance the services of consultants to advise and assist the highway departments in both the provinces and to undertake certain feasibility studies.

FOREIGN DEBT OF INDIA

As on January 31, 1964, India had signed foreign loan agreements for amounts totalling Rs. 3745.37 crores of which Rs. 2304.18 crores had actually been utilized. Against these loans the country had paid off (by January 31, 1964) Rs. 405.82 crores as principal and Rs. 243.27 crores as interest. Of the total amount of Rs. 3,745.37 crores, Rs. 2,135.83 crores are repayable directly in foreign currency, Rs. 455.76 crores through export of goods and Rs. 832.41 crores in rupees. The rest of the loans amounting to Rs. 321.37 crores were drawn from the

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International Monetary Fund and are repayable partly in rupees and partly in foreign currency.

KNOW-HOW FROM JAPAN

According to the Japan Machinery Exporters' Association, the Japanese machine tool industry is willing to introduce its technical "know-how" for the manufacture of machine tools and metal working machinery in India and Pakistan. A committee comprising eight machine tool makers and seven trading firms of Japan has been formed to deal with offers from India and Pakistan. Three Japanese firms have already concluded contracts with Indian firms. The Hitachi Seiki Company is to supply technical know-how and manufacturing facilities for turret lathes worth about 200 million yen to the Industrial Plants Limited of India. The Indian firm will produce 100 to 120 sets of turret lathes annually. The O-M Limited and Okuma Machinery Works, both Japanese lathe makers, have granted technical "know-how" to the Pearl Mechanical Engineering & Foundry Works Limited and the Investment Mechanical and Engineering Limited of India respectively. Each of the two Indian firms will assemble turret lathes at the rate of 30 sets per month.

MITSUBISHI MERGER

Three major companies of the Mitsubishi group have been merged to form "Mitsubishi Heavy Industries" which will now be the largest manufacturing concern of Japan. The new company created by the amalgamation of Mitsubishi Nippon Heavy Industries, Shin Mitsubishi Heavy Industries and Mitsubishi Shipbuilding and Engineering has a capital of £79 million and anticipated sales in excess of £360 million. It will be bigger than Hitachi, hitherto Japan's largest manufacturing enterprise. The merger is aimed at streamlining the Mitsubishi group's heavy industrial activities to enable it to compete more effectively in the international sphere.

BANK OF ASIAN DEVELOPMENT

The Ministry of International Trade and Industry of Japan has drafted a plan for the establishment of an Asian development bank. The plan envisages the grant of loans to such industrial, transport and communication projects as would be of value to the economic and industrial progress of the Asian region. The membership of the proposed bank would also be open to countries not belonging to the UN Economic Commission for Asia and the Far East.

A.I.D. LOAN FOR SHARAVATHI

The Agency for International Development has agreed to grant a loan of $3.1 million for the purchase of the eighth unit for the Rs. 100 crore Sharavathi hydel project. The first generator with a capacity of 89,100 kW is under erection and is expected to be commissioned before the end of 1964. The project, when fully completed, will generate one million kW of power.



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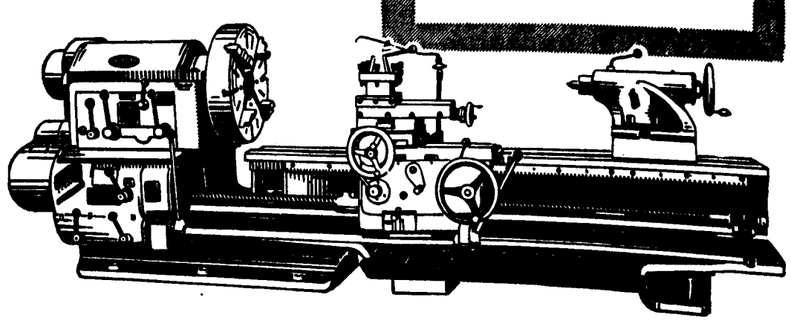
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MK 364

Company Affairs

CHALLENGE AND OPPORTUNITY

MR. RAGHAVAN PILLAI, Chairman, Guest, Keen, Williams Ltd, while addressing the annual general meeting, told the shareholders that the year 1963 marked a turning point in the history of the company and was one of outstanding significance. It marked the beginning of a period of increasing challenge as well as opportunity. This year, he said, witnessed the consolidation of the gains from an earlier period of development; the merger of the company with its subsidiary -- Sankey Electrical Stampings Ltd. -- making possible the more effective and efficient utilisation of the combined resources. The Chairman gave an interesting description of the manner in which this company grew during the last 42 years. During these years it established various units at Bombay, Calcutta and Bangalore to manufacture a large variety of engineering items.

This tempo of progress was maintained during 1963 too. It improved its turn-over by more than 25 per cent from Rs. 13.06 crores to Rs. 16.38 crores, in 1963. Sankey Electrical Stampings Ltd., became a wholly owned subsidiary on the exchange of shares with Tatas. Towards the end of 1963, the issue of bonus shares in the ratio of one for two was approved and along with the exchange of shares with Tatas it meant a substantial increase in the issued capital. The authorised capital of the company, therefore, increased from Rs. 6 crores to Rs. 10 crores. To meet the cost of expansion the directors decided during 1963 to issue debentures amounting to Rs. 1.5 crores and the issue was fully subscribed in February this year. The company also invested Rs. 38.2 lakhs, by way of plant and cash, in Sankey Wheels Ltd., a newly formed company, which prosposes to make passenger and commercial vehicle wheels. Thus from its modest beginnings during the inter-war years the company has progressed to its present impressive position.

The Chairman indicated that it was as a result of vigilant efforts to exercise economies that it increased its income. In spite of that, available profit for disposal did not rise proportionately due to much higher charge for taxation. This rise was mainly from the issue of bonus shares for which an additional tax of Rs. 26.34 lakhs was payable. Moreover a provision for Rs. 4 30 lakhs had to be made in respect of the newly imposed levy on equity dividend. It was indeed unfortunate that the welcome exemption from the payment of additional tax in respect of bonus shares, when issued out of share premium account came just too late for the company to benefit as its bonus issue was made prior to April 1, 1964. He added, however, that there was some relief in the sense that under the provisions of the Finance Act, 1964, this bonus issue would not attract capital gains tax in their hands.

The Chairman outlined the future plans which include the construction of the new steel melting shop which was making good progress. Its stage I plant would be in production next year. Moreover the company proposed to reorganise the rolling mills and this reorganisation included the installation of a new merchant bar mill in new buildings which would permit the running down of some of the old mills. Much of the old plant in the Calcutta belt works was being replaced by modern equipment which would lead to improved quality as well as better range of sophisticated items. At the Bhandup works certain outmoded machines were replaced by modern high production plant and the Government of India had granted approval for the expansion of self tapping screw capacity and that plant was hoped to be installed next year. The chairman indicated that many other projected schemes for expansion and modernisation were being studied and this process would continue to make this company increasingly more important in its field.

RE-INSURANCE CORPORATION

The experience of India Re-insurance Corporation Ltd., (I.R.C.) may be said broadly to reflect the position of general insurance business in India. Although, on the whole, general insurance business in 1963 was quite favourable, the Corporation's experience showed that profitability was actually lower than in previous years.

How risky — and how far from lucrative, as the champions of nationalisation aver — general insurance business is can be gauged from the results of working of the I.R.C. in 1963. The Corporation's total gross premium income last year amounted to over Rs. 6.99 crores, as against Rs. 5 87 crores in 1962, while the total net premium in 1963 and 1962 was Rs. 3.89 crores and Rs. 3.28 crores, respectively. According to the Directors' report, there was a moderate increase in fire and marine premiums and a substantial increase in premiums from the miscellaneous department. The claims cost of the Corporation rose from 51.1 per cent to 54.7 per cent, notwithstanding the decline in commission costs (from 33.7 per cent to 33.1 per cent) and in management expenses (from 2 per cent to 1.7 per cent). An amount of Rs. 10.70 lakhs was transferred to profit and loss account, as against Rs. 6 46 lakhs transferred in the previous year. From the profit and loss appropriation account, Rs. 3.5 lakhs were transferred to general reserve and Rs. 8.83 lakhs to dividend reserve. There was also a transfer of Rs. 25,148 to the reserve for depreciation on investments in order to meet the depreciation in market value of the Corporation's investments as compared to their book value.

The Chairman's statement to the members has dealt with the Corporation's experience in the different departments. It should be obvious from this account how fitful profits of general insurance could be, depending, as they must, on a variety of factors, both national and international. It remains to be seen how the general insurance market in India will fare this year with the entry (since 1-4-1964) of the Life Insurance Corporation which, by the way, has registered itself as Non-Tariff Insurer. It is not clear why the L.I.C. did not choose to be a Tariff Insurer when, it is believed, it is prepared to charge the same rates as laid down by Tariff. So long as L.I.C. continues to do so, that is, work in co-operation with Tariff Insurers, there is every scope that the Indian market will continue to grow in strength and stability. If, on the other hand, there is unfortunately any want of understanding and in consequence, a rate-war between Tariff Insurers and Non-Tariff Insurers, stormy days would be ahead for general insurance.

BOMBAY STEEL ROLLING

The subscription list of Bombay Steel Rolling Mills Ltd., opened on June 24 for the public issue of 120,540 ordinary shares of Rs. 10 each. The subscription list will close on July 4 or earlier, but not before June 27. The company has an authorised capital of Rs. 25 lakhs and issued, subscribed and paid-up capital of Rs. 12.55 lakhs The entire present issue offered for public subscription has been underwritten. The company holds a licence for the manufacture of steel bars and sections and is now putting up a modern plant of the capacity of 30,000 to 50,000 tons for re-rolling mild steel bars, light structurals, gate channels etc. at Kalyani in West

Bengal. It also proposes to manufacture box strappings and seals of various gauges and sizes of high quality in collaboration with Messrs. A. J. Gerrard & Co. of USA. It also proposes to manufacture high tensile bolts and nuts and link chains.

NATIONAL ORGANIC CHEMICAL

National Organic Chemical Industries Ltd., a new company engaged in the production of petro-chemicals, is progressing well in the establishment of its Rs. 30 crores project. Construction of the factory is expected to start after the monsoon, so that it can commence production in the third quarter of 1966. It will have an issued and paid-up capital of Rs. 10 crores and will enter the capital market at an opportune time. Shell International of the USA, the proposed foreign collaborators, will subscribe to one-third of the capital besides offering technical know-how. The promotors will make an equal contribution with the Standard Mills investing about Rs. 75 lakhs and the balance will be offered for public subscription. The shareholders of Standard Mills will be entitled to one share of the company for every two Standard shares. The foreign exchange component of the project is estimated at about Rs. 14 crores which will be secured by way of long-term foreign loans of Rs. 11 crores and the collaborators' contribution of nearly Rs. 3.33 crores.

Another new company, Polyodefins Industries Ltd., proposes to manufacture 20,000 tonnes of polyethylene in collaboration with the West German firm, Farbwerke Hoechst Ag. The capital outlay of the project is likely to be Rs. 8.5 crores, out of which the company's capital will be Rs. 3.60 crores with National Organic Chemical Industries Ltd. and the foreign firm each raising one-third. The balance will be offered for public subscription.

METAL BOX

The preliminary results of the Metal Box Company of India Ltd., for the year ended March 31, 1964 show an increase in the pre-tax profit, after providing for depreciation, from Rs. 123.60 lakhs to Rs. 154.10 lakhs. The tax provision absorbed Rs. 92.50 lakhs against Rs. 79 lakhs last year. The directors have recommended the payment of final dividend at the rate of 9 per cent against 10 per cent paid last year, but this year dividend is on an increased capital. The total distribution for the year comes to 18 per cent as against 19 per cent paid last year. The interim dividend for the year under review and the whole of the distribution for 1962-63 were on the old capital. The company offered in January this year, one rights issue for each share held at a premium of 25 per cent.

KIRLOSKAR PNEUMATIC

Kirloskar Pneumatic Co. Ltd. proposes to offer 15,090 equity shares of Rs. 100 each at par to the existing shareholders in the ratio of three new shares for every seven held. The new shares will rank pari passu with the existing shares and will be entitled to any dividend that may be declared in respect of the year ended March 31, 1965. The present capital of the company is Rs. 34.91 lakhs divided into 958 preference shares of Rs. 100 each, 24,910 equity shares of Rs. 100 and 9,042 equity shares converted from preference shares. The company proposes to diversify its activity by expanding the range of its production of compressed air equipment as also by taking up new articles for manufacture. The company is already making refrigeration compressors under licence from a Dutch firm and has also signed a licence agreement with Westinghouse International Co., USA for the manufacture of compressors and components of air conditioning units. It has also finalised a licence and technical assistance agreement with Westinghouse Brake and Signal Co. Ltd. of UK for the manufacture of air brake compressors suitable for railways.

MADRAS MOTOR INSURANCE

Madras Motor and General Insurance Co. Ltd., has made substantial progress during the last 14 years. On the basis of its results for 1962 the Indian Insurance Year Book shows that already it ranks fifth among the Indian insurers engaged in General Insurance business in terms of net profits. Even from the point of view of gross premiums net premiums and total assets it is among 12 largest Indian insurers. During 1963 the company further strengthened itself so that the gross premium underwritten has crossed Rs. one-crore limit. The year also witnessed the expansion of its capital base so that the paid-up capital of the company was raised from Rs. 30 lakhs to Rs. 40 lakhs. In addition to the Motor Insurance business it has also under-written miscellaneous business of all types and the directors feel that there is a vast potential in this field. It has made investments in a number of companies many of whom are having foreign collaboration and have good growth potential. It recorded a net profit of Rs. 11.46 lakhs during the year ended December 31, 1963 as against Rs. 10.95 lakhs last year. The directors have recommended dividend of 21 per cent, subject to tax, which will absorb Rs. 6.43 lakhs. The directors indicate that in common with other general insurance companies it has to meet the competition of the L.I.C. which is the biggest insurer with a large number of branches, country-wide organisation and enormous resources.

NATIONAL INSURANCE

National Insurance Co. Ltd., during the year ended December 31, 1963 recorded a gross premium of Rs. 96 21 lakhs as against Rs. 75.24 lakhs last year. In 1956 its gross premium stood around Rs. 28.00 lakhs which shows a steady progress during these years. The company suffered a loss to the extent of Rs. 3.44 lakhs due to the devaluation of the Indonesian Rupiahs from 9.52 to 66.64 per Indian rupee. The amount consists of devaluation of the amount due from the Life Insurance Corporation of India. As it has settled the account with the LIC, the loss in devaluation and the difference has been adjusted. Profit during the year was lower at Rs. 1.42 lakhs as against Rs. 3.06 lakhs this year. The dividend at the rate of 6 per cent has, however, been maintained.

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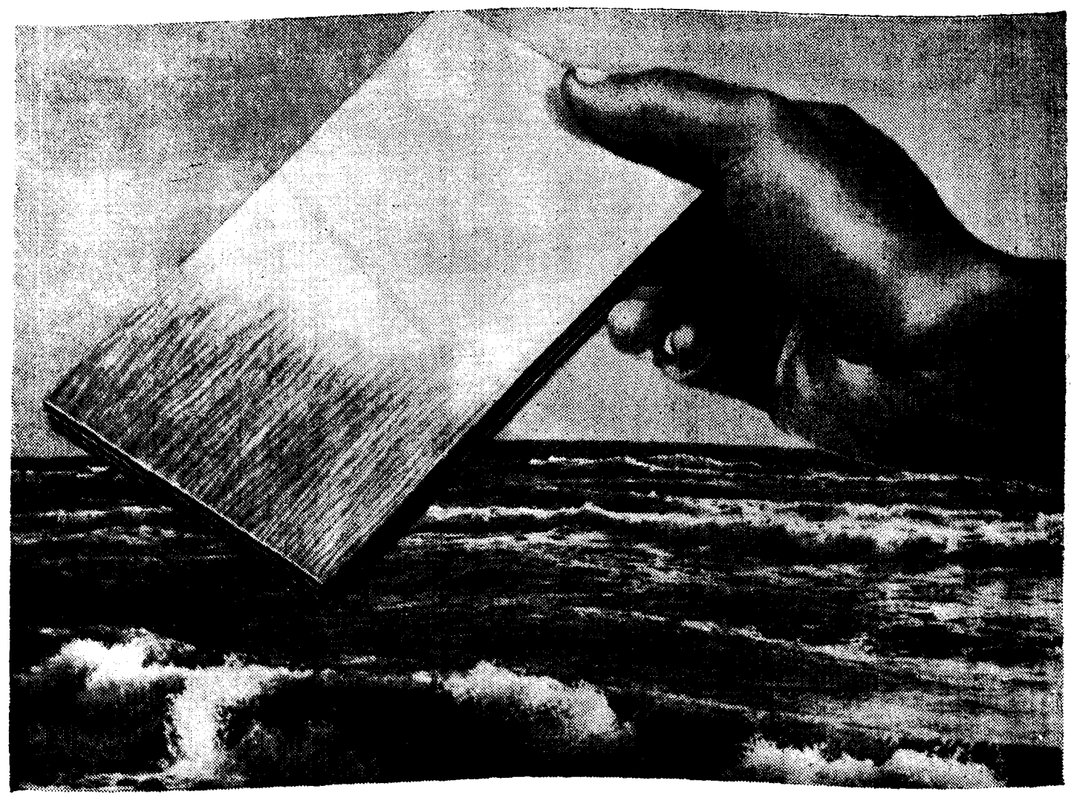
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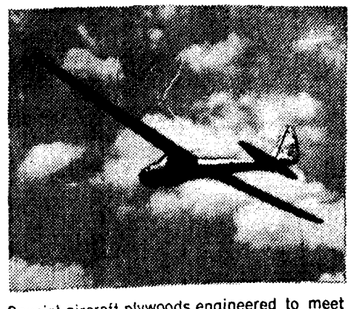
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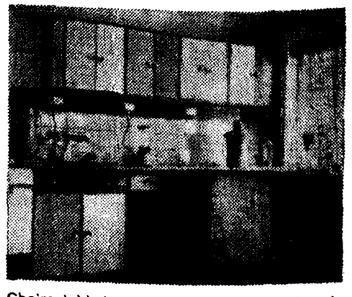
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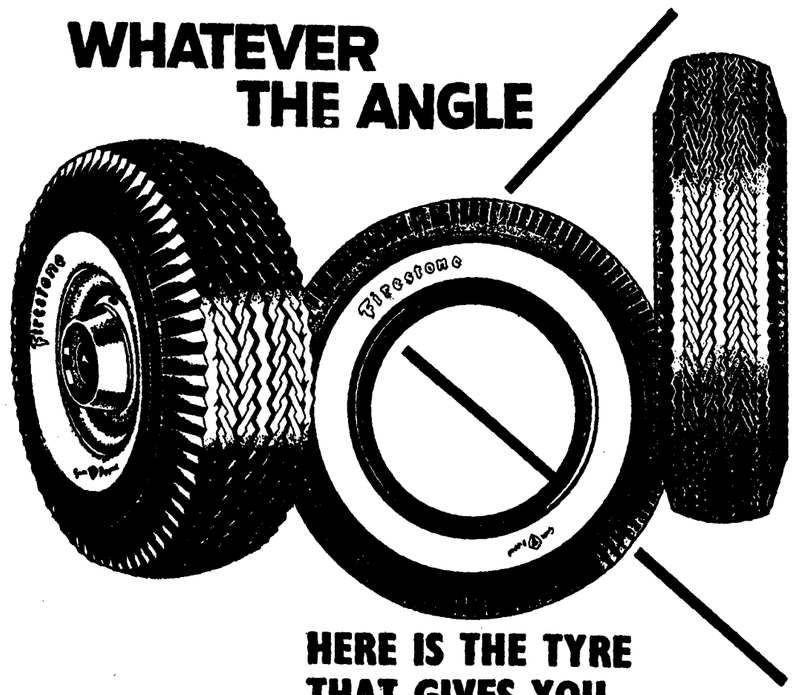


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shares. Five of the companies are offering part of their capital for public subscription. Foreign collaboration is involved in the case of two companies.

Excepting one company, which has been given permission to float its issues until Nov. 10, 1964, the consent of the Controller of Capital Issues is valid for 12 months in all cases.

Mysore Acetate and Chemicals Company Limited, Mysore, is to issue capital of Rs. 2,25,00,000 in equity shares of Rs. 100 each, partly in cash and partly for consideration other than cash. The money will be used to manufacture cellulose acetate at Mandya.

Of this issue, Government of Mysore would subscribe for Rs. 50 lakhs in addition to Rs. 30 lakhs to be taken up by Mysore Sugar Co. Ltd., a wholly owned undertaking of the State Government. The foreign collaborators, von Kohorn Universal Corporation of the US and Chematurs of Sweden, will be offered shares of the value of Rs. 58.5 lakhs and Rs. 9.5 lakhs respectively. Of the balance, such number of the shares as would qualify the shares to be listed on the stock exchanges would be offered to the public.

Jayshree Chemicals Limited, Calcutta, was given consent in 1963 for the issue of Rs. 90 lakhs consisting of Rs. 70 lakhs in equity and Rs. 20 lakhs in preference for the manufacture of caustic soda, chlorine, bleaching powder, etc. at Ganjam, Orissa.

In supersession of an earlier consent of an issue of capital of Rs. 124.93 lakhs, **Madras Tube Company Limited,** Madras, has now been given permission to issue capital of Rs. 1,39,93,000 divided into 9,99,300 equity shares of Rs. 10 each and 40,000 preference shares of Rs. 100 each, for cash at par. Of the issue, suitable number of equity and preference shares which will enable the company's scrip to enlist with the recognised stock exchanges will be offered for public subscription.

The capital will be utilised for setting up a new undertaking at Madras for the manufacture of welded steel tubes.

The consent remains valid for 12 months from the date of its earlier issue, i.e. until November 10, 1964.

Larsen and Toubro Limited, Maharashtra, Bombay, engaged in the business of engineers, contractors, and manufacturers, will be issuing on rights basis further capital of Rs. 66 lakhs (nominal) divided into 6,60,000 equity shares of Rs. 10 each for cash at a premium of Rs. 2 a share.

The Mysore Chemicals and Fertilizers Limited, Mysore, is to issue further capital of Rs. 100 lakhs, for cash at par. Of the issue, shares of a value not exceeding Rs. 10 lakhs may be offered to the Government of Mysore and the remaining shares will be offered for public subscription. The capital will be expended on the installation of a new plant in the existing factory premises for manufacture of caustic soda/chlorine.

Hindustan Photo Films Manufacturing Company Limited, Ottacamund, a Central Government company, is to issue equity capital of Rs. 60 lakhs in 6,000 shares of Rs. 1,000 each for cash at par. The money will be utilised for manufacture of raw films for cinema industry etc.

Transformers and Electricals Kerala Limited, a new company incorporated in Kerala, will be issuing capital of Rs. 110 lakhs for the establishment of a factory with Japanese collaboration for the manufacture of power transformers. The issue will be made to the Kerala State Industrial Development Corporation Limited to the extent of Rs. 25 lakhs, the Kerala State Government Rs. 28.60 lakhs, Hitach Limited, of Tokyo Rs. 28.60 lakhs and Rs. 27.80 lakhs will be offered for public subscription.

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BOOKS BRIEFLY

Economic Disharmonies

Social Costs Of Business Enterprise: By K. William Kapp.; Asia Publishing House, Bombay, 1963; Pp. XV+311; Rs. 20.00.

Reviewed by D. KRISHNASWAMI RAO

THIS BOOK is a modified and expanded version of the author's "The Social Costs of Private Enterprise," published in 1950, and carries forward his study of the incidence on society of a part of the costs of business enterprise. This is a problem that has received the attention of some economic theorists since the time of Alfred Marshall but Professor Kapp has submitted it to empirical research with a view to "the elaboration of tentative and pragmatically tested objective welfare criteria."

The term "social costs" is used by the author to mean the harmful consequences which other persons or the community as a whole suffer as a result of private productive activities and for which the private entrepreneur is not made accountable. They may take the form of injury to health, deterioration of property values, premature exhaustion of natural resources, and waste and diseconomies of various kinds.

Professor Kapp first reviews briefly the background of classical economics to explain the latter's omission to consider social costs, and shows how even in present-day economic analysis the social costs of business enterprise are regarded as exceptions rather than the rule in a competitive economy. He regards this attitude as being responsible for the failure of economics to illuminate many of the practical problems of modern economies.

In his detailed consideration of the costs inflicted on the community by modern industrial activities, the author gives first place to the pollution of air and water by industrial processes, and the resulting injury to public health and adverse effects on plant and animal life. He then discusses the losses borne by society due to excessive depletion of renewable natural resources such as soil fertility, forests and fisheries, and of non-renewable resources (particularly coal and oil) by unregulated exploitation. Professor Kapp, though by training an economist, has studied these phenomena as a naturalist would and presents them with a degree of concreteness that is not common today among votaries of his own subject.

Impairment of the worker's capacity by industrial accidents and occupational diseases is considered next, but fortunately protective legislation in countries with an advanced social conscience is tending to make the prevention of this social cost a part of private entrepreneurial costs. The social costs in the form of extensive unemployment to which technological change and general business fluctuations give rise are similarly generally recognised as necessitating remedial fiscal and monetary policies. One might therefore wonder whether an entire chapter was needed to prove the obvious point that "the cost calculations of the individual firm fail to record the social costs resulting from enforced idleness".

Professor Kapp then turns to a discussion of the social loss involved in the over-expansion or duplication of capital investment which is a normal characteristic of certain industries such as transportation and distribution and of industrial research. It is paradoxical, as he points out, that in ordinary times we ignore the waste from the point of view of the overall efficiency of the economy of such duplication while in an emergency such as war, society is out to reduce the diseconomies arising from duplication and un-coordinated operation of installed capacity.

The social costs of cut-throat competition and of high-pressure sales publicity that are dealt with next have been admitted by economists in the last four decades. The author has, however, done well to highlight them, particularly in the case of Advertising which today ranks as an "industry" by itself in the Affluent Society. Sales promotion expenditure by manufacturers in the US, as he remarks, is almost double the expenditure incurred on primary and secondary education in that country! Under such conditions the much-vaunted sovereignty of the consumer becomes little more than a myth.

Professor Kapp's aim in writing this book was to show the inadequacy of equilibrium in modern economics wherein private entrepreneurial costs are balanced against private returns and the social costs of production are left out of account. Equilibrium economics with its belief in the market economy and the competitive calculus is to him "an obstructive nuisance" in the way of a proper understanding of economic reality. The suggestions that he makes in the last chapter of the book for building up "A New Science of Political Economy" are however not very distinctive.

This book will not revolutionise economic thought, but it is useful as a systematic treatment of an aspect of the working of the competitive economy to which orthodox economists pay little attention. It is written in non-technical language so that it might be read by people who have had no training in economics. To that end, however, a book half the size and price of this would have been the thing.

Readers' Roundtable

RISING PRICES

Sir,

As the Union Finance Minister has observed, the price situation is indeed "critical". Prices are expressed in terms of money. Therefore, in dealing with the problem of rising prices, it is essential to keep in view two basic characteristics of money: first, it represents the stream of goods and services produced; second, money is a settlement of debt, which implies a host of intricate relationships as regards savings, investment, production and consumption. Hence, in order to bring prices down, while on the one hand production should be encouraged, statist measures like controls, state trading etc. which hamper production and distort the characteristic of money as a settlement of debt should be avoided.

The first and most urgent step in bringing down prices is to reduce Government expenditure, particularly on the administration. The number of Government servants at all levels has steadily increased. For instance, between 1960 and 1963, it has gone up from about 69 to 81 lakhs. This bureaucracy is by and large unproductive and is a drag on the economy. The over-staffing in Government departments can be made out from the recent O and M Division report. A study of requirements of lower division clerks in the Central Secretariat found out that instead of 700 reported vacancies, there was a surplus of 1,000 hands, thus resulting in a total economy of 1,700 clerks and an annual recurring saving of Rs. 42 lakhs.

Apart from this huge burden which the country has to bear, the way Government spends the scarce resources of the community does not lead to increase in national wealth, thus accentuating the price problem.

Unless this situation arising from rapid and indiscriminate politico-bureaucratisation of the economy is corrected, the problem of rising prices will be aggravated in days to come. This is a dangerous situation because the patience of the people is running thin.

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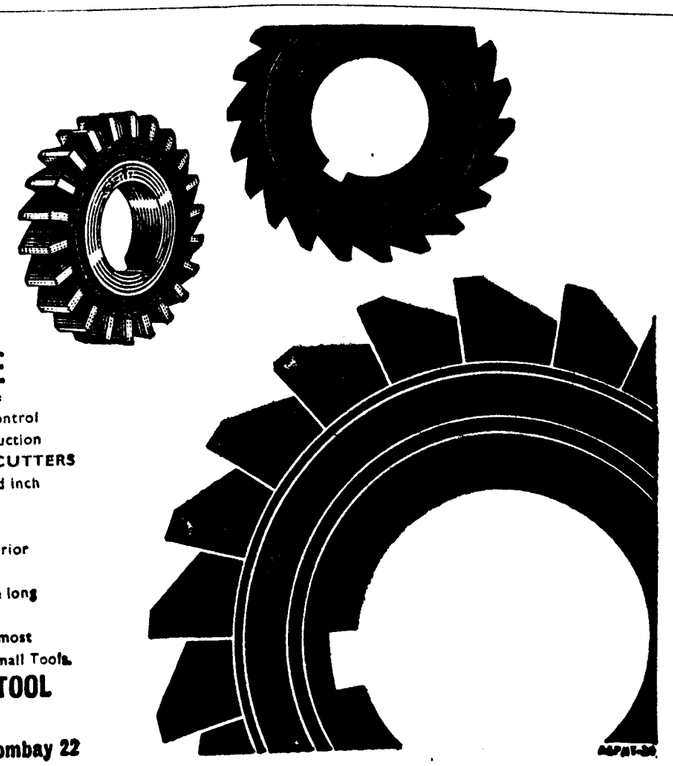
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RECORDS AND STATISTICS

Middle Class Family Living Survey: 1958-59

VERY LITTLE information is available about the conditions and levels of living of the middle class population which occupies a strategic position in the Indian society. With a view to fulfilling this major gap, an enquiry into the living conditions of the middle class families was undertaken during 1958-59. The survey, the first of its kind on a national scale, was undertaken as a joint effort of the Central Statistical Organisation, the Indian Statistical Institute and the National Sample Survey. It was conducted on the advice of the Technical Advisory Committee on Cost Of Living Index Numbers set up by the Government of India with Professor P. C. Mahalanobis as Chairman.

The survey covers nearly 36,000 middle class families in 45 selected cities and towns. A "middle class family" is defined as one which derives 50 per cent or more of its income from the earnings of its members who are gainfully occupied as employees in non-manual work in the non-agricultural sector. The report has estimated the total number of such middle class families at about 2.5 million. Table I gives the cities and towns in the sample arranged in the descending order of the estimated number of middle class families to indicate their concentrations. The largest concentration of middle class families is in Bombay. Although Calcutta happens to be a much larger city than Delhi, the latter apparently contains more middle class families than the former which is more industrialized and has a large number of manual workers and self-employed non-manuals. Madras, Hyderabad and Bangalore follow in that order as could be expected from their population size. As between Lucknow and Kanpur, the former, though smaller contains a larger number of middle class families than the latter which is an industrial centre. Similar is the case with Poona and Ahmedabad.

The most comprehensive single indicator of the level of living of a community is the per capita expenditure. Although it does not present a complete picture of the level of living in all its aspects, its break-up into the various components does provide a broad indication of the amenities, comforts and luxuries enjoyed by the community. More important, however, from the point of view of a study of the family budgets is the per family expenditure.

Expenditure Grouping

The family expenditure has been grouped under four heads. It includes all normal domestic expenditure on:

(a) food, beverage, tobacco and intoxicants;
(b) fuel and light;
(c) housing, household requisites (furniture, appliances and utilities) and services;
(d) clothing, bedding, footwear and headwear; and
(e) miscellaneous expenditure (on medical care, transport and communication, personal care, personal effects, ceremonial expenditures subscriptions, gifts, expenditure on litigation, remittance to dependants and taxes including direct taxes).

It does not include expenditure on gold, silver and other precious ware, land and buildings, livestock, machines, tools and transport equipment. It does not also include investments, bank deposits, insurance premia and loans. Thus, while it excludes all capital expenditure, including certain marginal cases like machines and transport equipment of domestic use, it includes certain transfer payments such as gifts, charities, remittances and taxes.

Expenditure includes not only consumption from purchases but also consumption from home-grown or home-produced goods, gifts, loans and free collections. Value of goods not purchased has been evaluated at the retail market prices. The expenditure on each item includes all taxes and levies associated with the purchase such as sales tax, entertainment tax, etc. Values of durables and semi-durables purchased or otherwise acquired are included in the expenditure.

The per family and per capita expenditures and the average size of the middle class families at various centres are given in Table II. The highest family expenditure is recorded at Delhi-New Delhi, higher than even at Bombay and Calcutt, although in terms of income, Delhi occupies only the third place. Surprisingly, Ajmer also reports a high level of family expenditure, higher than even Calcutta and Madras. Middle class families at Simla spend more than at Madras but not as much as at Calcutta. The other towns which show a comparatively high level of expenditure are Jaipur, Chandigarh and Srinagar. The case of Srinagar deserves special attention as the average expenditure there is reported to be twice as much as at Jammu in the same State, which, incidentally records the lowest reported expenditure. Kurnool and Gulbarga also report comparatively low levels of expenditure. Average family expenditures at the other centres vary from Rs. 200 to Rs. 300 per month.

The per capita expenditures shown varies from about Rs. 36 at Jammu and Gulbarga to Rs. 87 at Delhi-New Delhi and Rs. 88 at Bombay and Simla. Calcutta and Madras show per capita expenditure of Rs. 71 per month. Gauhati discloses a higher figure of Rs. 81 per month.

The average size of the middle class families of various income groups at each of the 45 centres, varies from 3.2 at Gauhati to 6.4 at Srinagar. It is 4 or less at 5 centres, 4 to 4½ at 9 centres, 4½ to 5 at 18 centres and more than 5 at 13 centres.

Components of Expenditure

The average monthly expenditure of middle class families by item groups is given in table III. It will be seen that expenditure on food, beverages, tobacco and intoxicants varies from about Rs. 80 at Jammu to Rs. 158 at Delhi-New Delhi and constitutes the largest component of the family expenditure. Next to Delhi, the largest expenditure on food etc. is reported at Srinagar. The distribution of the centres according to the percentage of expenditure on food, etc., is given below:

DISTRIBUTION OF CENTRES BY PERCENTAGE OF EXPENDITURE ON FOOD, BEVERAGES, TOBACCO AND INTOXICANTS

Percentage of expenditure on food, etc.	Centres.
Below 40 per cent	: Gauhati, Trivandrum, Bombay, Indore, Jaipur, and Ajmer.
40 to 45 per cent	: Calcutta, Patna, Muzaffarpur, Vijayawada, Madras, Madurai, Kozhikode, Bangalore, Hubli-Dharwar, Poona, Nagpur, Ahmedabad, Rajkot, Gwalior, Jabalpur, Judhpur, Delhi, Lucknow, Chandigarh and Simla.
45 to 50 per cent	: Shillong, Kharagpur, Ranchi, Cuttack, Sambalpur, Hyderabad, Visakhapatnam, Kurnool, Tiruchirapalli, Mangalore, Gulbarga, Bhopal, Kanpur, Allahabad, Agra, Meerut, Amritsar and Srinagar.
Above 50 per cent	: Jammu.

This distribution marks a striking contrast to the consump-

tion behaviour of working class families which are known to spend more than 60 per cent of their total expenditure on food, beverages, tobacco and intoxicants.

While the expenditures on fuel and light are relatively small and vary from Rs. 9 to 19, expenditure on clothing, bedding, headwear and footwear ranges from Rs. 13 at Jammu to Rs. 57 at Delhi-New Delhi. Miscellaneous expenditures, the magnitude of which seems to vary the most, range from Rs. 27 at Jammu to Rs. 120 at Bombay.

To facilitate a more meaningful study of the inequalities in the levels of expenditure, average monthly expenditures have been estimated by interpolation in respect of the bottom 25 per cent, the mid-50 per cent, the top 25 per cent, the top 10 per cent and the top 5 per cent of families ranked according to family income. The results are given in tables IV and V. It will be seem that the monthly expenditures of the mid-50 per cent vary from Rs. 126 at Jammu to Rs. 323 at Bombay. The expenditures of the top 25 per cent vary from Rs. 263 at Jammu to Rs. 736 at Bombay while those of the bottom 25 per cent vary from Rs. 85 at Jammu to Rs. 199 at Simla. Expenditures of the top 25 per cent are thus about 3 to 4 times the expenditures of the bottom 25 per cent. Expenditures of the top 10 per cent vary from Rs. 379 at Jammu to Rs. 1088 at Bombay, while those of the top 5 per cent vary from Rs. 404 at Jammu to Rs. 1432 at Bombay. The top 10 per cent of families spend roughly 4 to 6 times and the top 5 per cent about 5 to 8 times as much as the bottom 25 per cent. A classification of centres according to the ratio of the average expenditures of the top 5 per cent to those of the bottom 25 per cent is given below:

DISTRIBUTION OF CENTRES BY EXPENDITURE DISPARITIES

Ratio of expenditure of top 5 per cent to bottom 25 per cent	Centres
Less than 5 times	: Visakhapatnam, Kurnool, Tiruchirapalli, Ahmedabad, Rajkot, Bhopal, Jabalpur and Amritsar.
5 to 6 times	: Shillong, Kharagpur, Ranchi, Muzaffarpur, Cuttack, Vijayawada, Kozhikode, Bangalore, Mangalore, Gulbarga, Poona, Nagpur, Gwalior, Indore, Lucknow, Agra, Meerut, Jodhpur, Simla, Srinagar and Jammu.
7 to 8 times	: Gauhati, Calcutta, Poona, Hyderabad, Trivandrum, Hubli-Dharwar, Bombay, Kanpur, Allahabad, Delhi, Jaipur, Ajmer and Chandigarh.
More than 8 times	: Sambalpur, Madras and Madurai.

Considering the fact that the higher income groups have families roughly twice or thrice as large as the lower income groups, it appears that inequalities in per capita expenditures are less sharp than the inequalities in family expenditure. The range of variation in the levels of expenditures as between centres is less marked in the lower income groups than in the higher income groups. Thus the maximum bears a ratio of 2.3 to the minimum in the case of the bottom 25 per cent, as against the corresponding ratio of 2.6 in the case of mid-50 per cent, 2.8 in the case of the top 25 per cent, 2.9 in the case of the top 10 per cent and 3.5 in the case of the top 5 per cent. The expenditure of the lowest 25 per cent is the highest at Simla, followed by Delhi, Ajmer and Bombay in that order.

The distribution of expenditure by quartile income group is given in tables VI and VII. Whereas the bottom 25 per cent of the families spend about half their expenditure on food etc., the top 25 per cent spend about two-fifths in most centres. On the other hand while the bottom 25 per cent spend only a fifth of their expenditure on miscellaneous items, the top 25 per cent spend about three-tenths.

The expenditure patterns of the top 10 per cent and the top 5 per cent show marked deviations from that of the bulk of the middle class families. The top 10 per cent spend nearly as much on miscellaneous items as on food, etc. while the top 5 per cent spend even more.

No Marked Variation

It is difficult to draw any inferences from the variations in consumption pattern as between centres from the available data. The centres can be grouped in two ways: regionwise and sizwise. Simple averages of the percentage expenditures on various item groups for the various regions are given in table VIII. It does not show much of a variation in the expenditure pattern as between the regions. The eastern region, however, spends relatively less on fuel and more on housing, while the western region spends slightly more on clothing and miscellaneous items and less on food.

Weighted average expenditures together with the corresponding percentages for various size groups of centres are given in Table IX. They show a significant variation in the average family expenditure as between the "major cities" on the one hand and "other cities and towns" on the other.

The main conclusions are:

(i) The average monthly expenditure of middle class families varies from Rs. 148 at Jammu to Rs. 388 at Delhi, the level of expenditure in the major cities exceeding by far the level of expenditure in the minor cities and towns;

(ii) The reported level of expenditures is generally in excess of the reported level of income except at the higher levels of income (say above Rs. 750 per month), it is to be noted however, that in family budget studies based on interview method, expenditures are generally exaggerated, while incomes are somewhat understated;

(iii) Expenditures of the top 25 per cent of middle class families are 3 to 4 times the expenditures of the bottom 25 per cent, the top 10 per cent spend 4 to 6 times, and the top 5 per cent 5 to 8 times as much;

(iv) Inter-centre differences in the level of expenditure are much higher in the case of the upper income groups than in the case of the lower income groups;

(v) About 44 per cent of the expenditure of middle class families is on food, beverages, tobacco and intoxicants, about 4 per cent on fuel and lighting, about 12 per cent on clothing, bedding, footwear and headwear, about 14 per cent on housing, household requisites and services and about 26 per cent on miscellaneous items;

(vi) In the major cities, middle class families spend relatively more on housing, household requisites, services and miscellaneous items and less on food, beverages, etc., and fuel and light;

(vii) A regional analysis reveals that in the eastern region middle class families spend relatively less on fuel and light and more on housing, household requisites, etc., whereas in the western region, they spend relatively more on clothing and miscellaneous items and less on food, beverages etc.

(viii) The most important sub-group of the food group from the point of view of expenditure is cereals, the next most important being milk and milk products; consumption of meat, fish and eggs shows large regional variation and occupies an important place in the food budget of the middle class families in Assam West Bengal and Orissa as also at a few other places such as Bombay, Mangalore and Srinagar.

(ix) Among the miscellaneous items of expenditure transport and communications account for the largest share in 19 of the 45 centres and education in 6; transport and education are both expensive at Bombay and Delhi; transport is expensive at Madras too and education at Calcutta.

TABLE I.

ESTIMATED NUMBER OF MIDDLE CLASS FAMILIES

	Centre	Number (in thousands)
1.	Bombay	169.9
2.	Delhi - New Delhi	92.1
3.	Calcutta	80 2
4.	Madras	63.0
5.	Hyderabad - Secunderabad	42.5
6.	Bangalore	27.8
7.	Lucknow	25.5
8.	Kanpur	24.8
9.	Poona	23.8
10.	Ahmedabad	20 6
11.	Jaipur	18.7
12.	Nagpur	17.4
13.	Allahabad	16.8
14.	Madurai	12.2
15.	Indore	11.0
16.	Patna	10.9
17.	Agra	10.5
18.	Srinagar	9 6
19.	Trivandrum	9.6
20.	Vijayawada	9.3
21.	Jabalpur	8.5
22.	Gwalior	8.1
23.	Cuttack - Bhubaneswar	8.1
24.	Amritsar	7.2
25.	Jodhpur	6 6
26.	Ajmer	6.5
27.	Bhopal	6.4
28.	Tiruchirapalli	6.2
29.	Gauhati	6.0
30.	Rajkot	5.6
31.	Simla	5.3
32.	Hubli - Dharwar	5 1
33.	Meerut	5.0
34.	Ranchi	4.8
35.	Kharagpur	4.7
36.	Chandigarh	4 6
37.	Waltair - Visakhapatnam	4.1
38.	Kozhikode	3.9
39.	Mangalore	3.9
40.	Muzaffarpur	3.1
41.	Kurnool	2.9
42.	Shillong	2.9
43.	Sambalpur	2.4
44.	Gulbarga	2 0
45.	Jammu	2.0

TABLE II.

PER CAPITA EXPENDITURE OF MIDDLE CLASS FAMILIES

	Centre	Average monthly expenditure per family (In Rs.)	Average size of family	Per capita expenditure (In Rs.)
1.	Shillong	290	4.6	63
2.	Gauhati	260	3 2	81
3.	Calcutta	354	5.0	71
4.	Kharagpur	268	5.4	50
5.	Patna	265	4.5	59
6.	Ranchi	238	4.5	53
7.	Muzaffarpur	257	4.3	60
8.	Cuttack - Bhabaneswar	243	3.7	65
9.	Sambalpur	223	3.8	59
10.	Hyderabad - Secunderabad	240	5.3	4.5
11.	Waltair - Vishakhapatnam	244	4.8	51
12.	Vijayawada	243	4.4	55
13.	Kurnool	192	4.5	42
14.	Madras	324	4.6	71
15.	Madurai	243	5.1	48
16.	Tiruchirapalli	207	3.7	44
17.	Trivandrum	272	4.7	74
18.	Kozhikode	255	4.7	54
19.	Bangalore	269	5.1	57
20.	Mangalore	275	4.7	58
21.	Hubli - Dharwar	233	5.1	46
22.	Gulbarga	191	5.3	36
23.	Bombay	381	4.3	88
24.	Poona	259	4.9	53
25.	Nagpur	290	5.0	58
26.	Ahmedabad	269	5.1	63
27.	Rajkot	278	4.9	57
28.	Bhopal	234	4.5	53
29.	Gwalior	271	5.0	54
30.	Indore	287	5.3	54
31.	Jabalpur	285	4.9	58
32.	Jaipur	311	4.4	40
33.	Jodhpur	282	5.3	53
34.	Ajmer	361	5.3	68
35.	Delhi - New Delhi	338	5.0	87
36.	Lucknow	279	4 6	61
37.	Kanpur	239	4.8	50
38.	Allahabad	255	4.9	52
39.	Agra	281	4 7	60
40.	Meerut	243	5.1	48
41.	Chandigarh	321	4.3	75
42.	Simla	346	3 9	88
43.	Amritsar	223	5.2	43
44.	Srinagar	318	6.4	49
45.	Jammu	148	4 2	36

TABLE III.

MONTHLY AVERAGE FAMILY EXPENDITURE OF MIDDLE CLASS FAMILIES

(By Major Components of Expenditure)

(In Rupees)

Centre	Food, beverages, tobacco & intoxicants	Fuel & light	Clothing, bedding, headwear & footwear	Housing Household requisites & services	Miscellaneous	Total expenditure
1. Shillong	137.40	15.34	26 37	55.85	54.77	289.73
2. Gauhati	97.54	10.00	26.04	48.06	77.87	259.51
3. Calcutta	149.15	12.86	31.38	66 49	94.40	354.28
4. Kharagpur	130.22	9.50	24.93	27 79	75.83	268.27
5. Patna	117.34	9.26	30.62	38.02	70.18	265.42
6. Ranchi	111.63	8 69	31.09	31.85	55.05	238.31
7. Muzaffarpur	108.62	9.40	27.03	34.07	77.39	256 51
8. Cuttack-Bhubaneswar	111.97	8 86	25.27	32.77	63.89	242.76
9. Sambalpur	108.05	7.80	23.63	40.04	43.80	223 32
10. Hyderabad - Secunderabad	110.64	10.95	25.50	33 90	58.92	239.91
11. Waltair - Visakhapatnam	114.59	13.75	31.64	35.17	49.05	244 20
12. Vijayawada	105.25	9.44	28.03	29.24	71.09	243.05
13. Kurnool	90.53	8.95	25 28	29.38	37.62	191 76
14. Madras	136.34	14 46	38.35	47.52	87.43	324.10
15. Madurai	103.43	11.16	25.23	32.61	70.83	243 26
16. Tiruchirapalli	102.06	10 91	20.93	24.45	43.22	206.57
17. Trivandrum	108.40	8.17	29 11	41.06	84.91	271.65
18. Kozhikode	113.82	8.69	25.49	40.38	66 12	254.50
19. Bangalore	129.40	16.66	34 62	48.80	59.49	288.97
20. Mangalore	129.34	12.29	32.45	34.64	66 20	274.92
21. Hubli - Dharwar	98.38	10.67	30.28	25.42	67 80	232.55
22. Gulbarga	91.59	9.36	31 20	21.47	37.61	191.23
23. Bombay	147 85	14.23	45.48	52.93	120.45	380.94
24. Poona	110.81	14.36	28.42	33.43	72.13	259.15
25. Nagpur	129.86	13.69	39.75	40.50	66.48	290.28
26. Ahmedabad	117.15	14.94	40.03	36.16	61.03	269.31
27. Rajkot	122.64	11.33	35.12	40.64	68.41	278.14
28. Bhopal	110.15	10.05	35.51	25.83	52.19	233.73
29. Gwalior	121 60	12.89	37.31	26.99	72 52	271.31
30. Indore	110.12	14.55	43.31	33.72	85.35	287.05
31. Jabalpur	124.57	12.10	42.75	33.48	71.60	284.50
32. Jaipur	120 30	12.77	46.71	45.62	85.20	310.60
33. Jodhpur	119.58	12.59	36.81	27.68	85.34	282.00
34. Ajmer	140 40	13.39	56.26	31.74	119.32	361 11
35. Delhi - New Delhi	158.06	14.26	57.46	55.78	102.71	388.27
36. Lucknow	112 07	11.26	31.16	36.60	86.00	279.09
37. Kanpur	108.67	10.57	31.01	26.53	62.26	239.04
38. Allahabad	118 33	10.85	34.79	29.80	60.93	254.70
39. Agra	127.26	12.27	36.11	30.74	75.04	281.42
40. Meerut	112.62	11.85	35.68	28.80	53.79	242.74
41. Chandigarh	128.63	13.60	47.01	46.81	85.26	321.31
42. Simla	144 64	14.84	44.21	38.23	104.46	346.38
43. Amritsar	104.85	10.28	32.89	23.88	50.99	222.89
44. Srinagar	154 19	19.12	37.54	44.52	62.53	317.90
45. Jammu	79.75	8.97	13.44	18.78	27.42	148.36

TABLE IV.

MONTHLY AVERAGE FAMILY EXPENDITURE BY MONTHLY FAMILY INCOME

(In Rupees)

Centre	0-75	75-100	100-150	150-200	200-300	300-500	500-750	750-1000	1000-1500	1500 & above	All levels
1. Shillong	114.76	98.58	137.97	180.67	262 03	344.80	539.48	615.48	926.30	964.69	289.73
2. Gauhati	66 35	115.57	137.44	198.53	284.92	410.28	605.66	1048.98	1089.32	1690 07	259.51
3. Calcutta	78.64	96.22	143.57	185 32	261.11	396 85	551.88	736.00	999.24	1377.35	354.28
4. Kharagpur	91.09	105.65	143.74	190.85	280.68	353.38	537.55	3317.54	1177.25	..	268.27
5. Patna	78.12	125.75	157.38	219 92	281.00	444.50	634.71	902.14	1254 41	..	265.42
6. Ranchi	73.87	108.67	148.44	200.14	261 49	413.55	561.16	734.30	1116.07	1523.59	238.31
7. Muzaffarpur	85.36	127.29	180.02	218.39	340.92	372 26	681.01	826.39	1305.55	..	256.51
8. Cuttack - Bhubaneswar	72.17	113.50	150.42	213.88	280.99	416.03	558.78	566.33	933.23	..	242.76
9. Sambalpur	86.33	116.70	161.45	216.65	282.97	428.91	1093.99	776.68	1227.37	..	223.32
10. Hyderabad - Secunderabad	69.46	107.51	146.28	212.12	255.72	399.22	565.34	804.73	853.92	1387.34	239.91
11. Waltair - Visakhapatnam	121 87	118.65	163.46	219.55	296 73	374.91	574.79	612.46	648.98	..	244.20
12. Vijayawada	105.76	136.45	192.27	251.48	313.77	438.35	898.51	851.23	1006.77	1208.90	243.05
13. Kurnool	83.14	107.50	144.52	212.32	290.62	399.58	462.24	656.61	..	..	191.76
14. Madras	84.53	113.77	152.18	224.82	277.58	408.48	586.78	812.34	1000.23	1860 84	324.10
15. Madurai	73.02	114 92	163.90	215.06	289.48	401.82	649.77	1048.10	825.24	1478 96	243.26
16. Tiruchirapalli	74.68	112.17	152.64	220.38	251.28	351.78	511.99	556.93	..	913.19	206.57
17. Trivandrum	88 65	111.27	137.03	207.82	279.64	475.52	567.83	698.23	1077.64	2120 05	271.65
18. Kozhikode	88.86	115 11	155.35	203.89	288.52	387.99	559.91	876.81	800.10	1696 77	254.50
19. Bangalore	82.95	135.74	155.83	200.54	274 33	349.75	536.63	829.94	1092.08	979.46	288.97
20. Mangalore	124.34	156.50	201.72	255.89	300.74	456.98	649.21	416.45	914 19	3051.63	274.92
21. Hubli - Dharwar	92.30	118.11	162 67	204.90	292.89	398.66	731.78	1715.57	1001.66	..	232.55
22. Gulbarga	89 21	133.63	165.09	214.77	287.11	363.55	423.13	1611.41	..	754.47	191.23
23. Bombay	145.86	101.25	153.95	205.36	279.14	404.57	585.60	807.86	940.84	2849.49	380.94
24. Poona	63.56	131.64	147.39	205.22	261.55	385.02	641.86	789.72	1275.35	1184.73	259.15
25. Nagpur	100.84	126.90	170.96	228.56	292.98	411 29	542.18	714 99	976.57	1201.60	290 28
26. Ahmedabad	87.88	142.56	193.65	278.31	290.81	385 71	495.90	675.85	917.20	1148.00	269.31
27. Rajkot	85.15	175.90	168.11	237.50	308.01	364 39	581.84	647.47	1015.34	821.76	276 14
28. Bhopal	91.64	143.48	163.63	224.44	267.88	381.54	485.92	1020.95	614.20	1131.12	233.73
29. Gwalior	108.64	136.21	191.33	219.10	285.81	434 67	638.36	857.32	944.87	1740.19	271.31
30. Indore	98.18	136.49	186.25	225.09	291.78	519 43	630.53	839.47	1630.41	..	287.05
31. Jabalpur	106.55	146.26	192.98	227.56	285.51	494 05	571.64	497.24	1517.42	..	284.50
32. Jaipur	97.01	126.20	172.96	247.71	300.02	441.82	718.12	1163.13	1219.65	1537.80	310.60
33. Jodhpur	75.48	131.28	170.74	230 40	282.31	457.36	893.44	712.39	1050.91	897.91	282 00
34. Ajmer	159 34	219.23	183.19	263.41	339.17	451.90	677.67	1560.96	1602.37	3513.44	361 11
35. Delhi - New Delhi	71 32	119.96	181.88	213.94	281.91	402.13	586.36	744.82	1038.32	1944.96	388.27
36. Lucknow	74.44	129.79	164.69	215 37	290.94	421.11	582.05	883.09	1038.61	1665.19	279.09
37. Kanpur	85 45	117.58	153.28	209 81	282.03	359.94	575.21	743.09	1093.40	1841.59	239 04
38. Allahabad	67 91	106.12	152.67	217.93	249.46	368.53	709.94	682.08	917.24	901.42	254 70
39. Agra	81 95	110.60	163 74	227 21	328.66	461.07	596.73	748.26	1750.36	1359.85	281 42
40. Meerut	91.49	114.25	160.27	217.53	259.04	371.34	558.85	870.92	682.16	..	242.74
41. Chandigarh	241.72	89.55	155.14	211.20	266.72	384.67	612.50	856.84	917.02	1525.87	321.31
42. Simla	66.49	141.28	179.41	237.49	291.70	469.63	577 88	789.63	968 14	2084.28	345.38
43. Amritsar	104.33	110.94	158.38	199 44	285.07	386.09	436.73	678.69	1192 07	784.84	222 89
44. Srinagar	104.65	152.34	191.72	231.12	323.73	469.75	903.79	693.28	931.75	..	317.90
45. Jammu	62.59	90.48	117.13	167.43	233.90	352.89	412.92	634.13	754.50	..	148.36

TABLE V

MONTHLY AVERAGE FAMILY EXPENDITURE OF MIDDLE CLASS FAMILIES

(By Fractile Income groups)

(In Rupees)

Centre	Bottom 25%	Middle 50%	Top 25%	Top 10%	Top 5%
1. Shillong	139.40	264.61	542.21	675.77	786.98
2. Gauhati	125.92	206.91	576.30	822.57	1039.49
3. Calcutta	145.24	293.60	685.44	945.62	1140.65
4. Kharagpur	141.20	227.16	457.15	635.56	696.74
5. Patna	117.37	216.18	526.72	708.76	816.28
6. Ranchi	106.24	190.58	434.05	542.36	667.33
7. Muzaffarpur	120.50	224.66	438.47	564.64	756.40
8. Cuttack — Bhubaneswar ..	111.56	200.96	417.17	503.32	591.62
9. Sambalpur	102.05	187.62	465.28	632.87	936.83
10. Hyderabad — Secunderabad ..	104.07	198.76	449.46	620.55	754.17
11. Waltair — Visakhapatnam ..	134.07	214.57	380.62	463.23	551.54
12. Vijayawada	122.84	203.17	432.57	614.71	791.06
13. Kurnool	105.32	165.65	335.33	417.74	459.86
14. Madras	131.03	252.56	617.51	922.50	1237.02
15. Madurai	96.33	185.07	432.35	613.76	825.68
16. Tiruchirapalli	109.57	199.45	314.27	389.65	427.53
17. Trivandrum	116.39	225.28	593.16	768.69	969.55
18. Kozhikode	129.03	217.88	430.21	548.56	674.06
19. Bagalore	130.10	220.74	474.88	668.53	814.64
20. Mangalore	156.36	243.10	470.13	593.30	729.62
21. Hubli-Dharwar	111.63	191.12	402.41	549.55	700.43
22. Gulbarga	95.48	172.14	325.82	398.12	473.67
23. Bombay	177.80	323.20	735.75	1087.68	1431.90
24. Poona	141.53	240.44	445.04	578.04	771.06
25. Nagpur	147.29	248.11	486.95	611.68	725.95
26. Ahmedabad	170.63	252.87	405.87	486.97	588.23
27. Rajkot	162.72	247.01	422.90	540.89	663.02
28. Bhopal	134.82	198.71	358.60	463.76	545.99
29. Gwalior	152.20	230.40	511.03	734.82	928.25
30. Indore	152.18	221.10	530.37	753.27	977.11
31. Jabalpur	165.45	232.31	445.59	539.94	585 82
32. Jaipur	146.50	237.00	589.76	889.94	1204.33
33. Jodhpur	140.11	238.20	497.88	698.70	892.08
34. Ajmer	184.70	286.43	605.31	907.00	1333.20
35. Delhi - New Delhi	188.17	305.39	688.65	1016.93	1,363.20
36. Lucknow	130.58	229.63	486.84	602.74	743.81
37. Kanpur	111.21	198.13	401.55	536.35	712.75
38. Allahabad	118.25	218.19	459.78	625.23	761.75
39. Agra	96.44	193.38	432.80	557.63	654.18
40. Meerut	114.84	201.57	387.11	510.48	646.99
41. Chandigarh	154.80	265.23	604.65	980.24	1103.65
42. Simla	198.52	296.58	637.23	885.27	1156.66
43. Amritsar	129.69	191.17	358.99	451.17	516.26
44. Srinagar	154.21	235.58	512.99	690.00	883.34
45. Jammu	84.81	125.82	263.46	378.52	404.16

TABLE VI

PERCENTAGE SHARE OF FOOD, FUEL AND CLOTHING IN TOTAL EXPENDITURE

Centre	Expenditure on food, beverages, tobacco and intoxicants as % of total expenditure			Expenditure on fuel and light as % of total expenditure			Expenditure on clothing, bedding etc. as % of total expenditure		
	Bottom 25%	Middle 50%	Top 25%	Bottom 25%	Middle 50%	Top 25%	Bottom 25%	Middle 50%	Top 25%
1. Shillong ..	53.84	51.06	40.60	5.26	5.71	4.75	10.75	9.03	8.80
2. Gauhati ..	37.83	40.36	35.35	4.31	4.03	3.52	11.78	9.26	10.38
3. Calcutta ..	48.96	46.14	36.97	3.47	3.90	3.42	8.35	9.01	8.90
4. Kharagpur ..	47.51	52.97	42.30	3.07	4.01	305	10.91	9.16	8.90
5. Patna ..	51.54	47.67	39.34	3.46	3.60	3.40	10.27	11.18	12.03
6. Ranchi ..	53 44	49.63	43.46	3.93	3.72	3.53	12.58	13.97	12.41
7. Muzaffarpur ..	49.87	45.83	37.18	396	3.73	3.53	10.90	9.74	11.23
8. Cuttach - Bhubaneswar ..	47.10	49.13	43.56	3.07	3.69	3.78	10.71	9.42	11 17
9. Sambalpur ..	53.93	51.58	42 85	4.23	3.82	2.96	9.95	11.20	10.14
10. Hyderabad - Secunderabad ..	55.22	51.01	40.40	4.85	5.05	4.16	8.71	10.96	10.75
11. Waltair - Visakhapatnam ..	54.00	49.37	42 65	5.70	6.30	5.00	11.11	12.38	14.11
12. Vijayawada ..	54.57	46.95	36.50	4.80	4.05	3.44	10.70	11.10	12 00
13. Kurnool ..	55 50	49.60	41.70	524	4.91	4.20	14 06	11.66	14.51
14. Madras ..	53.28	47.39	35.36	4.70	4.68	4.17	10.26	12.24	11 63
15. Madurai ..	59.81	50.03	35.51	6.03	5.22	3.94	7.58	12.13	10.18
16. Tiruchirapalli ..	56.17	49.35	47.59	5.17	5.29	5.37	7.17	10.62	10 70
17. Trivandrum ..	50 28	45.63	31.89	2.09	3.46	2.88	11.60	10.27	10.77
18. Kozhikode ..	52.23	47.62	40.03	3.60	3.59	3.20	10.74	10.49	9 58
19. Bangalore ..	54.07	50 10	39.97	6.26	6.45	5 24	11.28	10.88	12.74
20. Mangalore ..	55.99	49.80	40.99	5.13	4.88	3.85	9.95	11.92	12.28
21. Hubli - Dharwar ..	54 98	47.20	36.18	5.63	5.15	4 05	12.58	13.62	12.81
22. Gulbarga ..	57.94	50.32	42.79	5.85	5.20	4.30	16.31	17.00	15 62
23. Bombay ..	45.49	43 42	30.94	3.95	4.26	3.04	12.54	11.93	11.23
24. Poona ..	48.10	46.00	36.71	7.17	5.89	4.50	11.56	11.80	9 67
25. Nagpur ..	52.16	47.33	40.55	5.04	4.93	4.42	15.31	13.40	13.39
26. Ahmedabad ..	48.81	45.42	38.58	6.28	5.85	4.83	14.28	15.02	15.06
27. Rajkot ..	50.47	46 45	39.67	4.01	4.15	4.01	11.00	12.47	13.36
28. Bhopal ..	48.70	49.01	44.98	4.35	4.38	4.22	13.58	15.56	14.66
29. Gwalior ..	49.00	47.85	39.79	4.83	5.10	4.47	14.13	14.16	12.38
30. Indore ..	49.91	45.60	30.08	5.80	5.98	4.25	15.84	15.69	14.27
31. Jabalpur ..	49 25	46.58	40.53	4 45	4.14	4.22	11.58	15.35	15.90
32. Jaipur ..	46 16	44.48	33.14	4.53	4.52	3.77	15.49	15.18	14.81
33. Jodhpur ..	49.19	48.00	35.63	5.05	5.02	3.82	11.60	13.17	13.10
34. Ajmer ..	48.67	44 27	32.95	4.60	4.02	3.27	17.25	16.04	14 99
35. Delhi - New Delhi ..	48.47	46.05	34.60	4.17	3.91	3.35	13.31	15.00	14.92
36. Lucknow ..	35 23	42.26	36.94	4.52	4 34	3.65	11.95	10.99	11.16
37. Kanpur ..	49.67	47.63	42.22	5.28	4.62	4.05	14.41	12 89	12.74
38. Allahabad ..	53.34	49 25	40.96	5.15	4.46	3.82	12.70	12.65	14.88
39. Agra ..	52.82	49.85	43.84	5.16	4.28	4.39	14.31	15.70	10.91
40. Meerut ..	52.97	49.50	42.68	5.62	5.16	4.51	15.97	14.85	14.30
41. Chandigarh ..	45.19	43.98	34.10	4 28	4.81	3.59	13.61	14.72	14.67
42. Simla ..	48.37	46 34	34.25	4 68	4.76	3.64	13.59	12.87	12.47
43. Amritsar ..	53.20	51 00	41.63	5.41	5.03	4.01	13.96	13.95	16.13
44. Srinagar ..	53.81	52.39	46.35	8.67	7.58	4.97	9.43	10.20	14.20
45. Jammu ..	56.40	54.94	51.48	6.60	6.39	5.48	7.78	8.10	10.48

TABLE VII.

PERCENTAGE SHARE OF HOUSING AND MISCELLANEOUS IN TOTAL EXPENDITURE

		Expenditure on Housing, household requisites & services as % of total expenditure			Expenditure on miscellaneous as % of total expenditure		
		Bototm 25%	Middle 50%	Top 25%	Bottom 25%	Middle 50%	Top 25%
1.	Shillong	13.90	17.70	22.96	16.25	16.50	22.89
2.	Gauhati	14.25	14.92	23.18	31 83	31.43	27.57
3.	Calcutta	12.04	16.47	22.11	27.16	24.48	28.50
4.	Kharagpur	9.40	10.37	10.52	29 11	23.49	35.34
5.	Patna	11.41	12.72	16.53	23.32	24.83	28.70
6.	Ranchi	10.72	11.23	15.61	19.53	21.45	24.99
7.	Muzaffarpur	11.39	12.31	14.68	23.88	28.39	33.38
8.	Cuttack - Bhubaneswar	11.09	11.72	15.19	28.03	26.04	26.30
9.	Sambalpur	11.10	15.89	22.80	20.79	17.51	21.25
10.	Hyderabad - Secunderabad	9.78	12.96	16.08	21.44	20.02	28.61
11.	Waltair - Visakhapatnam	15.38	14.84	13.75	13.81	17.11	24.49
12.	Vijayawada	12.09	11.77	12.05	17.84	26.13	36.01
13.	Kurnool	12.77	16.70	14.56	12.43	17.13	25.05
14.	Madras	12.00	12.83	16.44	19.76	22.86	32.40
15.	Madurai	11.76	11.77	14.63	14.87	20.85	35.74
16.	Tiruchirapalli	12.03	11.37	12.27	19.46	23.37	24.07
17.	Trivandrum	9.79	14.18	17.52	26.24	26.46	36.94
18.	Kozhikode	11.32	14.17	19.12	22.11	24.13	28.07
19.	Bangalore	12.17	14.83	18.88	16.22	17.74	23.17
20.	Mangalore	8.77	11.79	14.77	20.16	21.61	28.11
21.	Hubli - Dharwar	9.74	11.87	10.52	17.07	22.16	36 44
22.	Gulbarga	10.32	10.83	11.92	9.58	16.56	25.37
23.	Bombay	11.61	13.52	14.73	26.41	26.87	40 06
24.	Poona	13.72	10.72	14.92	19.45	25.59	34.20
25.	Nagpur	12.17	13.64	14.63	15.32	20.70	27.01
26.	Ahmedabad	11.88	12.77	15.28	18.75	20.94	26.25
27.	Rajkot	11.54	14.93	15.06	22.98	22.00	27.90
28.	Bhopal	14.23	9.40	12.42	19.14	21.64	23.72
29.	Gwalior	8.01	10 13	10.88	24.03	22.76	31.98
30.	Indore	9.50	10.72	13.00	18.95	22.01	38.40
31.	Jabalpur	8.93	10.46	13.26	25.79	23.47	26.09
32.	Jaipur	10.28	11.49	17.86	23.54	24.33	30.42
33.	Jodhpur	9.34	9.52	10.32	24.82	24.29	37.13
34.	Ajmer	8.05	8.24	9.40	21.43	27.43	39 39
35.	Delhi - New Delhi	12 08	12.65	16.21	21 97	22.39	30.92
36.	Lucknow	10.43	12.03	16.12	27.87	30.38	32.13
37.	Kanpur	9.39	10.37	12.10	21.25	24 49	28.39
38.	Allahabad	10.45	10.56	13.12	18.36	22.98	27.22
39.	Agra	10 01	8.85	11.66	17.70	21.32	29 20
40.	Meerut	10.43	10.84	12.96	15.01	19.65	25.55
41.	Chandigarh	10.98	13.06	17.20	25.94	23.43	30.44
42.	Simla	7 69	8.87	15.10	25.67	27.16	34.54
43.	Amritsar	9.31	9.45	12.59	18.12	20.57	25.64
44.	Srinagar	13 78	12.39	14.50	14.31	17.44	20.00
45.	Jammu	14.32	12.27	12 72	14.90	18.30	19.84

TABLE VIII.

DISTRIBUTION OF EXPENDITURE BY REGIONS

(Percentages)

Region	Food, Beverages, etc.	Fuel, Light etc.	Cloth-ing etc.	Hous-ing etc.	Miscel-laneous	Total
East	44.8	3.8	10.4	15.5	25.5	100
South	44.9	4.6	11.9	13.7	24.9	100
West	42.4	4.5	13.9	12.2	27 0	100
North	45.1	4.6	13 0	12.4	24.9	100

TABLE IX.

DISTRIBUTION OF EXPENDITURE BY CLASS OF CITIES

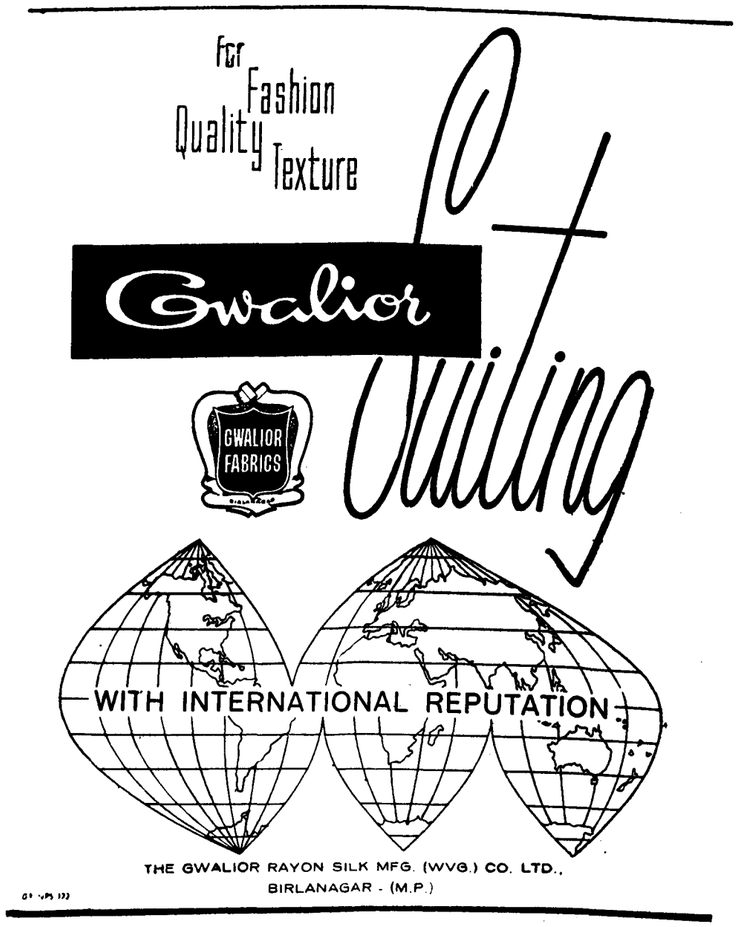
Class of centres		Food, Bever-ages, etc.	Fuel, Light, etc.	Cloth-ing etc.	Hous-ing etc.	Miscel-laneous	Total
Major cities	Rs.	148.64	14.0	44 31	55.42	106.13	368 50
	%	(40.34)	(3.80)	(12.02)	(15.04)	(28 80)	(100 00)
Minor cities	Rs.	116.02	12.97	31 82	36.65	65.93	263.39
	%	(44.05)	(4.92)	(12.08)	(13 92)	(25.03)	(100.00)
Other towns	Rs.	116.92	11.53	34 34	34.30	75.53	267.62
	%	(43.69)	(4.31)	(12.83)	(12 82)	(26.35)	(100.00)

NOTE:

Major cities: Cities with population of more than 12 lakhs— Bombay, Calcutta, Madras and Delhi.

Minor cites: Cities with population of 5 to 12 lakhs — Hyderabad, Bangalore, Poona, Nagpur, Ahmedabad, Lucknow and Kanpur.

Other towns: Towns with a population of less than 5 lakhs.



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